Half-Year Financial Report as at 30 June 2016

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Key figures for the Group

	2016 01/01-30/06 € m	2015 01/01-30/06 € m
Results of operations		
EBIT	5.3	5.5
as % of sale	7.6 %	8.4 %
Group result	3.5	3.4
as % of equity as at 30 June (return on equity)	6.7 %	7.3 %
Sales revenue	69.9	65.3
Change	7.0 %	7.8 %
Share of foreign business	59.3 %	59.7 %
Gross profit[1]	44.6	41.6
as % of total output	63.3 %	63.1 %
Employee benefits expense	17.7	17.0
as % of sales	25.3 %	26.0 %
Employees (annual average)	636	618
	30/06/2016 € m	31/12/2015 € m
Net assets and financial position		
Total assets	98.4	98.5
Change	– 0.1 %	n.a.
Equity	52.3	50.2
as % of total assets	53.2 %	51.0 %

[1] excluding other operating income

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Development of the business segments

Group sales for the first half of the 2016 financial year totalled € 69.9 million. This corresponds to a rise of 7.0% 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:

	2016 01/01-30/06 € m	2015 01/01-30/06 € m	Change € m	Change %
Writing and Marking				
Germany	20.6	19.3	1.3	6.7
Other European countries	25.6	22.6	3.0	13.3
Overseas	3.4	4.8	– 1.4	– 29.2
	49.6	**46.7**	**2.9**	**6.2**
Visual Communication				
Germany	6.9	6.3	0.6	9.5
Other European countries	9.6	8.6	1.0	11.6
Overseas	0.4	0.4	0.0	0.0
	16.9	**15.3**	**1.6**	**10.5**
Other Office Products	**3.4**	**3.3**	**0.1**	**3.0**
Total	**69.9**	**65.3**	**4.6**	**7.0**

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Writing and Marking business segment

Sales in the Writing and Marking business segment grew by 6.2% compared to the same period in the previous year.

In the **German market** sales growth of 6.7% was achieved. Positive developments resulted from both the business-to-business (B2B) and the business-to-consumer (B2C) sales channels, meaning that significant growth could, for example, be achieved in online trading. This trend was generally supported by positive economic effects in Germany, leading to strong demand amongst both industrial end users and authorities and schools. Growth in July weakened somewhat due to seasonal shifts.

In **other European markets** we posted a higher growth rate of 13.3%. The main growth drivers are the markets in Turkey, Russia, Spain and the Netherlands. Targeted activities in these markets have had a positive effect on revenues. Hence, in the Netherlands sales in the B2C sector could especially be increased through the acquisition of new trading partners. In Spain, the country's improved economic performance has produced additional positive impetus.

On the other hand, the **Overseas markets** have experienced a sharp fall in sales of 29.2%, shaped mainly by the markets in Argentina and Colombia. Following the election of Mauricio Macri and the new government's corrective measures, Argentina's economic situation continues to be characterised by uncertainty and instability, with high inflation and devaluation. In our industry this is also leading to a sharp downturn in consumption and gains in market shares through cheap products. In Colombia, the general economic conditions also remained weak, and the previous year saw an increase in the levels of stock held by large numbers of wholesalers.

As things stand at the moment, we expect a slight year-on-year drop in sales growth in the Writing and Marking segment during the rest of 2016, as the said seasonal shifts, which are also apparent in Turkey as well as Germany, will have a negative effect on sales in the second half of the year. Moreover, our sales, which are traditionally higher in the second half of the year, are especially driven by the markets in South America, which are currently developing at a structurally weaker rate.

Visual Communication business segment

Once again a significant increase in sales of 10.5% was achieved in the business segment Visual Communication. This was generated in both the German market and the other markets in Europe. Sales revenues in **Germany** were raised by 9.5%. In comparison with previous years this was reflected not only in the continuing very positive development of revenue from e-screen sales (LED screens with touch technology), with sales in the traditional visual communication segment also improving. In the **other European markets** double-digit growth of 11.6% was also achieved. The principal growth driver here is Switzerland due to a large-scale school project. **Overseas** sales were at the same level as the previous year.

We expect the existing sales trend in the Visual Communication segment to decrease over the rest of 2016 compared with the previous year, as especially in Germany the second half of 2015 was characterised by high sales revenue.

Other Office Products

The small increase compared to the same period last year is the result of slightly higher sales from the licence business with printer cartridges.

Results of operations

As expected, the **Group earnings before interest and taxes (EBIT)** fell slightly compared with the first half-year 2015 from € 5.5 million to € 5.3 million. The sales revenue-related increase in gross profit of € 3.0 million was offset in particular by higher other operating expenses and higher personnel costs.

Other operating income fell by € 0.4 million year on year. This is mainly due to the lower income from the release of accruals by comparison with the previous year.

The rise in **personnel costs** of € 0.7 million can be attributed to the year-on-year increase in the edding Group's headcount along with the general wage increases.

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Other operating expenses were € 2.2 million higher than the previous year. The largely unrealised exchange rate losses rose by € 1.2 million, especially as a result of the devaluation of the Argentine peso and the associated valuation of inter-group receivables as well as the valuation of our currency hedging instruments. By contrast, the conditions for the future procurement of goods had partially improved. In addition, especially activities within the framework of Strategy 2020 led to an increase in advertising and marketing costs, IT costs and supplementary staff costs (due to vacancies being partially filled externally and staff recruitment).

The **Group earnings before taxes** were at the previous year's level. Last year this included the earnings to be included on a proportionate basis using the equity method from the investment in the Brazilian writing utensils manufacturer Companhia de Canetas Compactor S.A. (Rio de Janeiro) of € -0.2 million. With effect from 31 December 2015 the company no longer has to be consolidated in the group financial statements under the equity method. For the accounting treatment of the stake, please refer to the information in the annual report as at 31 December 2015.

After the deduction of taxes on income, a **Group result** of € 3.5 million remains, which is € 0.1 million higher than for the same period of the previous year.

Net assets and financial position

The total assets of the edding Group have remained largely constant compared to the last balance sheet date at € 98.4 million (31 December 2015: € 98.5 million).

However, on the assets side of the balance sheet there are several opposing effects that resulted in the total assets remaining unchanged. Firstly, trade accounts receivable rose due to operational factors, especially at our Turkish and at one Dutch subsidiary, and inventories increased in the period under review. This was offset by a sharp decrease in cash and cash equivalents of € 4.6 million compared to 31 December 2015 as at the half-year reporting date, as the higher business volume was financed from the company's own funds. In addition, the annual dividend is distributed in the first half of the year, which also reduces the amount of cash reserves as at the half-year reporting date.

Equity rose by € 2.1 million to € 52.3 million compared to the last balance sheet date. The net income for the period as well as positive effects from hedging transactions recognised in equity are set against the above-mentioned dividend payment.

On the liabilities side non-current and current liabilities fell slightly in the first half of 2016. In the non-current area the slight reduction in pension liabilities and the scheduled repayment of long-term financial liabilities are responsible for this.

Above all within current liabilities other current liabilities and provisions fell by € 1.0 million, which is due to several opposing effects. 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 decrease in this balance sheet item. Additionally, the existing provision as at 31 December 2015 for the closure of our Japanese subsidiary was utilised in the first half of 2016. This was slightly offset by the existing higher accrual for advertising cost subsidies as at 30 June 2016.

The Group result adjusted for non-cash items was € 0.6 million higher, yet overall there was a negative cash flow from operating activities of € -1.0 million in the period under review, slightly more than in the prior year. This can particularly be attributed to the rise in trade accounts receivable in the first half of 2016.

The cash flow from investing activities of € -0.8 million in the period under review is comparable with the previous year's cash flow because of the virtually constant level of investment.

The cash flow from financing activities in the first half of the 2016 financial year of € -2.7 million fell well short of the previous year's figure by € 2.4 million. This is a reflection of the comparatively sharp decline in the assumption of new short-term loans, which in the first half of the previous year largely compensated for the scheduled repayment of long-term financial liabilities and dividend payments.

The Group was solvent at all times in the first half of financial year 2016. This continues to be the case in the second half of financial year 2016.

Employees

The edding Group had a workforce of 636 employees on average in the first half of the year. Hence, staff numbers rose by 18 compared to the same period in 2015. This is the result of recruitment of staff in Germany, whereas the number of foreign employees went down slightly. The domestic increase is mainly attributable to the strategic expansion of the marketing and sales divisions, which started in 2015.

Opportunities and risk report

As regards the opportunities and risk assessment, reference is made to the Opportunities and Risk Report in the Group Annual Report as at 31 December 2015. We would like to comment on the changed general conditions as follows:

Our assessment of the unstable situation and possible setbacks in Turkey has been confirmed by the attempted coup and the corresponding political consequences. This could have a negative effect on the revenue situation in Turkey and lead to a devaluation of the Turkish lira, which would in turn increase the purchasing costs of our Turkish subsidiary. We are not expecting any material effects in 2016. At present it is difficult to predict the further development of events. Overall the situation described does not represent a significant change in the risk situation.

At the present time the effects of the Brexit vote in the United Kingdom cannot be fully estimated. Devaluation of the British pound already took place at the beginning of Q3, and we expect it to depreciate further over time. Therefore, our UK-based subsidiary, edding (U.K.) LTD., may experience a further increase in the costs pertaining to the procurement of goods, which are likely to be passed onto the market at least in part through price increases in the absence of locally producing competitors. In addition, economic output in the UK is expected to decline, which may lead to lower sales. We assume that we can compensate for at least part of this through the expanded market position in previous years. The company's share in the group's revenue in 2015 was 8%. As things stand at present, we are not expecting any major impact on the earnings situation.

As developments in the UK and Turkey are having an impact on the overall economy in Europe, we are currently seeing particularly high volatilities in exchange rates once again. We regularly look at possible hedging measures within the scope of risk management. At present we do not believe that the said developments could lead to risks that would pose a threat to edding's continued existence, such as relevant negative effects on the sales situation. Overall the distribution in around 100 countries worldwide leads to broad risk diversification within the group.

No further significant opportunities or risks beyond those presented in the 2015 annual report arose in the reporting period.

Outlook

The Management Board regards the development of business in the first half of 2016 as positive. In terms of the further course of our business in the second half of 2016, we expect a slight downturn in the strong sales trend as a result of the explained developments. In addition, we are expecting higher costs in the second half of the year, especially in the area of marketing. Therefore, after weighing up the current opportunities and risks, we are sticking to our existing forecast within the scope of the annual report 2015, in that we expect a moderate decline in results with increasing sales generated from the two business segments. In terms of segment results we continue to expect a slight improvement in the results for Visual Communication and a moderate decline in the results for Writing and Marking, although at present the reverse situation can be seen. The reason for this is the anticipated substantial increase in marketing costs compared with the first half of 2016 in the Writing and Marking segment. Therefore, we also confirm the forecast corridor for our key control parameters specified within the scope of the annual report.

Alternative Performance Measures

In this edding Interim Group Management Report the following Alternative Performance Measures are used to explain the net assets, financial position and results of operations, which are not defined under IFRS:

Group earnings before interest and taxes (EBIT)
Total output less cost of materials, personnel expenses and depreciation plus other operating income and less other operating expenses. EBIT is the most important key figure for profit management in the edding Group. The reconciliation is shown in the consolidated income statement of these interim consolidated financial statements. No adjustment has been made for any extraordinary income or expenses.

Gross profit
Total output less cost of materials. The reconciliation is shown in the consolidated income statement of these interim consolidated financial statements.

Group earnings before taxes (EBT)
EBIT plus investment income and financial result, before taking into account taxes on income as well as deferred tax expenses/tax income. The reconciliation is shown in the consolidated income statement of these interim consolidated financial statements.

Group result adjusted for non-cash items
Group result plus non-cash expenses and less non-cash income. The non-cash expenses and income in the edding Group normally result from depreciation and amortisation of non-current assets, unrealised foreign currency losses/gains, deferred tax claims, changes in pension provisions as well as impairment of inventories and trade accounts receivable and other receivables. The reconciliation of the Group result adjusted for non-cash items is shown in the consolidated statement of cash flows of these interim consolidated financial statements.

Interim Consolidated Financial Statements of the edding Group

Consolidated statement of financial position

	30/06/2016 € m	31/12/2015 € m
ASSETS		
Property, plant and equipment and intangible assets	16.4	16.7
Investment property	0.7	0.7
Other holdings	3.5	3.5
Deferred tax assets	1.0	1.5
Income tax receivables	0.1	0.3
Other receivables and assets	4.8	4.5
Non-current assets	**26.5**	**27.2**
Inventories	30.1	29.1
Trade receivables	25.5	21.4
Income tax receivables	0.5	0.3
Other receivables and assets	3.3	3.4
Cash and cash equivalents	12.5	17.1
Current assets	**71.9**	**71.3**
	98.4	**98.5**
EQUITY AND LIABILITIES		
Equity	**52.3**	**50.2**
Provisions for pensions and similar obligations	14.6	15.2
Deferred tax liabilities	0.1	0.1
Non-current liabilities	3.7	4.0
Other non-current liabilities and provisions	1.6	1.8
Non-current liabilities	**20.0**	**21.1**
Current financial liabilities	6.1	6.4
Trade payables	5.9	5.3
Income tax liabilities	0.3	0.7
Other current liabilities and provisions	13.8	14.8
Current liabilities	**26.1**	**27.2**
	98.4	**98.5**

Consolidated income statement

	2016 01/01-30/06 € m	2015 01/01-30/06 € m
Sales revenue	69.9	65.3
Changes in inventories and own work capitalised	0.6	0.6
Total output	**70.5**	**65.9**
Raw materials and consumables used	– 25.9	– 24.3
Employee benefits expense	– 17.7	– 17.0
Depreciation expense	– 1.2	– 1.3
Other operating income	2.1	2.5
Other operating expenses	– 22.5	– 20.3
Group earnings before interest and taxes (EBIT)	**5.3**	**5.5**
Net result from equity-accounted companies	–	– 0,2
Financial result and result from investments	– 0.1	– 0.1
Group earnings before taxes (EBT)	**5.2**	**5.2**
Income taxes	– 1.7	– 1.8
Group result	**3.5**	**3.4**
of which attributable to:		
Shareholders of edding AG	3.7	3.6
Non-controlling interests	– 0.2	– 0.2
Basic / diluted earnings per ordinary share (600,000 shares)*	3.40 €	3.36 €
Basic / diluted earnings per preference share (473,219 shares)*	3.47 €	3.43 €

*Presentation and calculation adjusted in comparison with the half-yearly financial report as at 30 June 2015. Please refer to the explanatory notes.

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Consolidated statement of comprehensive income

	2016 01/01-30/06 € m	2015 01/01-30/06 € m
Group result	**3.5**	**3.4**
Items which are not subsequently reclassified to profit or loss		
Provisions for pensions and similar obligations:		
Actuarial gains/losses (pensions)	0.0	0.0
Deferred taxes	0.0	0.0
Items which are subsequently reclassified to profit or loss		
Difference from currency translation	– 0.4	0.2
Cash flow hedges:		
Fair value changes recognised in other comprehensive income	1.9	0.5
Transferred to profit and loss	– 0.4	0.2
Deferred taxes	– 0.4	– 0.2
Other comprehensive income net of tax	**0.7**	**0.7**
Total comprehensive income	**4.2**	**4.1**
of which attributable to:		
Shareholders of edding AG	4.4	4.3
Non-controlling interests	– 0.2	– 0.2

Consolidated statement of cash flows

	2016 01/01-30/06 € m	2015 01/01-30/06 € m
Group result	3.5	3.4
+ depreciation of fixed assets	1.2	1.3
– decrease in provisions for pensions	– 0.6	0.0
+ decrease in deferred tax claims	0.5	0.4
+ / – unrealised foreign currency losses / gains	0.6	– 0.2
– reduction of valuation allowances on inventories	– 0.2	– 0.2
+ increase in valuation allowances on receivables	0.1	0.0
+ / – other non-cash expenses / income	0.2	0.0
Group result adjusted for non-cash items	**5.3**	**4.7**
– increase in inventories	– 0.8	– 2.7
– increase in trade receivables	– 4.1	– 1.6
– increase in other assets	– 1.1	0.0
+ / – increase / decrease in trade payables	0.6	0.8
+ / – increase / decrease in other liabilities	– 0.9	– 1.7
Cash flow from operating activities	**– 1.0**	**– 0.5**
+ cash receipts from the sale of intangible assets and property, plant and equipment	0.0	0.1
– / + cash payments for investments / payments from divestments		
Property, plant and equipment	– 0.6	– 0.7
Intangible assets	– 0.2	– 0.4
Cash flow from investing activities	**– 0.8**	**– 1.0**
– dividend payment	– 2.1	– 2.1
+ cash receipts from borrowings	0.5	3.8
– cash payments for the redemption of loans	– 1.1	– 1.7
– cash payments from current liabilities	0.0	– 0.3
Cash flow from financing activities	**– 2.7**	**– 0.3**
Net change in cash and cash equivalents	– 4.5	– 1.8
+ / – effect of exchange rate fluctuations	– 0.1	0.1
+ cash and cash equivalents at the beginning of the period	17.1	10.3
Cash and cash equivalents at the end of the period	**12.5**	**8.6**

Consolidated statement of changes in equity

	Share capital € m	Capital reserves € m	Retained earnings and net earnings € m	Cash flow hedge reserve € m	Currency translation reserve € m	Equity attrib. to shareholders of edding AG € m	Non-controlling interests € m	**Total** € m
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**
01/01/2016	**5.4**	**4.2**	**44.6**	**0.3**	**– 4.5**	**50.0**	**0.2**	**50.2**
Konzernergebnis	–	–	3.7	–	–	3.7	– 0.2	**3.5**
Dividendenzahlung	–	–	– 2.1	–	–	– 2.1	–	**– 2.1**
Übrige Veränderungen	–	–	0.0	1.1	– 0.4	0.7	0.0	**0.7**
30/06/2016	**5.4**	**4.2**	**46.2**	**1.4**	**– 4.9**	**52.3**	**0.0**	**52.3**

Explanatory notes

Segment reporting

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

The segment results and reconciliation with the Group earnings before taxes are as follows:

	2016 01/01-30/06 € m	2015 01/01-30/06 € m
EBIT Writing and Marking	9.6	8.9
EBIT Visual Communication	0.4	0.6
Segment result (EBIT)	**10.0**	**9.5**
EBIT edding AG	– 4.6	– 4.0
Consolidation	– 0.1	0.0
EBIT edding Group	**5.3**	**5.5**
Financial result and result from investments including equity-accounted results	– 0.1	– 0.3
Group earnings before taxes (EBT)	**5.2**	**5.2**

Accounting policies

The Interim Consolidated Financial Statements of the edding Group as at 30 June 2016 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 2016 have been applied.

The first-time application of changes to standards did not have any significant impact on the presentation of the net assets, financial position and results of operations of the edding Group in the current financial year.

Otherwise, the same accounting policies were applied in preparing these Interim Consolidated Financial Statements as for the Consolidated Financial Statements as at 31 December 2015. These policies are explained in detail in the Notes to the edding AG Group Annual Report 2015. 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 2015.

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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 earnings per share corresponds in these Interim Consolidated Financial Statements to the presentation and calculation methodology of earnings per share as disclosed in the Group Annual Report 2015. The earnings per share pursuant to IAS 33 as at 30 June 2016 is calculated as follows:

	2016 01/01-30/06 € m	2015 01/01-30/06 € m
Group result attributable to shareholders of edding AG	3.7	3.6
Less preferred dividends paid in the financial year	0.9	0.9
Less ordinary share dividends paid in the financial year	1.2	1.2
Sub-total	**1.6**	**1.5**
Number of ordinary shares	600,000	600,000
Number of preference shares	473,219	473,219
Undistributed earnings attributable to ordinary shareholders	0.9	0.8
Undistributed earnings attributable to preference shareholders	0.7	0.7
Sub-total	**1.6**	**1.5**
Distributed earnings per ordinary share	1.91 €	1.91 €
Undistributed earnings per ordinary share	1.49 €	1.45 €
Basic / diluted earnings per ordinary share	**3.40 €**	**3.36 €**
Distributed earnings per preference share	1.95 €	1.95 €
Undistributed earnings per preference share	1.52 €	1.48 €
Basic / diluted earnings per preference share	**3.47 €**	**3.43 €**

For the calculation, the dividend advantage of the preference shares compared with the ordinary shares of 2%, as stipulated in the articles of association, was also taken into account for the undistributed earnings and the dividend distribution resolved by the shareholders' meeting in the financial year. For the comparative figures of the prior period as at 30 June 2015, the adjusted calculation led to the following adjustment of the reported earnings per share under IAS 8:

	2015 01/01-30/06 reported	2015 01/01-30/06 adjusted
Basic / diluted earnings per ordinary share (600,000 shares)	3.38 €	3.36 €
Basic / diluted earnings per preference share (473,219 shares)	3.40 €	3.43 €

Expenses for restructuring provisions

In the first half of 2016 the closure process for the subsidiary edding Japan was almost complete. The provision set up for restructuring expenses (31 December 2015: € 0.4 million) was almost utilised in full.

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]	30/06/2016 Book value € m	30/06/2016 Fair value € m	31/12/2015 Book value € m	31/12/2015 Fair value € m
Financial assets					
Loans and receivables		**39.3**	**39.3**	**39.8**	**39.8**
Trade receivables	–	25.5	25.5	21.5	21.5
Other receivables and assets (excl. derivatives)	–	1.3	1.3	1.2	1.2
Cash and cash equivalents	–	12.5	12.5	17.1	17.1
Assets measured at fair value		**2.2**	**2.2**	**1.1**	**1.1**
Financial assets held for trading	1	0.2	0.2	0.2	0.2
Derivatives with positive fair value with a hedging relationship (cash flow hedges)	2	1.9	1.9	0.5	0.5
Derivatives with positive fair value without a hedging relationship held for trading	2	0.2	0.2	0.4	0.4

	Fair value hierarchy level[1]	30/06/2016 Book value € m	30/06/2016 Fair value € m	31/12/2015 Book value € m	31/12/2015 Fair value € m
Financial assets available for sale		**3.5**	**n.a.**	**3.5**	**n.a.**
Holdings	n.a.	3.5	n.a.	3.5	n.a.
Financial liabilities					
Other financial liabilities measured at cost		**22.8**	**22.9**	**22.8**	**23.0**
Liabilities to banks	–	6.6	6.7	7.1	7.3
Other financial liabilities	–	3.2	3.2	3.3	3.3
Trade payables	–	5.9	5.9	5.3	5.3
Other financial liabilities (excl. derivatives)	–	7.1	7.1	7.1	7.1
Liabilities measured at fair value through profit or loss		**– 0.2**	**– 0.2**	**– 0.2**	**– 0.2**
Derivatives with negative fair value with a hedging relationship (cash flow hedges)	2	–	–	0.0	0.0
Derivatives with negative fair value without a hedging relationship	2	– 0.2	– 0.2	– 0.2	– 0.2

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 2015. 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.

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Scope of consolidation

The leasing agreement of DEGEDESTRA Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG for the business premises in Wunstorf expired on 29 February 2016. In this context, edding AG acquired the 2% limited partner shares from the existing external limited partner and the newly formed 100% subsidiary EDWU Grundstücksverwaltungsgesellschaft mbH joined the company as general partner. DEGEDESTRA was subsequently renamed EDWU Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG and continued to operate entirely within the edding Group and be fully consolidated. Furthermore, the new general partner was included in the scope of consolidation. There were no other changes in the scope of consolidation as at 30 June 2016 compared with the consolidated financial statements as at 31 December 2015.

Dividends

The edding AG Annual General Meeting passed a resolution on 15 June 2016 to pay the following dividends from the 2015 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 noteworthy business activities were effected with the majority shareholder Volker Detlef Ledermann or his relatives in the first half of 2016.

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.

Contingent liabilities

As at the reporting date, there were contingent liabilities arising from granted guarantees of € 0.2 million (31/12/2015: € 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 2016

edding Aktiengesellschaft

The Management Board

Per Ledermann   Thorsten Streppelhoff   Sönke Gooss

edding Aktiengesellschaft
7 Bookkoppel
22926 Ahrensburg, Germany
Tel.: +49 (0)4102 / 808-0
E-mail: investor@edding.de
www.edding.de

Management Board: Per Ledermann,
Thorsten Streppelhoff, Sönke Gooss
Chairman of the Supervisory Board:
Rüdiger Kallenberg
Registered Office: Ahrensburg
Register of Companies: Lübeck HRB 2675 AH