Half-Year Financial Report as at 30 June 2019

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Key figures for the Group

	2019 01/01-30/06 € m	2018[1] 01/01-30/06 € m
Results of operations		
EBIT[2]	2.9	6.4
as a % of sales	4.2	9.4
Group result	-0.5	4.0
as % of equity as at 30 June (return on equity)	-0.8	6.6
Group earnings before taxes[2]	1.0	6.2
Sales revenue	69.7	68.4
Change	1.9	n/a
Foreign business	54.7	56.7
Gross profit[2]	41.9	41.9
as a % of total output	59.9	61.0
Personnel expenses	20.6	18.3
as a % of sales	29.6	26.8
Employees (annual average)	658	627
Other comprehensive income	1.7	0.0
	30/06/2019 € m	31/12/2018 € m
Net assets and financial position		
Total assets	112.5	112.0
Change	0.4	n/a
Equity	62.2	63.9
as a % of total assets	55.3	57.0
2nd degree liquidity[2] (Quick ratio as %)	155.0	175.8

[1] The previous year was adjusted due to the retrospective application of IAS 29 (see explanatory notes).
[2] Definitions of key performance indicators are given in the edding Interim Group Management Report in the section "Alternative key performance indicators".

edding Interim Group Management Report

Development of the business segments

The presentation of business segments was adjusted slightly in line with segment reporting. The Writing and Marking segment also includes nail polish, income from the licence business with printer cartridges and Partner brands (Other Office Products) in addition to markers, writing utensils, spray paints and printer cartridges. The Technological Solutions segment comprises the marking technologies edding Code and Compact Printing. The Other segment includes the activities of edding Expressive Skin GmbH with the tattooing range; as yet no revenue has been generated with this product line in 2019.

Group sales for the first half of 2019 totalled € 69.7 million, which represents a slight rise of 1.9 % compared with the same period in the previous year. All sectors contributed to this increase, with the Visual Communication segment experiencing above-average growth.

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

	2019 01/01-30/06 € m	2018[1] 01/01-30/06 € m	Change € m	Change %
Writing and Marking				
Germany	23.1	21.3	1.8	8.5
Other European countries	25.9	26.9	-1.0	-3.7
Overseas	3.2	3.4	-0.2	-5.9
	52.2	**51.6**	**0.6**	**1.2**
Visual Communication				
Germany	8.3	8.3	0.0	0.0
Other European countries	8.7	8.1	0.6	7.4
Overseas	0.3	0.4	-0.1	-25.0
	17.3	**16.8**	**0.5**	**3.0**
Technological Solutions				
Germany	0.2	-	0.2	-
Other European countries	0.0	-	-	-
Overseas	-	-	-	-
	0.2	**-**	**0.2**	**-**
Group total	**69.7**	**68.4**	**1.3**	**1.9**

[1] The previous year was adjusted due to the retrospective application of IAS 29 (see explanatory notes).

Writing and Marking business segment

Sales in the Writing and Marking business segment were up 1.2 % on the previous year's level.

In the **German market**, a significant increase in sales of 8.5 % was achieved. Supported by the continuing positive trend in the economy and the successful implementation of our sales and marketing activities, the sales growth was attributable to almost all product and customer sectors. Sales increases are generated, in particular, with printer cartridges and toners and with the creative ranges, including sprays. Overall we anticipate a slight downturn in growth in the second half of the year given the slump in the German economy.

In the **other European markets**, sales have fallen by 3.7 % compared to the previous year's figure. Lower sales revenue was generated particularly in Turkey, Russia and the Netherlands, which could not be completely offset by increases in sales in the UK, Spain and Austria. In Turkey, the decrease measured in euro was due solely to the devaluation of the national currency compared with the first half of 2018, when the currency had still been comparatively stable. Having said that, the current trend is better than expected; sales are taking a more positive turn and the Turkish lira is much more stable than anticipated. In Russia, the downturn is essentially the result of the warehouse optimisation measures of one of our sales partners. Growth effects are expected for Turkey and Russia in the second half of the year.

Overseas markets recorded a further low-level decline in sales of 5.9 %. These figures are primarily the result of a decrease in sales revenue in Colombia. The development in this segment is lagging behind expectations, inventory levels in the trade are high and there is a continuing tendency towards cheap products. Business in Argentina is also weak when converted into hard currency because of the economic crisis.

From the current perspective, we expect the rate of growth of the Writing and Marking segment in the first half of 2019 to slow slightly over the remaining course of the year as a result of the aforementioned effects.

Visual Communication business segment

In the Visual Communication business segment a sales increase of 3.0 % was achieved once again after a temporary decline in the prior year.

Sales remain stable in **Germany** after substantial rates of growth in the previous year. In the other European markets, sales rose by 7.4 %. Growth markets were, in particular, the Netherlands, Switzerland and Austria, while sales in Turkey fell. **Overseas** sales were down year on year, primarily as a result of the situation in Argentina.

We expect the current trend in the Visual Communication business segment to continue over the further course of 2019, by comparison with the previous year.

Technological Solutions business segment

Sales of € 0.2 million were generated in the first half of 2019 with the new product lines edding Code and Compact Printing. These figures are lower than planned because of a delayed market launch. We anticipate a disproportionate increase over the further course of the year, but sales for the financial year 2019 will remain lower than originally expected.

Results of operations

EBIT fell sharply by € 3.5 million compared to the previous year's figure. In addition to a one-off effect from the closure of production in Argentina (€ 0.9 million), sales were below the expected levels, while operating expenses increased in line with our projections. Group earnings before taxes were additionally affected by the high loss on net monetary position under IAS 29. Since 1 July 2018, Argentina has been classified as a hyperinflationary country within the meaning of IAS 29. The figures for the first half of 2018 were therefore adjusted retrospectively.[2] Group earnings were negative at € -0.5 million, as a result of a very high tax ratio, and consequently well down on the previous year. Excluding hyperinflationary adjustments (purchasing power adjustments under IAS 29 and use of the exchange rate applicable on the reporting date for the income statement items of the Argentine subsidiary), Group net income of € 1.5 million would have been achieved instead of a consolidated loss. The negative result from the net monetary position under IAS 29 contrasts with positive Other Comprehensive Income.

Sales went up by 1.9 %, while the gross profit ratio fell by around one percentage point. The margin was adversely affected by the one-time write-down of merchandise inventories in the course of the closure of production in Argentina. Furthermore, the proportion of revenues from Writing and Marking rose in the somewhat lower-margin Visual Communication and Partner Brands segment. In addition, the US dollar appreciated against the euro, which increased the cost of procurement for numerous products from the Visual Communication business segment. The accounting under hyperinflation had a positive effect on the Group's turnover to the tune of € 0.1 million.

As a result of a significant increase in jobs, which can, for example, be attributed to the development of new activities in the Technological Solutions segment and the closure of production plants in Argentina, **personnel expenses** increased substantially year on year by € 2.3 million.

The first-time application of IFRS 16 "Leases" has also led to an increase in **depreciation and amortisation** as well as a reduction in other operating expenses by around € 0.9 million.[2]

Other operating income was up € 0.8 million year on year. Various effects are responsible for this, e.g. in the period under review there were higher releases of provisions and valuation allowances. Exchange rate gains were, on the other hand, € 0.1 million lower. The exchange losses included in other operating expenses were € 0.4 million higher in the year under review, leading to a € 0.5 million reduction in net earnings from exchange rate effects year on year. These originate from both the utilisation and valuation of our currency hedging instruments and the valuation of intracompany receivables and payables.

[2] For details please refer to the explanatory notes.

Other operating expenses were € 1.2 million higher than in the previous year. In addition to exchange rate losses, particularly freight charges for visual communication products, IT expenses and consultancy fees increased. The application of IAS 29 and the associated indexing of expenses also led to an increase.

Accordingly, **EBIT**, at € 2.9 million, was well down on the previous year's figure of € 6.4 million, corresponding to a decrease of 55 %. After allowing for the one-off effects in 2019, the reported EBIT amounted to € 5.0 million, which equates to a decline of only 22 %. These one-off effects totalling € 2.1 million are the costs of closing production in Argentina (€ 0.9 million), the extra expense for the Technological Solutions segment compared with the previous year (€ 0.8 million) and the hyperinflationary effects included in the EBIT pursuant to IAS 29 (€ 0.4 million).

Group earnings before taxes were also negatively impacted by non-operating expenses incurred by edding Argentina S.A., which were well up on the previous year as a result of the application of the rules of IAS 29 relating to financial reporting in hyperinflationary countries. This mainly resulted from the indexing of the equity of edding Argentina S.A.; the basis on which this is calculated went up sharply in the second half of 2018 due to the waiver of debts outstanding and receivables from loans. In addition, expenses from financial activities and investments rose as a result of higher interest expenditure in Turkey and Argentina because of the increased capital requirement and the higher interest rates. Accordingly, Group earnings before taxes of € 1.0 million as at 30 June 2019 are well below the previous year's figure of € 6.2 million.

The negative result from the net monetary position under IAS 29 is not tax deductible. In addition, Group earnings were adversely affected by a heavy loss in Argentina, which will not affect the tax position of the edding Group. Therefore, tax expenditure has only decreased moderately, leading to negative Group earnings of € -0.5 million in the first half of 2019.

When looking at Group earnings it is important to bear in mind that the negative net monetary position under IAS 29 from the income statement compares with positive other comprehensive income. This means that the overall effect from hyperinflationary adjustments to the equity of the edding Group is offset to a large extent.

Net assets and financial position

The total assets of the edding Group of € 112.5 million are virtually unchanged compared to the last balance sheet date (31 December 2018: € 112.0 million).

On the assets side of the balance sheet, however, there are several opposing effects that resulted in the total assets remaining relatively constant. Firstly, in the area of non-current assets, property, plant and equipment increased by € 2.2 million, largely due to the acquisition of an office property in the first half of 2019. Furthermore, as a result of the initial application of IFRS 16 "Leases" particularly rights of use for leased office property and motor vehicles had to be capitalised in an amount of € 4.2 million. As at 30 June 2019, there was also an increase in trade receivables induced by growth in business volumes, for example, at the German distribution company for Writing and Marking and at the UK subsidiary as well as a slight increase in inventories. The latter effect is especially due to the build-up of temporary reserve stocks for Brexit at the British subsidiary.

The impact of the sharp decline in cash and cash equivalents by € 10.1 million as compared to 31 December 2018 on the balance sheet total as at the half-yearly balance sheet date was offset, in that the acquisition of the office property, the closure of production in Argentina, the launch of the Technological Solutions business segment and the in part higher business volume were financed almost exclusively from the existing liquidity of the edding Group. In addition, the annual dividend is distributed and the majority of the employees' bonuses are paid in the first half of the year, which traditionally also reduces the amount of cash reserves as at the half-year reporting date.

Equity fell by € 1.7 million to € 62.2 million compared with the last balance sheet date 31 December 2018. The positive other comprehensive income resulting largely from the hyperinflationary effects of the Argentine subsidiary under IAS 29 and currency translation adjustments more than offset the slightly negative Group earnings as at the end of the first half of 2019, with the result that the overall performance in the first six months made a positive contribution to the equity of the edding Group. However, equity decreased slightly overall due to the initial application effect with no impact on income of the aforementioned IFRS 16 and the dividend payout in June 2019.

On the liabilities side, non-current liabilities increased by € 2.4 million in the first half of 2019 to € 19.4 million. This was mainly due to the first-time recognition of non-current leasing liabilities following the introduction of IFRS 16.

Current liabilities remained relatively constant at € 30.9 million as of the current balance sheet date compared with 31 December 2018. The first-time recognition of current leasing liabilities based on IFRS 16 was offset by a decrease in other current liabilities and provisions. The lower amounts of deferred liabilities as of the reporting date, particularly for marketing subsidies to customers and the employee bonuses paid in the first half of the year, are mainly responsible for their decline.

As at 30 June 2019, off-balance-sheet obligations in the form of contingent liabilities from granted guarantees were unchanged at € 0.2 million.

Group earnings adjusted for non-cash items of € 2.8 million were down year on year (previous year: € 5.2 million); overall this resulted in a negative cash flow from operating activities of € -3.8 million, which was higher than in the comparable prior-year period (€ -2.1 million).

The negative cash flow from investing activities in the period under review of € -3.4 million is higher than in the same period of the previous year (€ -1.0 million), in particular due to the higher level of investment in the area of property, plant and equipment in the first half of 2019. This is notably reflected in the payment for the acquisition of the office property.

Cash flow from financing activities also remains negative and in the first half of 2019 it was slightly higher than in the first half of 2018 (€ -1.6 million) at € -2.9 million. In comparison with the same period in the previous year, payments for the redemption of loans remained constant, with a slight decrease in the influx of funds from short-term borrowing. A new addition is the item "Repayment of leasing liabilities" due to the introduction of IFRS 16, the value of which amounted to € -0.9 million in the period under review.

In addition to the cash and cash equivalent net balance of € 19.8 million (31 December 2018: € 29.9 million), the edding Group had credit lines with a total volume of € 18.8 million (31 December 2018: € 19.1 million) at its disposal as at 30 June 2019, € 3.3 million of which (31 December 2018: € 3.2 million) had been utilised.

The Group was solvent at all times in the first half of financial year 2019. This continues to be the case in the second half of 2019.

Employees

The edding Group had an average workforce of 658 employees in the first half of the year. Therefore, the number of employees rose year on year, predominantly in Germany, with half the increase resulting from the new companies in the Technological Solutions segment: Prismade Labs GmbH in Chemnitz has been fully consolidated since May 2018; the full workforce expansion at edding Tech Solutions GmbH only took place in the current financial year. 17 employees currently work at the two companies. New positions were also created at the growing Legamaster Vertrieb Deutschland and in the production operation in Bautzen; in the previous year the company used outsourced personnel.

Opportunities and risk report

As regards the opportunities and risk assessment, reference is made to the Opportunities and Risk Report in the Annual Report as at 31 December 2018. We would like to comment on the changed general conditions as follows:

On 11 August 2019, the primaries were held in Argentina for the presidential elections taking place at the end of October. The camp of the opposition Peronists has emerged as the clear winner with a lead of around 15 percentage points over the incumbent Macri, after polls had predicted a head-to-head race. This unexpected election outcome and the now imminent election victory of the opposition have led to a sharp devaluation of the peso and a slide in share prices on the Argentine stock exchange. We had already announced with our ad hoc statement on 24 July 2019 that we were now expecting a pre-tax loss of around € 3.0 million instead of a near break-even result at the Argentine subsidiary. Therefore, we shall press on with restructuring our distribution company; we plan to reduce sales activity in the highly competitive traditional office supplies market and instead aim to consolidate sales areas for the interactive Legamaster range, edding's creative range, and for Compact Printing. Overall we are expecting Argentina to be treated as a hyperinflationary country under IAS 29 in the IFRS Consolidated Financial Statements in subsequent years. The gain or loss on net monetary position under IAS 29, a new item in the income statement, is almost impossible to predict, but it is offset by a contrary positive effect in the consolidated statement of comprehensive income, and therefore so far the application of IAS 29 has not had a negative effect on group equity.

Although in the UK Brexit devotees have chosen Boris Johnson, one of their most prominent representatives, to lead the government, the manner of the country's exit from the EU remains incalculable and the consequences of Brexit for our UK subsidiary or the edding Group are difficult to predict. Therefore, we are sticking to our conservative strategy of having sufficient reserve stocks in place on the expected exit date of 31 October 2019 to prevent temporary shortages in the event of the immediate imposition of customs barriers.

The situation in Turkey has developed better than anticipated. After exchange rates of up to TRY/€ 8.00 a year ago, the currency is currently relatively stable with rates between TRY/€ 6.20 and TRY/€ 6.45. This is all the more surprising considering that many experts had expected the dismissal of the head of the central bank Cetinkaya to lead to a loss of confidence in the central bank's independence. Neither this step nor the substantial drop in interest rates by 425 basis points to 19.75 % contributed to a further weakening of the Turkish lira. The parallel decline in the inflation rate appears to indicate that confidence in the economy currently outweighs the said negative factors in relation to the exchange rate. Thus, our Turkish subsidiary is currently performing considerably more favourably than expected in terms of sales and operating result. Nevertheless, the political and economic climate in Turkey remains fragile. The conflict with the US for the purchase of a Russian missile defence system and the dangerous conflict in the Persian Gulf for the region are just two examples.

The current government crisis in Italy and the lead in the opinion polls of Lega Nord with its top candidate Matteo Salvini are also fuelling renewed fears of rising levels of public debt in the eurozone.

Overall the extent of the impact of these developments is difficult to estimate. However, at present we do not believe that the said developments could lead to significant risks for edding, such as lasting negative effects on the Group's sales and earnings. Having said that, we shall institute corresponding countermeasures where possible.

No further significant opportunities or risks beyond those presented in the Annual Report 2018 arose in the reporting period.

Outlook

The Management Board considers the Group's performance in the first half of 2019 to be unsatisfactory. Missed sales and earnings targets have, as announced in our ad hoc statement on 24 July 2019, led to a reduction of the forecast corridor at Group level. The reason for the marked decline in expectations is essentially the development in Argentina, where sales plummeted in the second quarter; a recovery is not expected in the second half of the year. In addition, weaker revenue expectations in the Writing and Marking business segment, above all in Eastern Europe, and a lack of sales due to the delayed launch of the new edding Code and Compact Printing product lines have contributed to the reduced earnings and sales forecast.

As things stand, we are anticipating stable growth rates in the second half of the year in terms of sales development compared with the first six months. We anticipate that further declining sales figures in Argentina can be offset by the expected expansion of the Technological Solutions business.

Since the weaker development is mainly due to companies outside the tax consolidation group of edding AG, it will not have any impact on the forecast corridor for the annual net profit in the individual financial statements of edding AG. The reason for this is the inclusion of edding Tech Solutions GmbH in the scope of consolidation of edding AG, which we had announced in our Corporate News on 17 June 2019. This amounts to between € 5.0 and € 7.0 million and was reduced by € 0.5 million compared with the Annual Report 2018. The lower than expected sales trend in this sector will only have a minor impact and will not initially lead to a change in the forecast corridor.

Financial control parameters	2018 € m	Forecast 2019 old € m	Forecast 2019 new € m
edding Group			
Sales revenue	141.0	145.0 - 155.0	140.0 - 150.0[3]
Sales revenues before IFRS 15	150.8	155.0 - 165.0	150.0 - 160.0
EBIT	13.1	12.0 - 15.0	7.0 - 11.0[3]
Approval ratings from the employee survey			
Employee commitment (in %)	87	85 - 90	85 - 90
Quality of performance environment (in %)	82	75 - 85	75 - 85
edding AG (separate financial statements)			
Annual net profit	6.6	5.5 - 7.5	5.0 - 7.0[4]

The forecast adjustments will also have a corresponding effect on the expectations for 2020. We had also announced these adjustments in relation to sales revenues and EBIT in our ad hoc statement on 24 July

[3] Published in the ad hoc statement of 24 July 2019.
[4] Announced in Corporate News on 17 June 2019.

2019. They will also result in a new expectation for the Balanced Scorecard scores, which will become clear in the ongoing half-yearly evaluation that will be completed by the beginning of September.

	Target values 2020	Forecast 2020 old	Forecast 2020 new
Financial control parameters (in € m)			
edding Group			
Sales revenue	170.0	155.0 - 170.0	145.0 - 160.0[5]
Sales revenues before IFRS 15	180.0	165.0 - 180.0	155.0 - 170.0[5]
EBIT	18.0	14.0 - 18.0	11.0 - 15.0[5]
Non-financial control parameters			
Score for the Balanced Scorecard	1,000	850 - 1,000	725 - 875
Approval ratings from the employee survey			
Employee commitment (in %)	88	85 - 90	85 - 90
Quality of performance environment (in %)	78	75 - 85	75 - 85

As detailed in the explanatory notes and in the presentation of sales, segment reporting has been adjusted. Moreover, the reduced expectations at Group level will also lead to a corresponding reduction in the segment results.

Segment results	Old structure		New structure		
	2018 € m	Forecast 2019 € m	2018 € m	Forecast 2019 old € m	Forecast 2019 new € m
Writing and Marking					
Sales revenue	105.9	109.0 - 116.0	105.1	107.0 - 113.0	104.0 - 110.0
EBIT	19.3	18.0 - 21.0	20.0	20.5 - 22.5	17.5 - 19.5
Visual Communication					
Sales revenue	35.1	36.0 - 39.0	35.7	36.5 - 39.5	35.5 - 38.5
EBIT	2.4	2.6 - 3.5	2.5	2.7 - 3.6	2.0 - 3.0
Technological Solutions					
Sales revenue	n/a	n/a	0.2	1.5 - 2.5	0.5 - 1.5
EBIT	n/a	n/a	-0.8	-2.5 - -1.0	-3.5 - -2.0
Other					
Sales revenue	n/a	n/a	0.0	0.0	0.0
EBIT	n/a	n/a	-0.1	-1.0 - -0.5	-1.0 - -0.5

[5] Published in the ad hoc statement of 24 July 2019.

Alternative key performance indicators

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. Unless stated otherwise, the reconciliation of alternative key performance indicators is based on the consolidated statement of financial position as well as the consolidated income statement from these Interim Consolidated Financial Statements.

Income from investments
Income from associated companies and joint ventures plus financial result.

EBIT margin
EBIT in relation to sales revenues in percent.

Equity ratio
Equity in relation to total capital in percent.

Group earnings before taxes (EBT)
Abbreviation for “Earnings Before Taxes”. EBIT plus income from participating interests and financial transactions, income from companies accounted for using the equity method and the net monetary position result according to IAS 29 and before taking into account taxes on income as well as deferred tax expenses / tax income.

Group earnings before interest, hyperinflationary adjustments and income 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 profit management in the edding Group. No adjustment has been made for any extraordinary income or expenses. EBIT is influenced by the provisions of IAS 29 for purchasing power adjustments relating to the income statement items of the Argentine subsidiary, which do not affect the result for the period overall, and the conversion of revenues and expenses at the exchange rate on the balance sheet date instead of the otherwise customary average rate for the year.

Financial result
Interest and similar income plus interest and similar expenses plus / minus write-ups / write-downs on securities.

Total output
Sales revenues plus / minus changes in inventories and other own work capitalised.

2nd degree liquidity (Quick ratio)
Cash and cash equivalents plus current assets (excluding inventories and prepaid expenses and deferred charges) in relation to current liabilities.

Gross profit
Total output less cost of materials.

Gross profit ratio
Gross profit in relation to total output in percent.

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 normally result from depreciation and amortisation of non-current assets as well as rights of use, unrealised foreign currency losses / gains, deferred tax assets, changes in pension provisions, reversal of other provisions or deferred liabilities as well as impairment of inventories and trade receivables, other receivables as well as cash and cash equivalents and hyperinflationary adjustments. The reconciliation of the Group result adjusted for non-cash items is shown in the consolidated statement of cash flows of these Consolidated Financial Statements.

Condensed Interim Consolidated Financial Statements of the edding Group

Consolidated statement of financial position

	30/06/2019 € m	31/12/2018 € m
ASSETS		
Goodwill	3.2	3.2
Other intangible assets	1.4	1.5
Property, plant and equipment	14.5	12.3
Rights of use	4.2	n/a
Investment property	0.7	0.7
Other financial assets	3.5	3.5
Deferred tax assets	0.6	0.6
Income tax receivables	0.1	0.2
Other receivables and assets	6.0	5.3
Non-current assets	**34.2**	**27.3**
Inventories	29.6	28.8
Trade receivables	25.3	22.5
Income tax receivables	0.3	0.2
Other receivables and assets	2.5	2.1
Cash and cash equivalents	19.8	29.9
Prepaid expenses and deferred charges	0.8	1.2
Current assets	**78.3**	**84.7**
Total assets	**112.5**	**112.0**
EQUITY AND LIABILITIES		
Equity	**62.2**	**63.9**
Provisions for pensions	12.8	12.5
Deferred tax liabilities	0.3	0.4
Non-current financial liabilities	0.8	1.0
Non-current leasing liabilities	2.7	n/a
Other non-current liabilities and provisions	2.8	3.1
Non-current liabilities	**19.4**	**17.0**
Current financial liabilities	7.4	6.7
Current leasing liabilities	1.9	n/a
Trade payables	5.2	5.6
Income tax liabilities	0.5	1.1
Other current liabilities and provisions	15.9	17.7
Current liabilities	**30.9**	**31.1**
Total equity and liabilities	**112.5**	**112.0**

Consolidated income statement

	2019 01/01-30/06 € m	2018[1] 01/01-30/06 € m
Sales revenue	69.7	68.4
Changes in inventories and other own work capitalised	0.2	0.3
TOTAL OUTPUT	**69.9**	**68.7**
Raw materials and consumables used	-28.0	-26.8
Personnel expenses	-20.6	-18.3
Depreciation and amortisation	-2.3	-1.5
Other operating income	3.0	2.2
Other operating expenses	-19.1	-17.9
Impairment losses from financial assets	-0.1	0.0
Other	-19.0	-17.9
Total operating expenses	**-67.0**	**-62.3**
GROUP EARNINGS BEFORE INTEREST, HYPERINFLATIONARY ADJUSTMENTS AND INCOME TAXES (EBIT)	**2.9**	**6.4**
Income from investments accounted for using the equity method, net	-	0.0
Financial result and result from investments	-0.4	-0.1
Gain or loss on the net monetary position under IAS 29	-1.5	-0.1
GROUP EARNINGS BEFORE TAXES (EBT)	**1.0**	**6.2**
Income taxes	-1.5	-2.2
GROUP RESULT	**-0.5**	**4.0**
of which attributable to:		
Shareholders of edding AG	-0.3	4.3
Non-controlling interests	-0.2	-0.3
Basic / diluted earnings per ordinary share (600,000 shares)	-0.36 €	3.94 €
Basic / diluted earnings per preference share (473,219 shares)	-0.10 €	4.02 €

[1] The previous year was adjusted due to the retrospective application of IAS 29 (see explanatory notes).

Consolidated statement of comprehensive income

	2019 01/01-30/06 € m	2018[1] 01/01-30/06 € m
Group result	**-0.5**	**4.0**
Items which are not subsequently reclassified to profit or loss		
Revaluation of pensions and similar obligations		
Actuarial gains / losses	0.0	0.0
Deferred taxes	0.0	0.0
	0.0	**0.0**
Items which are subsequently reclassified to profit or loss provided certain conditions are met		
Currency translation difference / hyperinflation		
Shareholders of edding AG		
Currency translation difference	-0.4	-1.2
Hyperinflation	1.9	0.9
	1.5	-0.3
Non-controlling interests	0.0	0.0
	1.5	**-0.3**
Hedging transactions		
Fair value changes recognised in equity	0.4	0.2
Transferred to the Consolidated Income Statement	-0.1	0.2
Deferred taxes	-0.1	-0.1
	0.2	**0.3**
Other comprehensive income	**1.7**	**0.0**
TOTAL COMPREHENSIVE INCOME	**1.2**	**4.0**
of which attributable to:		
Shareholders of edding AG	1.4	4.3
Non-controlling interests	-0.2	-0.3

[1] The previous year was adjusted due to the retrospective application of IAS 29 (see explanatory notes).

Consolidated statement of cash flows

	2019 01/01-30/06 € m	2018[1] 01/01-30/06 € m
Group result	-0.5	4.0
+ depreciation and amortisation of fixed assets	2.3	1.5
+ / - increase / decrease in pension provisions	0.3	-0.4
+ gain or loss on the net monetary position under IAS 29	1.5	0.1
+ / - other non-cash expenses / income	-0.8	0.0
Group result adjusted for non-cash items	**2.8**	**5.2**
+ / - loss / gain from the disposal of fixed assets	0.0	0.0
- increase in inventories	-1.5	-0.4
- increase in trade receivables	-2.8	-3.8
+ / - decrease / increase in other assets	0.2	-0.3
+ / - decrease / increase in trade payables	-0.4	0.2
- decrease in other liabilities	-2.1	-3.0
Cash flow from operating activities	**-3.8**	**-2.1**
+ cash receipts from the sale of intangible assets and property, plant and equipment	0.0	0.0
- payments for investments		
Property, plant and equipment	-3.3	-0.4
Intangible assets	-0.1	-0.2
Shares in affiliated companies, less acquired cash and cash equivalents	-	-0.4
Cash flow from investing activities	**-3.4**	**-1.0**
- dividend payment	-2.6	-2.3
+ cash receipts from borrowings	0.7	1.0
- cash payments for the redemption of loans	-0.3	-0.3
+ / - cash receipts / cash payments from current liabilities	0.2	0.0
- repayment of leasing liabilities	-0.9	n.a.
Cash flow from financing activities	**-2.9**	**-1.6**
Net change in cash and cash equivalents	-10.1	-4.7
+ / - effect of exchange rate fluctuations	0.0	-0.1
+ cash and cash equivalents at the beginning of the period	29.9	25.1
Cash and cash equivalents at the end of the period	**19.8**	**20.3**

[1] The previous year was adjusted due to the retrospective application of IAS 29 (see explanatory notes).

Consolidated statement of changes in equity

	Share capital € m	Capital reserves € m	Revenue reserves and net profit € m	Revaluation of pension and similar obligations € m	Currency-translation difference and hyper-inflation € m	Hedging-transactions € m	Shares held by the share-holders of edding AG € m	Non-controlling interests € m	**Total** € m
As at 31/12/2017	**5.4**	**4.2**	**58.6**	**-2.7**	**-6.6**	**-0.5**	**58.4**	**-0.1**	**58.3**
Initial application of IAS 29[1]	-	-	-5.3	-	5.8	-	0.5	-	0.5
Initial application of IFRS 9	-	-	0.0	-	-	-	0.0	0.0	0.0
As at 01/01/2018	**5.4**	**4.2**	**53.3**	**-2.7**	**-0.8**	**-0.5**	**58.9**	**-0.1**	**58.8**
Group result	-	-	4.3	-	-	-	4.3	-0.3	4.0
Other comprehensive income	-	-	-	-	-0.3	0.3	0.0	0.0	0.0
Total comprehensive income	**-**	**-**	**4.3**	**-**	**-0.3**	**0.3**	**4.3**	**-0.3**	**4.0**
Dividend payments	-	-	-2.3	-	-	-	-2.3	-	-2.3
Capital transactions with amendment of shareholding[2]	-	-	-	-	-	-	-	0.2	0.2
As at 30/06/2018	**5.4**	**4.2**	**55.3**	**-2.7**	**-1.1**	**-0.2**	**60.9**	**-0.2**	**60.7**
As at 31/12/2018	**5.4**	**4.2**	**58.1**	**-3.1**	**-0.6**	**0.1**	**64.1**	**-0.2**	**63.9**
Initial application of IFRS 16[3]	-	-	-0.3	-	-	-	-0.3	0.0	-0.3
As at 01/01/2019	**5.4**	**4.2**	**57.8**	**-3.1**	**-0.6**	**0.1**	**63.8**	**-0.2**	**63.6**
Group result	-	-	-0.3	-	-	-	-0.3	-0.2	-0.5
Other comprehensive income	-	-	-	-	1.5	0.2	1.7	0.0	1.7
Total comprehensive income	**-**	**-**	**-0.3**	**-**	**1.5**	**0.2**	**1.4**	**-0.2**	**1.2**
Dividend payments	-	-	-2.6	-	-	-	-2.6	-	-2.6
Other changes in equity	-	-	0.1	-	-0.1	-	-	-	-
As at 30/06/2019	**5.4**	**4.2**	**55.0**	**-3.1**	**0.8**	**0.3**	**62.6**	**-0.4**	**62.2**

[1] Retrospective application of IAS 29 (see explanatory notes).
[2] The capital transactions with a change in the shareholding result from the top-up of the participating interest in Prismade Labs GmbH, which will henceforth be included in edding's Consolidated Financial Statements within the scope of full-scale consolidation.
[3] First-time application of IFRS 16 (see explanatory notes).


CONNECT

Explanatory notes

Segment reporting

	Writing and Marking € m	Visual Communi-cation € m	Techno-logical Solutions € m	Other € m	Total segments € m	Transition € m	**edding Group € m**
01/01-30/06/2019							
External sales revenue	52.2	17.3	0.2	-	69.7	0.0	**69.7**
Depreciation and amortisation	1.0	0.5	0.1	-	1.6	0.7	**2.3**
Segment result (EBIT)	7.8	0.3	-0.8	-0.2	7.1	-4.2	**2.9**
01/01-30/06/2018[1]							
External sales revenue	51.6	16.8	-	-	68.4	0.0	**68.4**
Depreciation and amortisation	0.7	0.1	0.0	-	0.8	0.7	**1.5**
Segment result (EBIT)	9.4	1.4	-0.1	-	10.7	-4.3	**6.4**

The Writing and Marking, Visual Communication and Technological Solutions segments are identified as operational segments under IFRS 8. Partner brands (Other Office Products), revenue from the licence business with printer cartridges and revenue from the nail polish business are also assigned to the Writing and Marking segment, since they complement the segment. Neither the licence business nor the nail polish business are seen as independent business segments, as currently no separate operating results from these segments are communicated to the top decision-makers, nor is the earning power of these segments regularly reviewed by the management. The reason for this is the minor importance of these segments for the profitability of the edding Group. The Technological Solutions business segment comprises the marking technologies edding Code and Compact Printing.

Activities which cannot be assigned to either Writing and Marking, Visual Communication or Technological Solutions are reported under "Other". These include the activities of edding Expressive Skin GmbH with the tatooing range.

In the Consolidated Financial Statements as at 31 December 2018 the activities in the Technological Solutions segment and the tatooing range were assigned to the Writing and Marking business segment since these areas were still at the development stage and of minor importance for the profitability of the edding Group. Moreover, no separate operating results from these segments were communicated to the top decision-makers, nor was the earning power of these segments regularly reviewed by the management. In the first half of 2019, the operating results from these segments were communicated to the top decision-makers for the first time and the earning power of these segments was regularly reviewed by the management. The activities in the Technological Solutions segment can therefore be classified as an operating

[1] The previous year was adjusted due to the retrospective application of IAS 29 and the slight change in the way segment results are calculated.

segment under IFRS 8. The tatooing segment fulfils the qualitative criteria of an operating segment, but the quantitative threshold values under IFRS 8.13 have not yet been exceeded, and therefore this segment is classified under "Other".

In addition, the calculation of the segment results was adjusted slightly. Firstly, this relates to the categorisation of expenses; secondly, the other revenues attributable to the segments, such as freight, are allocated directly to the segments. The prior-year figures were adjusted accordingly.

edding AG, as the financial holding company, does not constitute an operating segment in accordance with IFRS 8; the activities of this company are therefore reported in the reconciliation, where necessary.

No sales were generated between the segments in the first half of 2019 or in the same period of the previous year.

Differences regarding uncertainty of revenues and cash flows exist between geographical regions due to political and economic factors.

The type of transactions concluded by the Writing and Marking and Visual Communication segments is comparable. The Group generates revenue from goods deliveries, for which revenue recognition occurs when the customer obtains power of disposal over the goods. Therefore, the revenue in both segments is recognised at a specific point in time. This does not apply to licensing deals with printer cartridges in the Writing and Marking segment, where revenue recognition takes place over a period of time. In the Technological Solutions segment sales revenues in the area of Compact Printing are generated from the supply of goods; therefore, these sales have a reference time point. Licence transactions and services rendered by the edding Code technology generally have a performance that relates to a specific period, which is also reflected in their revenue recognition.

Contracts with customers include the customary short-term payment conditions for payment and no financing components.

Owing to the seasonal nature of the Writing and Marking segment, higher sales and operating results are typically expected in the second half of the year rather than in the first six months. Sales and operating results of the other business segments are spread equally over the year.

Sales revenue is broken down by region and time frame of the revenue recognition for the period 1 January to 30 June 2019 as follows:

2019 01/01-30/06	Writing and Marking € m	Visual Communi-cation € m	Techno-logical Solutions € m	Other € m	Total segments € m	Transition € m	**edding Group € m**
Regions							
Germany	23.1	8.3	0.2	-	31.6	-	**31.6**
Other European countries	25.9	8.7	0.0	-	34.6	-	**34.6**
Overseas	3.2	0.3	-	-	3.5	-	**3.5**
	52.2	**17.3**	**0.2**	**-**	**69.7**	**-**	**69.7**
Time frame of revenue recognition							
Date	52.0	17.3	0.0	-	69.3	-	**69.3**
Time period	0.2	-	0.2	-	0.4	-	**0.4**
	52.2	**17.3**	**0.2**	**-**	**69.7**	**-**	**69.7**

Sales revenue is broken down by region and time frame of the revenue recognition for the period 1 January to 30 June 2018 as follows:

2018[1] 01/01-30/06	Writing and Marking € m	Visual Communi-cation € m	Techno-logical Solutions € m	Other € m	Total segments € m	Transition € m	**edding Group € m**
Regions							
Germany	21.3	8.3	-	-	29.6	-	**29.6**
Other European countries	26.9	8.1	-	-	35.0	-	**35.0**
Overseas	3.4	0.4	-	-	3.8	-	**3.8**
	51.6	**16.8**	**-**	**-**	**68.4**	**-**	**68.4**
Time frame of revenue recognition							
Date	51.4	16.8	-	-	68.2	-	**68.2**
Time period	0.2	-	-	-	0.2	-	**0.2**
	51.6	**16.8**	**-**	**-**	**68.4**	**-**	**68.4**

[1] The previous year was adjusted due to the retrospective application of IAS 29 and the slight change in the way segment results are calculated.

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

	2019 01/01-30/06 € m	2018[1] 01/01-30/06 € m
EBIT Writing and Marking	7.8	9.4
EBIT Visual Communication	0.3	1.4
EBIT Technological Solutions	-0.8	-0.1
EBIT Other	-0.2	-
Segment result (EBIT)	**7.1**	**10.7**
EBIT edding AG	-4.4	-3.9
Consolidation	0.2	-0.4
EBIT edding Group	**2.9**	**6.4**
Financial result and result from investments including at-equity result	-0.4	-0.1
Gain or loss on the net monetary position under IAS 29	-1.5	-0.1
Group earnings before taxes (EBT)	**1.0**	**6.2**

The EBIT earnings ratio used in segment reporting represents the calculated earnings before interest expense, inflationary adjustments and income taxes for the respective division.

[1] The previous year was adjusted due to the retrospective application of IAS 29 and the slight change in the way segment results are calculated.

Accounting policies

The Interim Consolidated Financial Statements of the edding Group as at 30 June 2019 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 2019 have been applied.

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.

The management board released these condensed Interim Consolidated Financial Statements for publication on 23 August 2019.

For the most part the same accounting policies were applied in preparing these Interim Consolidated Financial Statements as for the Consolidated Financial Statements as at 31 December 2018. These policies are described in detail in the Notes to the edding AG Annual Report 2018, with the exception of the standard IFRS 16 “Leases”, whose application has been mandatory since 1 January 2019. There were no effects on the accounting policies of the edding Group from new interpretations or other amendments to standards.

In the following paragraphs, the effects of the first-time application of IFRS 16 on the Consolidated Financial Statements of edding AG are explained, and the new accounting policies applied as from 1 January 2019 are described insofar as they differ from those previously applied.

IFRS 16 – Leases

On 13 January 2016 IASB issued IFRS 16 "Leases". The standard represents a comprehensive amendment in regard to the recognition, measurement and representation of leases, especially for the lessee. Until now the majority of leases were not included in the balance sheet, as they are what is known as operating lease agreements. Under IFRS 16 all leases have to be represented in the lessee’s balance sheet, and the previous distinction between operating lease and finance lease no longer applies. Instead the lessee accounts for the right to use the leased assets and thus any contractually still expected lease payments.

edding will apply the standard retroactively for the first time as at 1 January 2019 without adjusting the prior year's figures according to the transitional provisions. The application of IFRS 16 affects the Consolidated Financial Statements of edding AG, in particular, the balance sheet total, the results of operations, the cash flows from operating and financing activities and the representation of the asset and financial position. As a lessee, edding is particularly affected by the initial application with regard to building rentals and the lease of motor vehicles as well as operating and office equipment for lease agreements previously classified as operating leases.

Payment obligations arising from previous operating leases are discounted on transition to IFRS 16 using the respective incremental borrowing rate of interest at the time of the first application and are recognised as a leasing liability. The average interest rate used for the edding Group as at 1 January 2019 was 2.5 %.

As at 1 January 2019, the rights of use are recognised at their carrying amount as if the standard had already been applied since the provision date of the utilised assets.

The main options and relief possibilities are exercised as follows:

- Rights of use and leasing liabilities are reported separately in the balance sheet.
- Short-term leases with a term of less than 12 months (and without a purchase option) as well as leases where the asset on which the leasing agreement is based is of low value ("Small Ticket Leases") are not recognised in the balanced sheet according to the option under IFRS 16.5.
- In agreements which contain non-lease components in addition to lease components, a distinction will be made. Each lease component will be depicted separately from the other relevant performance components.
- IFRS 16 is not applied to intangible assets.

Moreover, the main options and relief possibilities were utilised as follows at the time of the initial application of IFRS 16:

- Upon first-time application, reassessment of whether an agreement contains a leasing arrangement is waived.
- Initial direct costs are not included in the measurement of the right of use of the leased item at the time of the first application.
- Discretionary decisions are taken based on the current findings at the time of the initial application. In this connection, better findings which are sometimes acquired subsequently are taken into account for determining the term of lease agreements if this leads to a better estimate for the exercise of extension and cancellation options.
- Individual leases which will end in the 2019 financial year are treated in accordance with the exemption rules for short-term leases

As a result of the initial application, rights of use of € 4.4 million and non-current and current leasing liabilities of € 4.6 million were reported in the consolidated balance sheet as at 1 January 2019. At the time of acquisition, deferred taxes of € 0.0 million were recognised on temporary differences. The first-time application effect of € -0.3 million was recognised in the opening balance sheet value of the retained earnings with no impact on profit or loss.

The reconciliation of the off-balance sheet lease and rental obligations as at 31 December 2018 of € 4.8 million with the leasing liabilities to be reported in the balance sheet as at 1 January 2019 of € 4.6 million is as follows:

	€ m
Operating lease obligations as at 31 December 2018	**4.8**
Short-term leases with a term of less than 12 months	-0.2
Reasonably certain extension or termination options	0.1
Non-lease components	0.0
Other	0.1
Leasing liabilities (gross, without discounting)	**4.8**
Discounting	-0.2
Leasing liabilities due to initial application of IFRS 16 as at 1 January 2019	**4.6**
Total leasing liabilities	**4.6**

In the first half of 2019, depreciation of rights of use of € 0.9 million and interest from leases of € 0.1 million were included in the consolidated income statement. Rights of use of € 4.2 million and current and non-current leasing liabilities of € 4.6 million were reported in the consolidated balance sheet as at 30 June 2019.

Rights of use were presented as follows as at 30 June 2019:

	30/06/2019 € m
Land and buildings	2.3
Other equipment, operating and office equipment	1.9

Other accounting policies
The actuarial assumptions for the measurement of pension provisions and similar obligations are unchanged for these Interim Consolidated Financial Statements compared to the calculation parameters presented in the Consolidated Financial Statements as at 31 December 2018.

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

Adjustment of previous year's figures

Since 1 July 2018, Argentina has been classified as a hyperinflationary country within the meaning of IAS 29. Consequently, IAS 29 - Financial Reporting in Hyperinflationary Economies - has to be applied from the beginning of the reporting period 2018. This procedure, as reported in the Annual Report 2018, meant that certain items in the consolidated income statement for the first half of 2018 had to be adjusted retrospectively:

	reported 2018 01/01-30/06 € m	adjusted 2018 01/01-30/06 € m
Sales revenue	68.7	68.4
Changes in inventories and other own work capitalised	0.3	0.3
TOTAL OUTPUT	**69.0**	**68.7**
Raw materials and consumables used	-26.8	-26.8
Personnel expenses	-18.4	-18.3
Depreciation and amortisation	-1.2	-1.5
Other operating income	2.7	2.2
Other operating expenses	-18.7	-17.9
Total operating expenses	**-62.4**	**-62.3**
GROUP EARNINGS BEFORE INTEREST, HYPERINFLATIONARY ADJUSTMENTS AND INCOME TAXES (EBIT)	**6.6**	**6.4**
Income from investments accounted for using the equity method, net	0.0	0.0
Financial result and result from investments	-0.1	-0.1
Gain or loss on the net monetary position under IAS 29	-	-0.1
GROUP EARNINGS BEFORE TAXES (EBT)	**6.5**	**6.2**
Income taxes	-2.2	-2.2
GROUP RESULT	**4.3**	**4.0**
of which attributable to:		
Shareholders of edding AG	4.5	4.3
Non-controlling interests	-0.2	-0.3
Basic / diluted earnings per ordinary share (600,000 shares)	4.16 €	3.94 €
Basic / diluted earnings per preference share (473,219 shares)	4.25 €	4.02 €

In addition, other comprehensive income items and consequently also the shares held by the shareholders of edding AG and non-controlling interests in the consolidated statement of comprehensive income were adjusted retrospectively:

	reported 2018 01/01-30/06 € m	adjusted 2018 01/01-30/06 € m
Group result	**4.3**	**4.0**
Items which are not subsequently reclassified to profit or loss	0.0	0.0
Items which are subsequently reclassified to profit or loss provided certain conditions are met		
Currency translation difference / hyperinflation		
Shareholders of edding AG		
Currency translation difference	-0.6	-1.2
Hyperinflation	-	0.9
	-0.6	-0.3
Non-controlling interests	0.0	0.0
	-0.6	-0.3
Hedging transactions	0.3	0.3
Other comprehensive income	**-0.3**	**0.0**
TOTAL COMPREHENSIVE INCOME	**4.0**	**4.0**
of which attributable to:		
Shareholders of edding AG	4.2	4.3
Non-controlling interests	-0.2	-0.3

The purchasing power restatement effects of non-monetary items under IAS 29 had no effect on the cash flows reported in the consolidated statement of cash flows. Within the cash flow from operating activities there were slight shifts between the individual items due to changes in the consolidated income statement.

In addition, the equity items changed as a result of the retrospective application of IAS 29 as of 1 January 2018 and 30 June 2018:

	reported 01/01/2018 € m	adjusted 01/01/2018 € m
Retained earnings and net profit	58.7	53.3
Currency translation difference and hyperinflation	-6.6	-0.8
Shareholders of edding AG	58.6	58.9
Total	58.4	58.8

	reported 30/06/2018 € m	adjusted 30/06/2018 € m
Retained earnings and net profit	60.9	55.3
Currency translation difference and hyperinflation	-7.2	-1.1
Shareholders of edding AG	60.5	60.9
Total	60.3	60.7

Earnings per share

The voluntary presentation of earnings per share in these Interim Consolidated Financial Statements largely corresponds to the presentation and calculation methodology of earnings per share as disclosed in the Annual Report 2018. As a result of the negative Group result for the first half of 2019, the allocation of a minimum dividend of 4 % on the preference shares was added as a parameter. The earnings per share pursuant to IAS 33 as at 30 June 2019 are calculated as follows:

	2019 01/01-30/06 € m	2018[1] 01/01-30/06 € m
Group result attributable to shareholders of edding AG	-0.3	4.3
Less preferred dividends paid in the financial year	1.2	1.0
Less ordinary share dividends paid in the financial year	1.4	1.3
Sub-total	**-2.9**	**2.0**
Number of ordinary shares	600,000	600,000
Number of preference shares	473,219	473,219
Undistributed earnings attributable to ordinary shareholders	-1.7	1.1
Undistributed earnings attributable to preference shareholders	-1.2	0.9
Sub-total	**-2.9**	**2.0**
Distributed earnings per ordinary share	2.40 €	2.10 €
Undistributed earnings per ordinary share	-2.76 €	1.84 €
Basic / diluted earnings per ordinary share	**-0.36 €**	**3.94 €**
Distributed earnings per preference share	2.45 €	2.15 €
Undistributed earnings per preference share	-2.55 €	1.87 €
Basic / diluted earnings per preference share	**-0.10 €**	**4.02 €**

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.

Furthermore, according to the articles of association, when calculating the earnings per preference share in the event of a consolidated loss a minimum dividend of 4 % of the proportionate amount of the share capital attributable to each of the preference shares was included.

[1] The previous year was adjusted due to the first-time application of IAS 29.

Acquisition of a property

With agreement date 15 February 2019 edding AG acquired an office building in Bargteheide at a purchase price of € 2.0 million plus incidental acquisition costs. Owing to the proximity to the headquarters in Ahrensburg, the building will be used as the new premises of the German distribution company for the visual communication division Legamaster GmbH. In the second half of 2019, the adjustment of the building to meet the needs of the employees of Legamaster GmbH will be completed, so that the company can move in before the end of 2019. edding is therefore taking account of the increased space requirements due to company growth and the changing needs for working environments, thereby creating the space needed for the company's future success.

Restructuring expenses

In the first half of 2019, expenses totalling € 0.9 million were recorded for the closure of the production facility of edding Argentina S.A. Of this total, € 0.4 million related to the value adjustment of inventories; restructuring costs in the strict sense were € 0.4 million in personnel expenses and € 0.1 million in other operating expenses.

The Argentine subsidiary closed its only production site in San Juan on 30 June 2019 and will continue to purchase its edding products mainly from the German production site in Bautzen and to a lesser extent from edding Colombia S.A.S., Colombia.

The restructuring provision made under IAS 37 of € 0.5 million had already almost been fully utilised prior to the balance sheet date, as the closure process was virtually complete on 30 June 2019.

Disclosures on financial instruments

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 9 and the fair value hierarchy levels under IFRS 13. The fair value of a financial instrument corresponds to the amount for which a financial asset or liability can be sold or settled between knowledgeable, willing and independent parties.

		30/06/2019		31/12/2018	
	Fair Value Hierarchy Level[1]	Book value €m	Fair value €m	Book value €m	Fair value €m
Financial assets					
At amortised cost		**46.9**	**46.9**	**54.3**	**54.3**
Trade receivables	-	25.3	25.3	22.5	22.5
Other receivables and assets (without derivatives)	-	1.8	1.8	1.9	1.9
Cash and cash equivalents	-	19.8	19.8	29.9	29.9
For the purposes of hedge accounting		**0.4**	**0.4**	**0.4**	**0.4**
Derivatives with a positive market value with hedging relationship (cash flow hedges)	2	0.4	0.4	0.4	0.4
Assets measured at fair value through profit or loss		**0.1**	**0.1**	**0.1**	**0.1**
Derivatives with a positive market value without hedging relationship, held for trading	2	0.1	0.1	0.1	0.1
Assets measured at fair value directly in equity		**3.5**	**3.5**	**3.5**	**3.5**
Investments	3	3.5	3.5	3.5	3.5

[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.

	Fair Value Hierarchy Level[1]	30/06/2019 Book value € m	Fair value € m	31/12/2018 Book value € m	Fair value € m
Financial liabilities					
Other financial liabilities measured at cost		**26.8**	**26.9**	**23.0**	**23.1**
Liabilities to banks	-	4.9	5.0	4.7	4.8
Other financial liabilities	-	3.2	3.2	3.0	3.0
Leasing liabilities	-	4.6	4.6	n/a	n/a
Trade payables	-	5.2	5.2	5.7	5.7
Other financial liabilities (without derivatives)	-	8.9	8.9	9.6	9.6
For the purposes of hedge accounting		**-**	**-**	**-**	**-**
Derivatives with a negative market value with hedging relationship (cash flow hedges)	2	-	-	-	-
Liabilities measured at fair value through profit or loss		**0.6**	**0.6**	**0.8**	**0.8**
Derivatives with a negative market value without hedging relationship, held for trading	2	0.6	0.6	0.8	0.8

Investments continue to be measured at fair value in other comprehensive income as strategic investment. Based on the information currently available, the Management Board currently sees historical costs as the best estimate for the fair value of shares.

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 2018. There have also been no transfers between the levels of the fair value hierarchy since then.

Scope of consolidation

There were no changes in the scope of consolidation compared to the Consolidated Financial Statements as at 31 December 2018.

Dividends

The edding AG Annual General Meeting passed a resolution on 18 June 2019 to pay the following dividends from the 2018 unappropriated retained earnings to the shareholders:

- € 2,45 dividend per preference share with a notional par value of € 5.00
- € 2,40 dividend per ordinary share with a notional par value of € 5.00

Related party disclosures according to IAS 24

Related parties within the meaning of IAS 24 are natural persons or companies who may be influenced by edding AG, may exert influence on edding AG, or who are under the influence of another related party of edding AG.

In the first half of 2019, there were no associated companies that could be classified as related parties within the meaning of IAS 24. In April of last year, an injection of equity capital into Prismade Labs GmbH of € 0.2 million by edding International GmbH was called due because a contractually agreed milestone had been reached. At this point in time, Prismade Labs GmbH was still included at equity in edding's Consolidated Financial Statements as an associated company. However, the payment was made in May 2018, when Prismade Labs GmbH had already been included in edding's Consolidated Financial Statements as a fully consolidated company. No other noteworthy business activities were conducted with associated companies in the first half of 2018.

The employee who was elected to the Supervisory Board of edding AG is still entitled to a regular salary under her employment contract. The amount of the salary is commensurate with a reasonable remuneration for the corresponding position or activity within the company. No other material reportable transactions were effected with members of the Supervisory Board or the Management Board.

We have also classified shareholders generally as related parties, provided they have an obligation due to their voting commitments. Consultancy agreements exist with individual shareholders, under which, for the first half of 2019, fees totalling € 0.1 million (previous year: € 0.1 million) were charged, of which € 0.0 million (previous year: € 0.0 million) was outstanding as of the balance sheet date. The consultancy agreements were disclosed to the Supervisory Board. Moreover, a standard employment relationship exists with one individual. As in the same period of the previous year, no other significant business activities were effected with members of the group of shareholders or their relatives in the first half of 2019.

Contingent liabilities

As at the reporting date, there were contingent liabilities arising from granted guarantees of € 0.2 million (31 December 2018: € 0.2 million). There were no other contingent liabilities or commitments.

Events after the reporting period

No significant recognisable events or non-recognisable, but disclosable, events occurred after the balance sheet date, in accordance with IAS 10, 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, 23 August 2019

edding Aktiengesellschaft

The Management Board

Per Ledermann   Thorsten Streppelhoff   Sönke Gooß

The English version of the Semi-annual report is a translation of the German original. In the event of discrepancies, the German version shall prevail.

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