Half-Year Financial Report as at 30 June 2017

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Key figures for the Group

	2017 01/01-30/06 € m	2016 01/01-30/06 € m
Results of operations		
EBIT	5.4	5.3
as % of sales	7.5 %	7.6 %
Group result	3.5	3.5
as % of equity as at 30 June (return on equity)	6.3 %	6.7 %
Group earnings before taxes	5.4	5.2
Sales revenue	71.7	69.9
Change	2.6 %	7.0 %
Foreign business	59.0 %	59.3 %
Gross profit[1]	45.4	44.6
as % of total output	62.8 %	63.3 %
Employee benefits expense	18.3	17.7
as % of sales	25.5 %	25.3 %
Employees (annual average)	645	636
	30/06/2017 € m	31/12/2016 € m
Net assets and financial position		
Total assets	98.7	98.7
Change	0.0 %	n/a
Equity	55.3	55.0
as % of total assets	56.0 %	55.7 %
2nd degree liquidity (Quick ratio as %)	166.0 %	169.4 %

[1] excluding other operating income

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Development of the business segments

Group sales for the first half of the 2017 financial year totalled € 71.7 million, which represents a rise of 2.6 % compared with the same period in the previous year. The sales growth results from both Group business segments, with a disproportionate increase in the Visual Communication segment.

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

	2017 01/01-30/06 € m	2016 01/01-30/06 € m	Change € m	Change %
Writing and Marking				
Germany	20.7	20.6	0.1	0.5
Other European countries	25.2	25.6	– 0.4	– 1.6
Overseas	4.2	3.4	0.8	23.5
	50.1	**49.6**	**0.5**	**1.0**
Visual Communication				
Germany	7.7	6.9	0.8	11.6
Other European countries	10.1	9.6	0.5	5.2
Overseas	0.4	0.4	0.0	0.0
	18.2	**16.9**	**1.3**	**7.7**
Other Office Products	**3.4**	**3.4**	**0.0**	**0.0**
Total for the Group	**71.7**	**69.9**	**1.8**	**2.6**

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Writing and Marking business segment

Sales in the Writing and Marking business segment grew by 1.0 % and were therefore roughly at the same level as in the previous year.

In the **German market,** stable year-on-year sales revenue was achieved. We are seeing a decline in sales with key international customers, the majority of which are shifting to national customers. In addition, new listings were generated, especially in the area of food retail and DIY stores/home improvement centres (“Modern Mass Market”) with both existing and new products. Accordingly, we are expecting a slight improvement in the sales trend in the further course of the year.

In the **other European markets,** sales fell by 1.6 %. Robust sales growth in the Netherlands, France and Hungary only partially compensated a marked decline in Great Britain, Russia, Turkey and Spain. The downturns, measured here in euros, were attributable in Turkey entirely, and in Great Britain largely, due to devaluation of the respective national currencies. In Russia, there were notable shifts in sales revenues in the second half of the year as a result of a change in the delivery process. In the Netherlands, sales in the business-to-consumer segment in particular were expanded further once again.

The **Overseas markets** have experienced a significant revenue increase of 23.5 %, which does not reflect real growth because of inflation in Colombia and Argentina and a further devaluation of the Argentinian peso. In Argentina, the economic situation is still very difficult. Inflation, devaluation, high unemployment and low consumption combined with heightened price pressure are continuing and may increase even further as a result of elections in the second half of the year. Adjusted for inflation, turnover was kept at a more or less stable level, which can be counted as a success under the circumstances. In Colombia, real sales growth is also stable under continuing difficult economic conditions. In addition, sales growth in euros is the result of an increase in Saudi Arabia and Guatemala. This is partly due to customers bringing forward purchases which were originally planned for the second half of the year. The aforementioned effects will lead to a slowdown in the previous trend in the second half of the year compared with the previous year.

Based on the described effects from all the regions, we are currently expecting sales growth in the Writing and Marking segment to improve slightly in the further course of the year.

Visual Communication business segment

Once again a significant increase in sales of 7.7 % was achieved in the Visual Communication business segment. This was generated in both the German market and the other markets in Europe. The trend was supported by, amongst other things, new products such as Magic Chart Notes, which use electrostatic adhesion and are a symbiosis of presentation cards and sticky notes, and also glassboards and a special e-screen range (LED screens with touch technology) for the education segment.

Sales revenue in **Germany** was increased very significantly by 11.6 %. As in the previous year, this was due to both the continued very positive development of e-screen sales and a sharp increase in sales in traditional visual communication. In the **other European markets** growth of 5.2 % was achieved, to which various markets contributed. Here Denmark, Turkey, Great Britain and the Netherlands are particularly worthy of mention. The only market with a notable decline is Switzerland, which experienced very high growth in the previous year due to a major school project, amongst other factors. **Overseas** sales were at the same level as the previous year.

We expect the existing sales trend in the Visual Communication segment to weaken slightly over the rest of 2017 compared with the previous year, as especially in Germany the second half of 2016 was characterised by high sales increases.

Other Office Products

Overall this segment is displaying a stable trend.

Results of operations

Group earnings before interest and taxes (EBIT) of € 5.4 million were at the same level as in the first half of 2016. The sales-related increase in gross profit of € 0.8 million was offset in particular by higher personnel costs and lower other operating income.

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Other operating income fell by € 0.3 million year on year. This was the result of lower exchange rate gains of € 0.7 million. This decline was partially compensated by higher other income, for example in connection with the release of bad debt provisions on receivables or the sale of our production company's services. Other operating expenses include a decrease in exchange rate losses, giving a negative effect from changes in exchange rates totalling € 0.3 million. This results from the valuation of our currency hedging instruments and the valuation of intragroup receivables. The appreciation of the euro against the US dollar and the Turkish lira had a particular impact here.

The rise in **personnel costs** of € 0.6 million can be attributed to the year-on-year increase in the edding Group's headcount along with the general wage increases.

Other operating expenses were slightly below the previous year's level. Various effects roughly offset each other. Apart from the already outlined decrease in exchange rate losses, we should especially mention lower year-on-year costs for IT and premises, due in part to the postponement of maintenance and similar activities. This must be set against higher year-on-year logistical expenses, for example.

Group earnings before taxes were € 0.2 million higher than the previous year's level due to a slightly better financial result.

After taxes, a stable **Group result** of € 3.5 million remained. The slightly higher tax ratio was partly attributable to changes in tax rates at several Group companies as well as a more negative result by the Argentine subsidiary, coinciding with a rise in the minimum payable Argentine tax.

Net assets and financial position

The total assets of the edding Group have remained constant compared to the last balance sheet date at € 98.7 million (31 December 2016: € 98.7 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 receivables rose due to the business trend, especially at our Turkish subsidiary and at one Dutch subsidiary, and inventories increased slightly in the period under review. This was offset by a sharp decrease in cash and cash equivalents by € 4.7 million compared to 31 December 2016 as at the half-year reporting date, as the higher business volume was financed to a large extent from the company's own funds. In addition, the annual dividend is distributed in the first half of the year, as well as the majority of the employees' bonus are paid, which also reduces the amount of cash reserves as at the half-year reporting date.

Equity rose only marginally, by € 0.3 million to € 55.3 million, compared to the last balance sheet date, 31 December 2016. The result for the period, which was at the level of the same period the previous year, contrasted with the abovementioned dividend payment as well as the negative effects, recognised in equity, from hedging transactions and from currency translation.

On the liabilities side, non-current liabilities fell slightly in the first half of 2017. The slight reduction in pension liabilities and the scheduled repayment of non-current financial liabilities are responsible for this.

Current liabilities rose slightly compared with 31 December 2016, which can, however, be attributed to several opposing effects. Firstly, other current liabilities and provisions fell by € 0.6 million. The reason for the decrease in this balance sheet item is essentially the lower amounts of accrued liabilities as of the reporting date, in particular the employee bonuses paid in the first half of the year. By contrast, there was a slight increase in both current financial liabilities and trade payables. The former resulted from the short-term loans taken out by our Turkish subsidiary, whereas the higher balance of trade payables compared to 31 December 2016 was merely the result of reporting-date factors.

The Group result adjusted for non-cash items was € 0.2 million higher year on year, yet overall there was a negative cash flow from operating activities of € -0.6 million in the period under review, slightly better than in the prior year (€ -1.0 million). This can particularly be attributed to the smaller rise in trade receivables in the first half of 2017 and the lower increase in trade payables in the same period in 2016.

The cash flow from investing activities of € -1.7 million in the period under review is lower than in the same period in the prior year (€ -0.8 million) because of the increased level of investment, especially in property, plant and equipment.

On the other hand, the cash flow from financing activities in the first half of the 2017 financial year of € -2.2 million was up slightly by € 0.5 million compared with the first half of 2016. The constant cash payment of € 1.1 million for the redemption of loans reflects the comparative increase in new short-term loans.

The Group was solvent at all times in the first half of financial year 2017. This continues to be the case in the second half of 2017.

Employees

The edding Group had a workforce of 645 employees on average in the first half of the year, an increase of nine employees compared to the same period in 2016. This resulted from recruitment of staff in Germany, while the number of employees abroad went down slightly. This represents a planned expansion of personnel which had already been partly implemented in 2015. Temporarily unfilled positions also had an effect.

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 2016. No further significant opportunities or risks beyond those presented in the Group Annual Report 2016 arose in the reporting period.

Outlook

The Management Board regards the development of business in the first half of 2017 as satisfactory, especially considering the weaker than expected development in the Writing and Marking business segment. In terms of the further course of our business in the second half of 2017, we expect a slight improvement as things stand at the moment. Based on the above-mentioned expectations for the further sales revenue trend, the Visual Communication segment will grow disproportionately. Therefore, contrary to our forecast in the Group Annual Report 2016, we are anticipating only modest sales growth for the Writing and Marking segment, whereas sales growth in the Visual Communication segment should be slightly better than expected. In terms of expenditures, we are expecting higher costs in the second half of the year, especially in the area of marketing. As regards exchange rate effects, we are not expecting any proportional further development of the trend.

Therefore, we also confirm the forecast corridors for our key control parameters for the edding Group specified within the scope of the Group Annual Report 2016:

	2016 € m	Forecast 2017 € m
edding Group		
Sales revenue	143.0	147.0 - 155.0
EBIT	11.8	10.5 - 13.0
Approval ratings from the employee survey		
Employee commitment	89 %	85 - 90 %
Quality of performance environment	81 %	75 - 85 %

In terms of segment results, we had forecast in the context of the Group Annual Report 2016 that the trend for both segments would remain unchanged. After the first half-year we are seeing a decline in the Writing and Marking segment, whereas a sales-related increase in result has been achieved in the Visual Communication segment. The decline in result in the Writing and Marking segment is the result of an only slight increase in turnover combined with a rise in costs for strategic reasons and the negative impact of exchange rate effects, as these mainly occur in the Writing and Marking segment. Correspondingly, contrary to our statement in the Group Annual Report 2016, we are expecting an increase in result in the Visual Communication segment for the end of 2017 and a decline in result in the Writing and Marking segment, which will weaken somewhat further.

Alternative Performance Measures

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

Group earnings before interest and taxes (EBIT)
Abbreviation for “Earnings Before Interest and Taxes”. 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 profitability management in the edding Group. No adjustment has been made for any extraordinary income or expenses. The reconciliation is shown in the consolidated income statement of these interim consolidated financial statements.

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)
Abbreviation for “Earnings Before Taxes”. 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 minus non-cash income. The non-cash expenses and income in the edding Group regularly 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 receivables 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.

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Condensed Interim Consolidated Financial Statements of the edding Group

Consolidated statement of financial position

	30/06/2017 € m	31/12/2016 € m
ASSETS		
Goodwill	2.8	2.8
Other intangible assets	0.9	1.0
Property, plant and equipment	12.6	12.3
Investment property	0.7	0.7
Investments accounted for using the equity method	0.2	–
Other financial assets	3.5	3.5
Deferred tax assets	0.6	0.5
Income tax receivables	0.2	0.2
Trade receivables	0.1	0.1
Other receivables and assets	4.5	4.8
Non-current assets	**26.1**	**25.9**
Inventories	30.3	29.7
Trade receivables	25.4	22.8
Income tax receivables	0.3	0.3
Other receivables and assets	3.7	1.7
Cash and cash equivalents	12.4	17.1
Prepaid expenses and deferred charges	0.5	1.2
Current assets	**72.6**	**72.8**
Total assets	**98.7**	**98.7**
EQUITY AND LIABILITIES		
Equity	**55.3**	**55.0**
Provisions for pensions	12.1	12.6
Deferred tax liabilities	0.1	0.1
Non-current liabilities	3.2	3.5
Other non-current liabilities and provisions	2.8	2.8
Non-current liabilities	**18.2**	**19.0**
Current liabilities	4.9	4.5
Trade payables	4.9	3.8
Income tax liabilities	0.2	0.6
Other current liabilities and provisions	15.2	15.8
Current liabilities	**25.2**	**24.7**
Total equity and Liabilities	**98.7**	**98.7**

Consolidated income statement

	2017 01/01 - 30/06 € m	2016 01/01 - 30/06 € m
Sales revenue	71.7	69.9
Changes in inventories and other own work capitalised	0.6	0.6
Total output	**72.3**	**70.5**
Raw materials and consumables used	– 26.9	– 25.9
Employee benefits expense	– 18.3	– 17.7
Depreciation expense	– 1.2	– 1.2
Other operating income	1.8	2.1
Other operating expenses	– 22.3	– 22.5
Group earnings before interest and taxes (EBIT)	**5.4**	**5.3**
Income from investments accounted for using the equity method, net	0.0	–
Financial result and result from investments	0.0	– 0.1
Group earnings before taxes (EBT)	**5.4**	**5.2**
Income taxes	– 1.9	– 1.7
Group result	**3.5**	**3.5**
of which attributable to:		
Shareholders of edding AG	3.7	3.7
Non-controlling interests	– 0.2	– 0.2
Basic/diluted earnings per ordinary share (600,000 shares)	3.42 €	3.40 €
Basic/diluted earnings per preference share (473,219 shares)	3.50 €	3.47 €

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Consolidated statement of comprehensive income

	2017 01/01 - 30/06 € m	2016 01/01 - 30/06 € m
Group result	**3.5**	**3.5**
Items which are not subsequently reclassified to profit or loss		
Pension obligations:		
Actuarial gains/losses	0.0	0.0
Deferred taxes	0.0	0.0
Items which are subsequently reclassified to profit or loss provided certain conditions are met		
Currency translation difference	– 0.5	– 0.4
Cash flow hedges		
Fair value changes recognised in other comprehensive income	– 0.3	1.9
Transferred to profit and loss	– 0.3	– 0.4
Deferred taxes	0.2	– 0.4
Other comprehensive income	**– 0.9**	**0.7**
Total comprehensive income	**2.6**	**4.2**
of which attributable to:		
Shareholders of edding AG	2.8	4.4
Non-controlling interests	– 0.2	– 0.2

Consolidated statement of cash flows

	2017 01/01 - 30/06 € m	2016 01/01 - 30/06 € m
Group result	3.5	3.5
+ depreciation of fixed assets	1.2	1.2
– decrease in provisions for pensions	– 0.5	– 0.6
– increase/+ decrease in deferred tax claims	– 0.1	0.5
+ / – unrealised foreign currency losses/gains	1.1	0.6
+ increase/- decrease in valuation allowances on inventories	0.2	– 0.2
– decrease/+ increase in valuation allowances on receivables	– 0.1	0.1
+ / – other non-cash expenses/income	0.2	0.2
Group result adjusted for non-cash items	**5.5**	**5.3**
– increase in inventories	– 0.9	– 0.8
– increase in trade receivables	– 2.6	– 4.1
– increase in other assets	– 1.8	– 1.1
+ increase in trade payables	1.1	0.6
– decrease in other liabilities	– 1.9	– 0.9
Cash flow from operating activities	**– 0.6**	**– 1.0**
+ cash receipts from the sale of intangible assets and property, plant and equipment	0.0	0.0
– / + payments for investments/incoming payments from divestments		
Property, plant and equipment	– 1.4	– 0.6
Intangible assets	0.0	– 0.2
Investments accounted for using the equity method	– 0.3	–
Cash flow from investing activities	**– 1.7**	**– 0.8**
– dividend payment	– 2.3	– 2.1
+ cash receipts from borrowings	1.2	0.5
– cash payment for the redemption of loans	– 1.1	– 1.1
– payments from current financial liabilities	0.0	0.0
Cash flow from financing activities	**– 2.2**	**– 2.7**
Net change in cash and cash equivalents	– 4.5	– 4.5
+ / – effect of exchange rate fluctuations	– 0.2	– 0.1
+ cash and cash equivalents at the beginning of the period	17.1	17.1
Cash and cash equivalents at the end of the period	**12.4**	**12.5**

Consolidated statement of changes in equity

	Share capital € m	Capital reserve € m	Retained earnings and net earnings € m	Revaluation of pension obligations € m	Currency translation reserve € m	Cash flow hedges AG € m	Equity attrib. to share-holders of edding AG € m	Non controlling interests € m	**Total € m**
01/01/2016	**5.4**	**4.2**	**47.9**	**–3.3**	**–4.5**	**0.3**	**50.0**	**0.2**	**50.2**
Group result	–	–	3.7	–	–	–	3.7	–0.2	3.5
Other comprehensive income	–	–	–	0.0	–0.4	1.1	0.7	0.0	0.7
Total comprehensive income	**–**	**–**	**3.7**	**0.0**	**–0.4**	**1.1**	**4.4**	**–0.2**	**4.2**
Dividend payments	–	–	–2.1	–	–	–	–2.1	–	–2.1
30/06/2016	**5.4**	**4.2**	**49.5**	**–3.3**	**–4.9**	**1.4**	**52.3**	**0.0**	**52.3**
01/01/2017	**5.4**	**4.2**	**53.0**	**–2.2**	**–5.6**	**0.2**	**55.0**	**0.0**	**55.0**
Group result	–	–	3.7	–	–	–	3.7	–0.2	3.5
Other comprehensive income	–	–	–	0.0	–0.5	–0.4	–0.9	0.0	–0.9
Total comprehensive income	**–**	**–**	**3.7**	**0.0**	**–0.5**	**–0.4**	**2.8**	**–0.2**	**2.6**
Dividend payments	–	–	–2.3	–	–	–	–2.3	–	–2.3
30/06/2017	**5.4**	**4.2**	**54.4**	**–2.2**	**–6.1**	**–0.2**	**55.5**	**–0.2**	**55.3**

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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:

	2017 01/01 - 30/06 € m	2016 01/01 - 30/06 € m
EBIT Writing and Marking	8.4	9.6
EBIT Visual Communication	0.9	0.4
Segment result (EBIT)	**9.3**	**10.0**
EBIT edding AG	–3.8	–4.6
Consolidation	–0.1	–0.1
EBIT edding Group	**5.4**	**5.3**
Financial result and result from investments including at-equity result	0.0	–0.1
Group earnings before taxes	**5.4**	**5.2**

Accounting policies

The Interim Consolidated Financial Statements of the edding Group as at 30 June 2017 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 2017 have been applied.

The same accounting policies were applied in preparing these Interim Consolidated Financial Statements as for the Consolidated Financial Statements as at 31 December 2016. These policies are explained in detail in the Notes in the Group Annual Report 2016 of edding AG.

Shares in joint ventures or associated companies are also recognised using the equity method. Shares are reported in the balance sheet at acquisition cost plus any changes to the Group's share in the net assets occurring after the acquisition. The Group's share in the companies' success is reported in the result for the period as part of the financial result under "Income 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.

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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 2016.

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.

For information on the expected effects of standards and interpretations which have already been published but not yet applied – especially IFRS 9 and IFRS 15, which are mandatory from 1 January 2018 – we refer to the comments in the Notes to the Consolidated Financial Statements as at 31 December 2016. In the course of 2017, statements about the expected effects of the application of IFRS 9 and IFRS 15 on edding's Consolidated Financial Statements were reviewed once again to ensure that they are up to date, and so they still apply. Concerning the choices of method for the first-time application of IFRS 9 und IFRS 15, a decision on which first-time application methods are suitable for the individual areas will be taken place in the course of the third and fourth quarter of 2017 in the implementation project with an external service provider.

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.

Earnings per share

The voluntary presentation of earnings per share in these Interim Consolidated Financial Statements corresponds to the presentation and calculation methodology of earnings per share as disclosed in the Group Annual Report 2016. The earnings per share pursuant to IAS 33 as at 30 June 2017 are calculated as follows:

	2017 01/01 - 30/06 € m	2016 01/01 - 30/06 € m
Group result attributable to shareholders of edding AG	3.7	3.7
Less preferred dividends paid in the financial year	1.0	0.9
Less ordinary share dividends paid in the financial year	1.3	1.2
Sub-total	**1.4**	**1.6**
Number of ordinary shares	600,000	600,000
Number of preference shares	473,219	473,219
Undistributed earnings attributable to ordinary shareholders	0.8	0.9
Undistributed earnings attributable to preference shareholders	0.6	0.7
Sub-total	**1.4**	**1.6**
Distributed earnings per ordinary share	2.10 €	1.91 €
Undistributed earnings per ordinary share	1.32 €	1.49 €
Basic/diluted earnings per ordinary share	**3.42 €**	**3.40 €**
Distributed earnings per preference share	2.15 €	1.95 €
Undistributed earnings per preference share	1.35 €	1.52 €
Basic/diluted earnings per preference share	**3.50 €**	**3.47 €**

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.

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]	30/06/2017		31/12/2016	
		Book value	Fair value	Book value	Fair value
		€ m	€ m	€ m	€ m
Financial assets					
Loans and receivables		**41.3**	**41.3**	**41.3**	**41.3**
Trade receivables	–	25.4	25.4	22.9	22.9
Other receivables and assets (excl. derivatives)	–	3.4	3.4	1.4	1.4
Cash and cash equivalents	–	12.4	12.4	17.1	17.1
Assets measured at fair value		**0.2**	**0.2**	**1.1**	**1.1**
Financial assets held for trading	1	–	–	0.2	0.2
Derivatives with a positive market value with hedging relationship (cash flow hedges)	2	0.1	0.1	0.5	0.5
Derivatives with a positive market value without hedging relationship, held to trading	2	0.1	0.1	0.4	0.4

	Fair value hierarchy level[1]	30/06/2017		31/12/2016	
		Book value	Fair value	Book value	Fair value
		€ m	€ m	€ m	€ 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		**21.4**	**21.5**	**20.3**	**20.5**
Liabilities to banks	–	4.9	5.1	4.8	5.0
Other financial liabilities	–	3.1	3.1	3.2	3.2
Trade payables	–	4.9	4.9	3.8	3.8
Other financial liabilities (excl. derivatives)	–	8.5	8.5	8.5	8.5
Liabilities measured at fair value through profit or loss		**0.7**	**0.7**	**0.4**	**0.4**
Derivatives with a negative market value with hedging relationship (cash flow hedges)	2	0.4	0.4	0.3	0.3
Derivatives with a negative market value without hedging relationship	2	0.2	0.2	0.1	0.1

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 2016. 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 on the basis of prices.

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

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Scope of consolidation

edding International GmbH acquired a 25.1 % stake in Prismade Labs GmbH, Chemnitz, on 3 April 2017, and therefore exercises significant influence over the company. The company is therefore included in the Consolidated Financial Statements as an associate according to the equity method based on IAS 28.5 et seqq. The object of the company is research and development in printed electronics. Within the scope of the participation, edding International GmbH has given an undertaking, subject to a condition precedent, to make equity injections of up to € 0.8 million into the company's capital reserve which could be payable within the next two years. These payments into the company's capital reserve are dependent upon the attainment of set milestones and are payable in three tranches. Should a milestone not be reached, the obligation to pay will not apply, based on the amount tied to the attainment of this mile-stone. The acquisition cost for the 25.1 % capital share was € 0.3 million.

Additionally, EDWU GmbH was merged with edding International GmbH with effect from 1 January 2017.

There were no other changes in the scope of consolidation as at 30 June 2017 compared with the Consolidated Financial Statements of 31 December 2016.

Dividends

The edding AG Annual General Meeting passed a resolution on 13 June 2017 to pay the following dividends from the 2016 unappropriated retained earnings to the shareholders:

€ 2.15 dividend per preference share
with a notional par value of € 5.00

€ 2.10 dividend per ordinary share
with a notional par value of € 5.00

Related party disclosures according to IAS 24

No significant business activities were effected with members of the group of shareholders of the Ledermann family or their relatives in the first half of 2017. Likewise no material reportable transactions were effected with members of the supervisory board or the management board.

Contingent liabilities

As at the reporting date, there were contingent liabilities arising from granted guarantees of € 0.2 million (31 December 2016: € 0.2 million).

Events after the reporting period

No significant adjusting events or non-adjusting but disclosable events occurred from the balance sheet date up to the time when publication of the Interim 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 2017

edding Aktiengesellschaft

The Management Board

Per Ledermann   Thorsten Streppelhoff   Sönke Gooss

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Chairman of the Supervisory Board:
Chehab Wahby
Registered Office: Ahrensburg
Register of Companies: Lübeck HRB 2675 AH