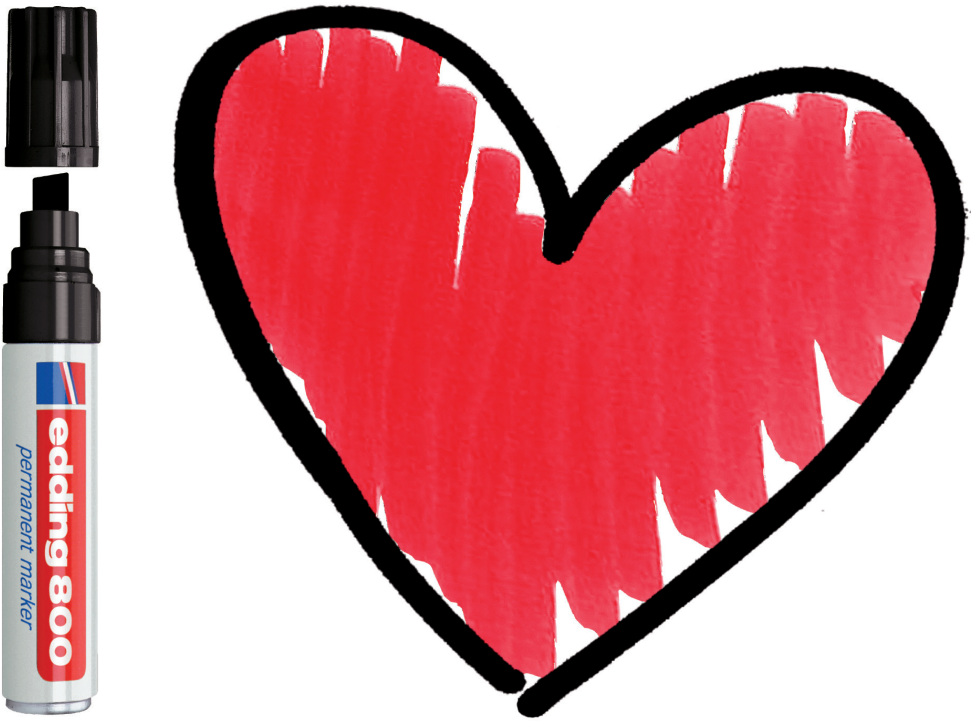

Half-Year Financial Report as at 30 June 2015

www.edding.com

Half-Year Financial Report as at 30 June 2015

edding Interim Group Management Report

Development of the business segments

Group sales for the first half of the 2015 financial year totalled € 65.3 million, which represents a rise of 7.8% compared with the same period last year. The sales growth results from both Group business segments.

Sales revenue is broken down by segment and region as follows:

	2015 01/01-30/06 € m	2014 01/01-30/06 € m	Change € m	Change %
Writing and Marking				
Germany	19.3	19.0	0.3	1.6
Other European countries	22.6	20.9	1.7	8.1
Overseas	4.8	3.8	1.0	26.3
	46.7	**43.7**	**3.0**	**6.9**
Visual Communication				
Germany	6.3	5.5	0.8	14.5
Other European countries	8.6	7.7	0.9	11.7
Overseas	0.4	0.3	0.1	33.3
	15.3	**13.5**	**1.8**	**13.3**
Other Office Products	**3.3**	**3.4**	**– 0.1**	**– 2.9**
Total	**65.3**	**60.6**	**4.7**	**7.8**

Writing and Marking

Sales in the Writing and Marketing business segment grew by 6.9% compared to the same period in the previous year.

In the **German market,** turnover was up slightly on 2014, with growth of 1.6%. This trend was, for example, positively influenced by the introduction of our new nail polish "edding L.A.Q.U.E.®" which is ultra-resistant to scratching and splitting thanks to the Permanent Resist® technology. It has been available in Germany in 58 colours since the end of April.

In the **other European markets,** sales increased by 8.1%. The main growth drivers are the UK and Turkey. In the UK, the school business was expanded once again. In Turkey, success was due to the intensification of existing customer relationships, which was initiated in the previous year, and the acquisition of new customers in the private end user segment. We posted the largest drop in sales in Russia. Besides the weak economic situation, the inventory built up by our customers at the end of last year had a dampening effect.

Overseas markets recorded a significant increase in sales of 26.3%. This was primarily due to our biggest overseas market, Argentina, even though the political and economic situation there remains critical. In this context, increased product availability at our subsidiary is currently leading to competitive advantages through which corresponding growth can be achieved.

As things stand, we expect sales growth in the Writing and Marking segment to weaken somewhat in the further course of the year compared to 2014, as the mentioned positive effects for the first half-year are unlikely to be repeated in the second half of the year which is traditionally stronger than the first half.

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Visual Communication

A marked increase in sales of 13.3% was achieved in the Visual Communication business segment across all regions. Sales revenue in **Germany** rose by 14.5%, based on significant sales growth in the area of e-screens (LED screens with touch technology). In the **other European markets** double-digit growth was also achieved, at 11.7%. Growth markets in this segment are the UK, Switzerland and the Netherlands. **Overseas** only modest sales are achieved, and these too were up on the same period in the prior year.

In the remaining course of the year we expect a slight decrease in the development of sales compared with the prior year because, particularly in Germany, the second half of 2014 was marked by higher sales revenue and in the first half of 2015 we were the supplier on large-scale individual projects.

Other Office Products

The slight decline versus the comparable period last year was principally due to the termination of a partner brand cooperation in Germany at the end of 2014.

Results of operations

The Group's profit before tax rose moderately in the first half of the year by € 0.8 million to € 5.2 million (previous year: € 4.4 million). This change year on year is attributable to various contrary factors.

For the first time, the Group's profit before tax contained the result, to be included on a proportionate basis using the equity method, from the stake in the Brazilian writing utensils manufacturer Companhia de Canetas Compactor S.A. (Rio de Janeiro) which amounted to € -0.2 million. However, the traditionally strong year-end business in South America raises the expectation that there will be an improvement in results over the rest of the year.

There was an improvement in the earnings before interest and taxes (EBIT) of € 1.1 million to € 5.5 million compared with the first half of 2014. The main reason was the € 3.8 million rise in gross profit in which both the € 4.7 million increase in sales revenue and the improvement in the gross profit ratio by 1.1 percentage points to 63.1% were contributing factors. While other operating income was up, this improved result was set against marked, largely budgeted-for increases in personnel costs and in other operating expenses.

Other operating income increased by € 0.9 million year on year. It includes a rise in exchange gains of € 0.5 million. This positive effect is virtually cancelled out by higher exchange losses in other operating expenses of € 0.4 million. An additional increase of € 0.2 million results from the recognition of non-cash remuneration values for company cars in Germany as other operating income, with an equivalent rise in personnel costs. From now on this procedure will be a regular occurrence instead of once a year.

The increase in employee benefits expenses of € 0.9 million is due to several factors. Besides the general increase in pay rates and the change in the non-cash remuneration values for company cars, as explained within the scope of other operating income, there was a significant inflation-induced wage increase in Argentina. In addition, one-time restructuring expenses in connection with the planned closure of edding Japan Inc. (Japan) as of 31 December 2015 are included in the half-yearly financial results for 2015. The main function of this company is the procurement of merchandise and raw materials for the Writing and Marking business segment. These activities, including minor distribution activities, will be transferred to edding International GmbH, as the retirement of managerial employees in the Japanese company is imminent. When assessing the higher personnel expenses and the simultaneous reduction in staff numbers (see the section on Employees) 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 expenses were € 2.8 million higher than the previous year. The largest cost increase resulted from external logistics. 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. Besides the exchange losses already mentioned, marketing, travel, consulting and IT costs especially increased as a result of intensified activity within the scope of Strategy 2020.

After the deduction of taxes on income, a consolidated result of € 3.4 million remains which is € 0.6 million higher than for the same period of the previous year.

Net assets and financial position

Total assets of the edding Group have risen by € 2.4 million, or 2.6%, to € 93.3 million since the last reporting date.

This increase is, on the one hand, a result of the continuing scheduled build-up of inventories by both segments. Moreover, an increase in the level of trade receivables due to operational factors, particularly with respect to our Turkish and British subsidiaries, was posted. The decrease in the level of cash and cash equivalents as at the half-year reporting date compared with 31 December 2014 had a compensatory effect as the increased inventories were largely funded from the Group's own resources.

Equity rose by € 2.0 million to € 46.3 million compared to the last balance sheet date. The net income for the period as well as effects from hedging transactions recognised in equity are set against the dividend payment made in the first half-year.

On the liabilities side, an increase of € 2.7 million in short-term financial liabilities was recorded in the first half of 2015. This upward movement was in particular triggered by the interim financing of the dividend payment as well as the utilisation of local credit lines in Turkey and Colombia. The scheduled repayment of long-term bank loans, on the other hand, reduced the amount of borrowed capital.

Other current liabilities and provisions also fell significantly by € 1.9 million which was largely due to two contrary factors. On the one hand, the lower amounts of accrued liabilities as of the reporting date, in particular the employee bonuses paid in the first half of the year, explain the sharp decrease in this balance sheet item. On the other hand, the higher VAT burden existing as at 30 June 2015 had a slightly compensatory effect.

The Group result adjusted for non-cash items was € 0.7 million higher than for the same period in 2014, yet overall a negative cash flow from operating activities of € -0.5 million resulted from the period under review, the same as the prior year level. This is in turn due to the cash-effective decrease in accrued liabilities, as the movements of both inventories and trade accounts receivable were comparable in both reporting periods.

The cash flow from investing activities continued to be negative in the reporting period at € -1.0 million and is comparable with the previous year's cash flow because of the essentially constant investment level.

The cash flow from financing activities in the first half of the 2015 financial year amounted to € -0.3 million which was € 0.6 million higher than in the same period last year. This is a reflection of the increase in new short-term loans taken out which was not fully offset by the scheduled repayment of long-term financial liabilities and a slight year-on-year rise in the dividend payment. The Group was solvent at all times in the first half of financial year 2015. This continues to be the case in the second half of financial year 2015.

Employees

The edding Group had a workforce of 618 employees on average in the first half of the year. Hence, staff numbers fell by 22 compared to the same period in 2014. The significant decrease is due to two essential structural changes. As the performance of the Mexican distribution company was considerably below our expectations, the production facility was closed in mid-2014 and distribution activity was transferred to a distribution partner at the end of 2014. Additionally, in the second half of the previous financial year, the German warehousing activities were transferred to an external logistics firm which was already working for the Group, in order to make logistics services more flexible. On the other hand, we have recruited new staff, particularly in sales and marketing, in the course of implementing our Strategy 2020.

Opportunities and risk report

With regard to the opportunities and risk assessment, reference is made to the Opportunities and Risk Report in the Group Annual Report as at 31 December 2014.

No further significant opportunities or risks beyond those presented in the 2014 annual report arose in the reporting period.

The renewed discussions about Greece's possible exit from the eurozone and the associated repercussions in Greece do not represent an important change in the risk situation for us due to our strict receivables management. Moreover, in terms of distribution, the edding Group has a broad risk diversification with sales in around 100 countries.

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Outlook

The Management Board regards the development of business in the first half of 2015 as positive. In terms of the further course of our business in the second half of 2015, we expect the strong sales trend to level off slightly based on the explained developments. We therefore stand by our existing forecast, as detailed in the 2014 annual report, that with moderate increases in sales revenue from both business segments, the operating result and the net income for the year overall will be on a par with last year. In terms of segment results, our previous forecast for financial year 2015 still applies. We thus anticipate unchanged results for Writing and Marking and a moderate increase in the results for Visual Communication, as we are still expecting higher costs, e.g. for marketing, particularly in the area of Writing and Marking.

Interim Consolidated Financial Statements of the edding Group

Consolidated statement of financial position

	30/06/2015 € m	31/12/2014 € m
ASSETS		
Property, plant and equipment and intangible assets	17.2	17.6
Investment property	0.6	0.6
Investments accounted for using the equity method	3.2	3.4
Deferred taxes	1.3	1.6
Income tax receivables	0.6	0.6
Other receivables and assets	4.4	3.8
Non-current assets	**27.3**	**27.6**
Inventories	31.5	28.6
Trade receivables	22.4	20.8
Income tax receivables	0.6	0.5
Cash and cash equivalents	8.6	10.3
Other receivables and assets	2.9	3.1
Current assets	**66.0**	**63.3**
	93.3	**90.9**
EQUITY AND LIABILITIES		
Equity	**46.3**	**44.3**
Provisions for pensions and similar obligations	15.2	15.3
Deferred tax liabilities	0.1	0.1
Non-current financial liabilities	2.8	3.8
Other non-current liabilities and provisions	1.0	1.1
Non-current liabilities	**19.1**	**20.3**
Income tax liabilities	0.4	0.4
Current financial liabilities	8.6	5.9
Trade payables	5.7	4.9
Other current liabilities and provisions	13.2	15.1
Current liabilities	**27.9**	**26.3**
	93.3	**90.9**

Consolidated income statement

	2015 01/01-30/06 € m	2014 01/01-30/06 € m
Sales revenue	65.3	60.6
Changes in inventories and own work capitalised	0.6	0.4
Total output	**65.9**	**61.0**
Raw materials and consumables used	– 24.3	– 23.2
Employee benefits expense	– 17.0	– 16.1
Depreciation expense	– 1.3	– 1.4
Other operating income	2.5	1.6
Other operating expense	– 20.3	– 17.5
Operating result (EBIT)	**5.5**	**4.4**
Income from equity-accounted investments	– 0.2	–
Financial result and result from investments	– 0.1	0,0
Group result before tax	**5.2**	**4.4**
Income taxes	– 1.8	– 1.6
Group result	**3.4**	**2.8**
Of which attributable to:		
Shareholders of edding AG	3.6	2.8
Non-controlling interests	– 0.2	0.0
Earnings per ordinary share (600,000 shares) *, **	3.38 €	2.63 €
Earnings per preference share (473,219 shares) *, **	3.40 €	2.65 €

* Presentation and calculation adjusted in comparison to the previous period. Please refer to the explanatory notes.
** Based on the expected dividend premium of the preference shares

Consolidated statement of comprehensive income

	2015 01/01-30/06 € m	2014 01/01-30/06 € m
Group result	**3.4**	**2.8**
Items that will subsequently not be reclassified to profit or loss		
Provisions for pensions and similar obligations:		
Actuarial gains/losses	0.0	0.0
Deferred taxes	0.0	0.0
Items that will subsequently be reclassified to profit or loss		
Difference from currency translation	0.2	– 0.7
Cash flow hedges:		
Fair value changes recognised in other comprehensive income	0.5	0.4
Transferred to profit and loss	0.2	0.3
Deferred taxes	– 0.2	– 0.2
Other comprehensive income net of tax	**0.7**	**– 0.2**
Total comprehensive income	**4.1**	**2.6**
Of which attributable to:		
Shareholders of edding AG	4.3	2.6
Non-controlling interests	– 0.2	0.0

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Consolidated statement of cash flows

	2015 01/01-30/06 € m	2014 01/01-30/06 € m
Group result adjusted for non-cash items	**4.7**	**4.0**
Cash flow from operating activities	– 0.5	– 0.5
Cash flow from investing activities	– 1.0	– 0.9
Cash flow from financing activities	– 0.3	– 0.9
Net change in cash and cash equivalents	**– 1.8**	**– 2.3**
Effect of exchange rate fluctuations	0.1	0.1
Cash and cash equivalents at the beginning of the period	10.3	7.9
Cash and cash equivalents at the end of the period	**8.6**	**5.7**

Consolidated statement of changes in equity

	Share capital € m	Capital reserves € m	Retained earnings and net earnings € m	Cash flow hedge reserve € m	Currency trans-lation reserve € m	Equity attrib. to share-holders of edding AG € m	Non-con-trolling interests € m	**Total** € m
01/01/2014	**5.4**	**4.2**	**33.0**	**– 0.7**	**– 2.9**	**39.0**	**0.3**	**39.3**
Group result	–	–	2.8	–	–	2.8	0.0	**2.8**
Dividend payment	–	–	– 1.9	–	–	– 1.9	–	**– 1.9**
Other changes	–	–	–	0.5	– 0.7	– 0.2	0.0	**– 0.2**
30/06/2014	**5.4**	**4.2**	**33.9**	**– 0.2**	**– 3.6**	**39.7**	**0.3**	**40.0**
01/01/2015	**5.4**	**4.2**	**38.1**	**– 0.3**	**– 3.5**	**43.9**	**0.4**	**44.3**
Group result	–	–	3.6	–	–	3.6	– 0.2	**3.4**
Dividend payment	–	–	– 2.1	–	–	– 2.1	–	**– 2.1**
Other changes	–	–	0.0	0.5	0.2	0.7	0.0	**0.7**
30/06/2015	**5.4**	**4.2**	**39.6**	**0.2**	**– 3.3**	**46.1**	**0.2**	**46.3**

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Explanatory notes

Segment reporting

For a breakdown of sales revenue with external customers, please refer to the Interim Group Management Report. Revenues did not accrue between the segments.

The segment results and reconciliation with the Group result before tax are as follows:

	2015 01/01-30/06 € m	2014 01/01-30/06 € m
EBIT Writing and Marking	8.9	8.2
EBIT Visual Communication	0.6	0.2
Segment result (EBIT)	**9.5**	**8.4**
EBIT edding AG	– 4.0	– 4.0
Consolidation	0.0	0.0
EBIT edding Group	**5.5**	**4.4**
Financial result and result from investments (including at-equity result)	– 0.3	0.0
Group result before tax	**5.2**	**4.4**

Accounting policies

The Interim Consolidated Financial Statements of the edding Group as at 30 June 2015 were prepared in accordance with IAS 34 “Interim financial reporting”. In so doing, all accounting standards that are mandatorily applicable in the EU as of 1 January 2015 have been applied.

The mandatory first-time application of the changes to IFRS 1, IFRS 3, IFRS 13 and IAS 40 as part of the annual improvements to IFRS (Annual Improvement Project) 2013 as well as the entry into force and application of the IFRIC Interpretation 21 do not have any material impact on the presentation of the net assets, financial position and results of operations of the edding Group.

In addition, the same accounting policies were applied in preparing these Interim Consolidated Financial Statements as for the Consolidated Financial Statements as at 31 December 2014. These policies are explained in detail in the Notes to the edding AG Group Annual Report 2014. The actuarial assumptions for the measurement of pension provisions are unchanged for these Interim Consolidated Financial Statements compared to the calculation parameters presented in the Consolidated Financial Statements as at 31 December 2014.

Income taxes have been determined by applying the average annual tax rate expected for the financial year as a whole.

Any significant changes in the net assets, financial position and results of operations are outlined in the Interim Group Management Report.

These Interim Consolidated Financial Statements have neither been audited pursuant to § 317 HGB (German Commercial Code) nor been subject to a review by an auditor.

Adjustment and presentation of the earnings per share

The presentation of the earnings per share has been adjusted in these Interim Consolidated 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. The dividends and the undistributed profits are allocated to the ordinary and preference shares pursuant to their subscription rights. In the opinion of the company, the adjustment will lead to a more transparent and appropriate representation of the earnings per share in accordance with IAS 33.

	2015 01/01-30/06	2014 01/01-30/06
Consolidated annual result excluding non-controlling interests	3.6 m €	2.8 m €
Number of ordinary shares	600,000	600,000
Number of preference shares	473,219	473,219
Earnings per ordinary share	3.38 €	2.63 €
Earnings per preference share	3.40 €	2.65 €

For the calculation, the expected dividend advantage of the preference shares compared with the ordinary shares, as stipulated in the articles of association and based on the existing dividend policy, of an anticipated four euro-cents for the year as a whole was included on a pro rata temporis basis for the period from January to June 2015.

For the comparative figures of the prior period as at 30 June 2014, the adjusted calculation led to the following adjustment of the reported earnings per share:

	2014 01/01-30/06 reported	2014 01/01-30/06 adjusted
Earnings per ordinary share	4.72 €	2.63 €
Earnings per preference share	–	2.65 €

Expenses for restructuring provisions

In the first half of 2015, restructuring expenses of € 0.3 million (in the first half of 2014: € 0.0 million) were recorded for the winding-up of the subsidiary edding Japan Inc. The operating activities previously carried out by the subsidiary will be undertaken by edding International GmbH from 1 January 2016.

Fair value disclosures

The following table shows book values and fair values of the financial assets and liabilities reported in the Interim Consolidated Financial Statements in accordance with the measurement categories pursuant to IAS 39 and the fair value hierarchy levels under IFRS 13. The fair value of a financial instrument corresponds to the amount for which an asset is exchanged or a liability is settled between knowledgeable, willing and mutually independent parties.

	Fair value hierarchy level[1]	30/06/2015 Book value € m	30/06/2015 Fair value € m	31/12/2014 Book value € m	31/12/2014 Fair value € m
Financial assets					
Loans and receivables		**32.6**	**32.6**	**32.5**	**32.5**
Trade receivables	–	22.4	22.4	20.8	20.8
Other receivables and assets (excl. derivatives)	–	1.6	1.6	1.4	1.4
Cash and cash equivalents	–	8.6	8.6	10.3	10.3
Assets measured at fair value		**1.0**	**1.0**	**0.6**	**0.6**
Financial assets held for trading	1	0.4	0.4	0.5	0.5
Derivatives with positive fair value with a hedging relationship (cash flow hedges)	2	0.4	0.4	0.0	0.0
Derivatives with positive fair value without a hedging relationship held for trading	2	0.2	0.2	0.0	0.0

	Fair value hierarchy level[1]	30/06/2015 Book value € m	30/06/2015 Fair value € m	31/12/2014 Book value € m	31/12/2014 Fair value € m
Financial assets available for sale		**0.1**	**n.a.**	**0.1**	**n.a.**
Holdings	n.a.	0.1	n.a.	0.1	n.a.
Financial liabilities					
Other financial liabilities measured at cost		**24.1**	**24.4**	**22.2**	**22.4**
Liabilities to banks	–	7.8	8.0	5.8	6.0
Other financial liabilities	–	3.6	3.7	3,9	3.9
Trade payables	–	5.7	5.7	4.9	4.9
Other financial liabilities (excl. derivatives)	–	7.0	7.0	7.6	7.6
Liabilities measured at fair value through profit or loss		**0.0**	**0.0**	**0.5**	**0.5**
Derivatives with negative fair value with a hedging relationship (cash flow hedges)	2	–	–	0.1	0.1
Derivatives with negative fair value without a hedging relationship	2	0.0	0.0	0.4	0.4

The measurement methods and input factors for the valuation of financial assets and liabilities have not changed in comparison with the Consolidated Financial Statements as at 31 December 2014. There have also been no transfers between the levels of the fair value hierarchy since then.

[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.

Scope of consolidation

There were no changes in the scope of consolidation compared to the Consolidated Financial Statements as at 31 December 2014.

Dividends

The edding AG Annual General Meeting passed a resolution on 24 June 2015 to pay the following dividends from the 2014 unappropriated retained earnings to the shareholders:

€ 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

Related party disclosures according to IAS 24

No significant business transactions were effected with the majority shareholder Volker Detlef Ledermann or his relatives in the first half of 2015.

Furthermore, 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 sit. This also applies to close family members of this group of people.

Likewise, no business transactions were conducted with associated companies.

Contingent liabilities

As at the reporting date, there were contingent liabilities arising from granted guarantees of € 0.2 million (31/12/2014: € 0.2 million).

Post balance sheet date events

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

Responsibility Statement

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

Ahrensburg, August 2015

edding Aktiengesellschaft

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