

AD-HOC-ANNOUNCEMENT

Unexpectedly high negative effect of EUR 5.0 million from deconsolidation of edding Argentina S.A.

As a result, for the first time in edding's history, ,technical' loss expected

New forecast corridors for sales revenue and earnings

On 14 April 2023, as a result of the sale of edding Argentina S.A., the economic transfer to the new owner took place. After recording all direct effects from this sale, which had a comparatively moderate negative impact of EUR 1.2 million on the consolidated financial statements and resulted, among other things, from severance payments, a negative deconsolidation effect of an additional EUR 5.0 million has now been identified.

This effect results from all technically necessary postings for the elimination of edding Argentina S.A. from the consolidated financial statements, which include effects from 22 years of the Argentine company belonging to the edding Group. In addition to the removal of all assets and liabilities of the company, this also covers the recycling of all effects from the initial and subsequent application of hyperinflationary accounting, which has been required for Argentina since 2018, and which were previously recognized in equity with no effect on profit or loss.

The largest effect that led to this high loss, however, is the cumulative effect from the devaluation of Argentinean assets due to the decline in the value of the Argentine Peso, which was previously recognised in the currency translation adjustment in equity. This has largely accumulated over the last 10 years and amounts to EUR -6.1 million. Such devaluation effects were correctly booked directly to equity each year

without affecting profit or loss. Since the loss due to the deconsolidation will become final, it must now be charged to the income statement and will affect the result in the 2023 financial year; however, in economic terms it relates to previous years. In the view of the Management Board, the allocation of this effect to the 2023 financial year - although technically necessary according to IFRS - is economically not justified and irrelevant for the assessment of our current performance.

The determination of the deconsolidation effect, which was carried out with external support by a certified public accountant, was very time-consuming and complex, among other things due to the hyperinflationary accounting mentioned above. Our auditors will audit this issue at short notice; it cannot be ruled out that the auditors will come to different conclusions on individual aspects and that the deconsolidation effect may change significantly.

The Management Board of edding Aktiengesellschaft emphasises that the Group's cash flow is not affected by this effect and that the Group's equity is only marginally affected by the deconsolidation. Therefore, the commercially reasonable sale of edding Argentina S.A. would also have been decided with prior knowledge of this effect.

This technically necessary and non-cash one-time effect from the deconsolidation will lead to a negative annual result in the consolidated financial statements for the first time in the history of edding Aktiengesellschaft since 1960 and makes it necessary to correct our forecast corridors published with the Annual Report 2022 for the year 2023.

Besides this negative impact on Group EBIT from the deconsolidation effect, the sale of edding Argentina S.A. and, to a lesser extent, a refocusing of Prismade Labs GmbH also have an impact on the sales forecast; the launch of a new business model of Prismade Labs GmbH originally planned for 2023 under the "Soulmade Origins" brand, which was to involve the printing of so-called non-fungible tokens (NFT) with an interface to digital origins based on Prismade technology, will no longer be implemented within the edding Group.

Overall, compared with the original budget, this results in slightly lower Group sales revenues, a significantly reduced Group EBIT in accordance with IFRS and moderately higher impairment expenses in the individual financial statements of edding

Aktiengesellschaft. Accordingly, the edding Group now expects Group EBIT in accordance with IFRS to be between EUR -4.0 and -1.0 million in 2023 (previously EUR 3.0 to 6.0 million). Group sales revenues are now expected to be in a range of EUR 161.0 to 176.0 million (previously EUR 166.0 to 181.0 million). Net income for the year in edding AG's individual financial statements under German commercial law is expected to be between EUR -0,5 and 1.5 million (previously: EUR 1.0 to 3.0 million).

About edding AG: Founded in Hamburg in 1960, the company generated Group sales revenues of EUR 159.2 million in 2022 with an annual average of 735 employees. Under the edding, Legamaster and Playroom brands, the company offers long-lasting, high-quality products and solutions for private and commercial use. The portfolio includes markers and writing instruments, visual communication products such as flipcharts, whiteboards and e-screens, innovative digital applications as well as tattoo ink. The company's fundamental values embrace responsibility towards the environment and society. edding wants to empower people to express their personality, ideas and thoughts and make them visible on a wide variety of surfaces.

Explanation of EBIT as an alternative performance indicator: EBIT is the abbreviation for "earnings before interest and taxes". Total output less cost of materials, personnel expenses and depreciation and amortisation (including rights of use within the meaning of IFRS 16), 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.

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edding Aktiengesellschaft
The Management Board

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