Half-Year Financial Report as at 30 June 2018

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Key figures for the Group

	2018 01/01-30/06 € m	2017[1] 01/01-30/06 € m
Results of operations		
EBIT	6.6	5.4
as % of sales	9.6	8.1
Group result	4.3	3.5
as % of equity as at 30 June (return on equity)	7.1	6.3
Group earnings before taxes	6.5	5.4
Sales revenue	68.7	66.9
Change	2.7	-4.3
Foreign business	56.9	59.3
Gross profit[2]	42.2	40.6
as % of total output	61.2	60.1
Employee benefits expense	18.4	18.3
as % of sales	26.8	27.4
Employees (annual average)	627	620
	30/06/2018 € m	31/12/2017 € m
Net assets and financial position		
Total assets	104.3	104.8
Change	-0.5	-
Equity	60.3	58.3
as % of total assets	57.8	55.6
2nd degree liquidity (Quick ratio as %)	179.6	170.9

[1] The previous year was adjusted due to the first-time application of IFRS 15 (see explanatory notes).
[2] excluding other operating income

edding Interim Group Management Report

Development of the business segments

Group sales for the first half of the 2018 financial year totalled € 68.7 million, which represents a rise of 2.7% compared with the same period in the previous year. The sales growth resulted from the Writing and Marking business segment, while the Visual Communication segment posted a fall in sales for the first time since 2012.

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

	2018 01/01-30/06 € m	2017[1] 01/01-30/06 € m	Change € m	Change %
Writing and Marking				
Germany	20.5	18.9	1.6	8.5
Other European countries	24.8	23.3	1.5	6.4
Overseas	3.3	4.1	-0.8	-19.5
	48.6	**46.3**	**2.3**	**5.0**
Visual Communication				
Germany	8.1	7.3	0.8	11.0
Other European countries	8.0	9.5	-1.5	-15.8
Overseas	0.5	0.4	0.1	25.0
	16.6	**17.2**	**-0.6**	**-3.5**
Other Office Products	**3.5**	**3.4**	**0.1**	**2.9**
Group total	**68.7**	**66.9**	**1.8**	**2.7**

[1] The previous year was adjusted due to the first-time application of IFRS 15 (see explanatory notes).

Writing and Marking business segment

Sales in the Writing and Marking business segment were 5.0% up 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, the sales growth was attributable to almost all product and customer sectors. Sales increases were generated, in particular, with printer cartridges and toners and with the creative ranges, including sprays. Overall we expect growth to weaken slightly in the second half of the year.

In the **other European markets,** sales increased by 6.4% compared with the previous year's level. Growth markets in this segment are, in particular, Russia, Spain, Austria, France and the UK. In the previous year, the majority of sales in Russia were generated in the second half of the year due to the adjustment of delivery processes. Accordingly sales in the second half of 2018 are expected to be at the prior year's level. Turkey and Hungary, in particular, had to contend with a drop in sales. In Turkey the reduction measured in euros was solely the result of the depreciation of the national currency. We expect a slight improvement in the second half-year in Hungary because of the deferred ordering on the part of our distribution partner.

Overseas markets recorded a significant decrease in sales of 19.5%, reflecting the further significant deterioration of the economic situation in Argentina and the strong devaluation of the national currency. This had the effect of depressing sales in national currency and led to lower sales on a euro basis.

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

Visual Communication business segment

The Visual Communication business segment experienced a decline in revenues for the first time since 2012 as a result of lower sales in Europe. This amounted to a decrease of 3.5%.

Sales revenue in **Germany** increased sharply once again by 11.0%. This was due to the continuing very positive development of revenues from e-screens as well as a sharp increase in sales of traditional presentation media, especially whiteboards. In the **other European markets**, sales fell by 15.8%. This particularly reflects weaker developments in Switzerland, the UK and the Netherlands. In Switzerland, competition in the interactive segment has accelerated dramatically in recent months. In the UK, the termination of the business relationship with our distribution partner in the previous year had an impact and so far we have been unable to find a new partner. **Overseas** sales revenues increased slightly.

We expect the sales trend in the Visual Communication business segment to improve in the remainder of the year compared with 2017.

Other Office Products

Overall this segment is displaying a stable trend.

Results of operations

Group earnings before interest and taxes (EBIT) rose sharply by € 1.2 million compared with the level in the first half of 2017. The revenue-driven rise in gross profit of € 1.6 million exceeded the moderate increases in operating expenses.

Other operating income was up € 0.9 million year on year. A key factor here is the € 1.0 million rise in exchange gains. The exchange losses included in other operating expenses were € 0.6 million higher in the year under review, leading to an improvement in net earnings year on year of € 0.4 million from largely unrealised exchange rate effects. These originate from both the valuation of our currency hedging instruments and the valuation of intracompany receivables and payables. Compared with 2017, the positive effects from the valuation of hedging instruments outweigh the negative effect from the valuation of intracompany receivables despite the significant devaluation of the Argentine peso.

Employee benefits expenses are more or less stable despite a slightly larger workforce. The general increase in pay rates and the additional expenditure for new employees were partially offset by lower staff costs of the Argentine and Turkish subsidiaries when translated into euro, attributable to the major devaluations of the respective national currencies.

Other operating expenses of € 1.2 million were significantly above the previous year's figure. After taking account of the already described development of exchange losses, another € 0.6 million remains, resulting from scheduled increases in marketing and consulting costs.

While the financial result was slightly worse, **Group earnings before taxes** were € 1.1 million up on the previous year's level.

After deduction of taxes on income, the remaining **Group earnings** amounted to € 4.3 million, an increase of € 0.8 million, with a slightly reduced tax ratio.

Net assets and financial position

The total assets of the edding Group are virtually unchanged compared to the last balance sheet date, at € 104.3 million (31 December 2017: € 104.8 million).

On the assets side of the balance sheet, however, there are several opposing effects that resulted in the total assets remaining relatively constant. On the one hand, goodwill and other intangible assets increased in the area of non-current assets due to the inclusion of Prismade Labs GmbH as a fully consolidated subsidiary on 2 May 2018. This is partly counterbalanced by the scheduled depreciation and the lower new investments, compared to the previous year, in the area of property, plant and equipment.

Moreover, an increase in the level of trade receivables due to a higher business volume was posted. This was offset by a decrease of € 4.8 million in cash and cash equivalents compared to 31 December 2017 as at the half-year reporting date, as the higher business volume was financed to a large extent from the existing liquidity. 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 rose by € 2.0 million to € 60.3 million compared to the last balance sheet date 31 December 2017. The higher result for the period compared with the same period the previous year outweighed the above-mentioned dividend payment as well as the negative effects, recognised in equity, from currency translation.

On the liabilities side, non-current liabilities fell slightly in the first half of 2018. The slight reduction in pension liabilities and the scheduled repayment of non-current financial liabilities are mainly responsible for this.

Current liabilities decreased by a total of € 1.8 million compared with 31 December 2017. Here the slight increase in current financial liabilities induced by the short-term loans taken out by our Turkish subsidiary contrasted with a decrease in other current liabilities and provisions. The lower amounts of deferred liabilities on account of the reporting date, especially the employee bonuses paid out in the first half of the year, and the decrease in negative market values from currency hedging transactions are largely responsible for their decline.

As at 30 June 2018, off-balance-sheet obligations in the form of contingent liabilities from granted guarantees were unchanged at € 0.2 million.

As at 31 December 2017, there were also off-balance-sheet obligations in the form of financing commitments of € 0.5 million. These financing commitments related to the stake in Prismade Labs GmbH. They are equity injections, subject to a condition precedent, into the company's capital reserve, which are expected to become payable within the 2018 financial year. These injections into the company's capital reserve were dependent upon the attainment of set milestones and were payable in tranches. As a result of the inclusion of Prismade Labs GmbH as a fully consolidated subsidiary in the edding Group's consolidated financial statements, there were no off-balance-sheet obligations in the form of reportable external financing commitments as at 30 June 2018.

The Group result adjusted for non-cash items remained constant year on year at € 5.4 million, yet overall there was a negative cash flow of € -2.1 million from operating activities in the period under review, which was higher than in the prior year (€ -0.6 million). This can particularly be attributed to the higher rise in trade receivables in the first half of 2018 and the sharper fall in other liabilities compared to the same period the previous year.

The cash flow of € -1.0 million from investing activities in the period under review is higher than in the same period in the prior year (€ -1.7 million), in particular because of the lower level of investment in the area of property, plant and equipment in the first half of 2018. A weak opposing factor that should be mentioned arises from the payments for investments in shares of affiliated companies, which were attributable to the acquisition of additional shares in Prismade Labs GmbH.

The cash flow of € -1.6 million from financing activities in the first half of the 2018 financial year was up slightly by € 0.6 million compared with the first half of 2017. While the flow of incoming payments from new short-term borrowing was relatively constant at € 1.0 million, outpayments for the redemption of loans declined compared to the same period last year.

In addition to the cash and cash equivalent net balance of € 20.3 million (31 December 2017: € 25.1 million), the edding Group had credit lines with a total volume of € 20.3 million (31 December 2017: € 20.6 million) at its disposal as at 30 June 2018, € 2.8 million of which (31 December 2017: € 2.1 million) had been utilised.

The Group was solvent at all times in the first half of financial year 2018. This continues to be the case in the second half of 2018.

Employees

The edding Group had a workforce of 627 employees on average in the first half of the year, Hence, staff numbers rose by 7 in Germany and abroad compared to the same period in the previous year. The increase in Germany was mainly due to the full consolidation of Prismade Labs GmbH in Chemnitz.

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 2017. We would like to comment on the changed general conditions as follows:

The volatility of the Turkish lira has gained further momentum, giving rise to even greater uncertainty in the market. The Turkish lira had already depreciated by 15% against the euro in the first half of the year, accompanied by rising inflation. After the reporting date, the currency continued to lose value dramatically; whereas one euro was still worth 5.34 Turkish lira at the end of June, in August it rose to over 8.00 Turkish lira for a short period following the introduction of US sanctions, and remains volatile. The cost of imports has risen as a result, and it is unlikely that this can be passed on to the market in full in the form of price increases; in addition it is anticipated that the high inflation will also hit consumer spending. Consequently, there may be a negative impact on sales growth and the profitability of the Turkish company in the next few years as well as a negative translation effect on the equity of the edding Group.

In Argentina the economic situation has again deteriorated sharply. The Argentine peso depreciated a further 34% against the euro in the first half of the year, and this had a significant impact on the Argentine company's revenue and profit margin. Since 1 July 2018, Argentina has been seen as a high inflation country for accounting purposes according to the International Financial Reporting Standards (IFRS). For further details, please refer to the Explanatory notes, under Events after the reporting date.

The Brexit negotiations between the UK and the EU are not going well, and a withdrawal agreement has still not been reached. Therefore, the likelihood of a disorderly exit in March 2019 is currently increasing. This would mean that the transitional period mentioned in the risk report contained in the 2017 annual report, after which the United Kingdom would remain a member of the European Single Market and the Customs Union until the end of 2020, would no longer apply, and instead there would be a hard Brexit at the end of March 2019. In addition to the expected further depreciation of the British pound, the negative impact on demand resulting from withdrawal from the EU would occur sooner than expected. From our perspective it is hard to judge how likely a hard Brexit without a withdrawal agreement actually is, but irrespective of this, we shall introduce a temporary stockpile in good time as a precaution against supply shortages.

Overall the extent of the impact of these developments is difficult to estimate. However, at present we do not believe that they could lead to risks that would pose a threat to edding's continued existence, 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 2017 annual report arose in the reporting period.

Outlook

The Management Board regards the development of business in the first half of 2018 as satisfactory. In terms of the further course of our business in the second half of 2018, we expect a slight improvement in the development of sales as things stand at the moment. Based on the above-mentioned expectations for the further sales revenue trend, the Writing and Marking segment will increase moderately and the Visual Communication segment is expected to remain at roughly the previous year’s level. As far as expenditure is concerned, we expect higher costs, especially in the area of marketing, in the second half of the year. There will also be additional expenses in the course of developing new business units.

Therefore, we also confirm the forecast corridors for our key control parameters for the edding Group specified within the scope of the 2017 annual report:

	2017 € m	Forecast 2018 € m
edding Group		
Sales revenues before IFRS 15	148.4	150.0 - 160.0
Sales revenues after IFRS 15	n/a	140.0 - 150.0
EBIT	12.0	11.0 - 14.0
Approval ratings from the employee survey		
Employee commitment (in %)	87	85 - 90
Quality of performance environment (in %)	80	75 - 85

Segment results	2017 € m	Forecast 2018 € m
Writing and Marking[2]		
Sales revenues before IFRS 15	110.1	113.0 - 120.0
Sales revenues after IFRS 15	n/a	105.0 - 112.0
EBIT	18.1	17.0 - 20.0
Visual Communication		
Sales revenues before IFRS 15	37.5	37.0 - 40.0
Sales revenues after IFRS 15	n/a	35.0 - 38.0
EBIT	2.4	2.1 - 2.9

[2] Partner brands (Other Office Products), income from the licence business with printer cartridges and income from the nail polish business are also assigned to the Writing and Marking segment.

Alternative 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 investment income and financial result as well as income from investments accounted for using the equity method and before taking into account taxes on income as well as deferred tax expenses/tax income.

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 profit management in the edding Group. No adjustment has been made for any extraordinary income or expenses.

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 regularly result from depreciation and amortisation of non-current assets, 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 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.


edding
permanent spray
edding
permanent spray
edding
permanent spray
edding
permanent spray
2
DREI
12
edding
Glass, Metal, Plastic

Condensed Interim Consolidated Financial Statements of the edding Group

Consolidated statement of financial position

	30/06/2018 € m	31/12/2017 € m
ASSETS		
Goodwill	3.2	2.7
Other intangible assets	1.7	0.9
Property, plant and equipment	12.2	12.7
Investment property	0.7	0.7
Investments accounted for using the equity method	-	0.4
Other financial assets	3.5	3.5
Deferred tax assets	0.5	0.7
Income tax receivables	0.1	0.2
Other receivables and assets	5.0	4.8
Non-current assets	**26.9**	**26.6**
Inventories	28.5	27.9
Trade receivables	26.4	22.5
Income tax receivables	0.3	0.2
Other receivables and assets	1.5	1.5
Cash and cash equivalents	20.3	25.1
Prepaid expenses and deferred charges	0.4	1.0
Current assets	**77.4**	**78.2**
Total assets	**104.3**	**104.8**
EQUITY AND LIABILITIES		
Equity	**60.3**	**58.3**
Provisions for pensions	12.5	12.9
Deferred tax liabilities	0.3	0.1
Non-current liabilities	1.3	1.5
Other non-current liabilities and provisions	2.9	3.2
Non-current liabilities	**17.0**	**17.7**
Current liabilities	6.4	5.7
Trade payables	5.0	4.8
Income tax liabilities	0.3	0.8
Other current liabilities and provisions	15.3	17.5
Current liabilities	**27.0**	**28.8**
Total assets	**104.3**	**104.8**

Consolidated income statement

	2018 01/01-30/06 € m	2017[1] 01/01-30/06 € m
Sales revenue	68.7	66.9
Changes in inventories and other own work capitalised	0.3	0.6
Total output	**69.0**	**67.5**
Raw materials and consumables used	-26.8	-26.9
Personnel expenses	-18.4	-18.3
Depreciation and amortisation	-1.2	-1.2
Other operating income	2.7	1.8
Other operating expenses	-18.7	-17.5
Group earnings before interest and taxes (EBIT)	**6.6**	**5.4**
Income from investments accounted for using the equity method, net	0.0	0.0
Financial result and result from investments	-0.1	0.0
Group earnings before taxes (EBT)	**6.5**	**5.4**
Income taxes	-2.2	-1.9
Group result	**4.3**	**3.5**
of which attributable to:		
Shareholders of edding AG	4.5	3.7
Non-controlling interests	-0.2	-0.2
Basic/diluted earnings per ordinary share (600,000 shares)	4.16 €	3.42 €
Basic/diluted earnings per preference share (473,219 shares)	4.25 €	3.50 €

[1] The previous year was adjusted due to the first-time application of IFRS 15 (see explanatory notes).

Consolidated statement of comprehensive income

	2018 01/01-30/06 € m	2017 01/01-30/06 € m
Group result	**4.3**	**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	-0.6	-0.5
Cash flow hedges		
Fair value changes recognised in other comprehensive income	0.2	-0.3
Transferred to profit and loss	0.2	-0.3
Deferred taxes	-0.1	0.2
Other comprehensive income	**-0.3**	**-0.9**
Total comprehensive income	**4.0**	**2.6**
of which attributable to:		
Shareholders of edding AG	4.2	2.8
Non-controlling interests	-0.2	-0.2

Consolidated statement of cash flows

	2018 01/01-30/06 € m	2017 01/01-30/06 € m
Group result	4.3	3.5
+ depreciation and amortisation of fixed assets	1.2	1.2
- decrease in provisions for pensions	-0.4	-0.5
+ / - other non-cash expenses/income	0.3	1.3
Group result adjusted for non-cash items	**5.4**	**5.5**
- increase in inventories	-0.5	-0.9
- increase in trade receivables	-3.8	-2.6
- increase in other assets	-0.3	-1.8
+ increase in trade payables	0.2	1.1
- decrease in provisions for pensions	-3.1	-1.9
Cash flow from operating activities	**-2.1**	**-0.6**
+ 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	-0.4	-1.4
Intangible assets	-0.2	0.0
Shares in affiliated companies, less acquired cash and cash equivalents	-0.4	-
Investments accounted for using the equity method	-	-0.3
Cash flow from investing activities	**-1.0**	**-1.7**
- dividend payment	-2.3	-2.3
+ cash receipts from borrowings	1.0	1.2
- cash payment for the redemption of loans	-0.3	-1.1
Cash flow from financing activities	**-1.6**	**-2.2**
Net change in cash and cash equivalents	-4.7	-4.5
+ / - effect of exchange rate fluctuations	-0.1	-0.2
+ cash and cash equivalents at the beginning of the period	25.1	17.1
Cash and cash equivalents at the end of the period	**20.3**	**12.4**

Consolidated statement of changes in equity

	Share capital	Capital reserves	Retained earnings and net profit	Revaluation of pension obligations	Currency-translation difference	Hedging-transactions	Shareholders of edding AG	Non-controlling interests	**Total**
	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m	**€ m**
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**
31/12/2017	**5.4**	**4.2**	**58.6**	**-2.6**	**-6.6**	**-0.5**	**58.5**	**-0.2**	**58.3**
Initial application of IFRS 9[1]	-	-	0.1	-	-	-	0.1	0.0	0.1
01/01/2018	**5.4**	**4.2**	**58.7**	**-2.6**	**-6.6**	**-0.5**	**58.6**	**-0.2**	**58.4**
Group result	-	-	4.5	-	-	-	4.5	-0.2	4.3
Other comprehensive income	-	-	-	0.0	-0.6	0.3	-0.3	0.0	-0.3
Total comprehensive income	**-**	**-**	**4.5**	**0.0**	**-0.6**	**0.3**	**4.2**	**-0.2**	**4.0**
Dividend payments	-	-	-2.3	-	-	-	-2.3	-	-2.3
Capital transactions with amendment of shareholding[2]	-	-	-	-	-	-	-	0.2	0.2
30/06/2018	**5.4**	**4.2**	**60.9**	**-2.6**	**-7.2**	**-0.2**	**60.5**	**-0.2**	**60.3**

[1] First-time application of IFRS 9 (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.

Explanatory notes

Segment reporting

The Writing and Marking business segment, with edding as its main brand, and the Visual Communication business segment, with Legamaster as its main brand, are shown as operating segments in accordance with 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. 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, at present, of these segments for the profitability of the edding Group.

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 2018 or in the same period 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. Revenue recognition for both segments takes place at a specific point in time. This does not apply to licensing deals, where revenue recognition takes place over a period of time.

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 01/01-30/06	Writing and Marking € m	Visual Communi-cation € m	Total segments € m	Transition € m	**edding Group € m**
Regions					
Germany	21.3	8.1	29.4	0.2	**29.6**
Other European countries	26.7	8.0	34.7	0.3	**35.0**
Overseas	3.6	0.5	4.1	0.0	**4.1**
	51.6	**16.6**	**68.2**	**0.5**	**68.7**
Time frame of revenue recognition					
Date	51.4	16.6	68.0	0.5	**68.5**
Time period	0.2	-	0.2	-	**0.2**
	51.6	**16.6**	**68.2**	**0.5**	**68.7**

Sales revenue is broken down by region and time frame of the revenue recognition for the period 1 January to 30 June 2017 as follows:

2017[1] 01/01-30/06	Writing and Marking € m	Visual Communi-cation € m	Total segments € m	Transition € m	**edding Group € m**
Regions					
Germany	19.8	7.3	27.1	0.1	**27.2**
Other European countries	25.0	9.5	34.5	0.3	**34.8**
Overseas	4.5	0.4	4.9	0.0	**4.9**
	49.3	**17.2**	**66.5**	**0.4**	**66.9**
Time frame of revenue recognition					
Date	49.1	17.2	66.3	0.4	**66.7**
Time period	0.2	-	0.2	-	**0.2**
	49.3	**17.2**	**66.5**	**0.4**	**66.9**

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

	2018 01/01-30/06 € m	2017[1] 01/01-30/06 € m
EBIT Writing and Marking	9.6	8.4
EBIT Visual Communication	1.2	0.9
Segment result (EBIT)	**10.8**	**9.3**
EBIT edding AG	-3.9	-3.8
Consolidation	-0.3	-0.1
EBIT edding Group	**6.6**	**5.4**
Financial result and result from investments including at-equity result	-0.1	0.0
Group earnings before taxes (EBT)	**6.5**	**5.4**

[1] The previous year was adjusted due to the first-time application of IFRS 15 (see explanatory notes on adjustment of previous year's figures). However, the resultant adjustments in the first half of 2017 had no impact on the presentation of EBIT in the half-year financial statements within the scope of segment reporting in € m.

Accounting policies

The Interim Consolidated Financial Statements of the edding Group as at 30 June 2018 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 2018 have been applied.

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 2017. These policies are described in detail in the Notes to the edding AG Group Annual Report 2017, with the exception of the standards IFRS 9 “Financial Instruments” and IFRS 15 “Revenue from contracts with customers” that have been mandatory since 1 January 2018. There were no effects on the accounting policies of the edding Group from other amendments to standards.

In the following paragraphs, the effects of the first-time application of IFRS 9 and IFRS 15 on the consolidated financial statements of edding AG are explained, and the new accounting policies applied as from 1 January 2018 are described insofar as they differ from those previously applied.

IFRS 9 – Financial instruments

IFRS 9 amends the accounting rules for the classification and measurement of financial assets, for the impairment of financial assets and for hedge accounting. edding uses the modified retrospective method for the initial application.

The classification and measurement of financial assets are determined on the basis of the operated business model and the structure of the cash flows. A financial asset is classified at initial recognition either as “amortised cost”, “at fair value through other comprehensive income”or“at fair value through profit and loss.

The majority of the financial assets of the edding Group are categorised as “loans and receivables” in accordance with IAS 39. Under IFRS 9, these financial assets are assigned to the category “amortised cost”.

The equity instruments were assigned to the category “available-for-sale financial assets” as at 31 December 2017, in accordance with IAS 39, and measured at amortised cost. Since 1 January 2018, under IFRS 9, these equity instruments must either be classified at fair value through other comprehensive income without recycling to profit and loss or at fair value through profit and loss. edding measures other holdings in non-consolidated companies reported under financial assets at fair value directly in equity. The edding Group reported shares in other companies measured at fair value of € 3.5 million as of 30 June 2018. No material hidden reserves or charges were disclosed within the context of the shares in these companies. Consequently the first-time recognition at fair value will have no effect on the net assets, financial position and results of operations of the Group.

Likewise, a new model is being introduced for the recognition of impairments of financial assets. The existing "Incurred Loss Model" is replaced by an "Expected Credit Loss Model", which is geared more to the future.

In the case of trade receivables, the expected loss over the life of the receivable is recorded as an impairment loss in accordance with IFRS 9. This can either be determined as part of an individual assessment with corresponding notes or on the basis of statistical expectation values adjusted to take account of forward-looking information where appropriate. The threestage impairment model is always applied for other receivables. However, transfer to stage two is waived as long as the absolute credit risk is rated as low.

This amended measurement methodology leads to a reduction of the risk provision, since the application of the new model leads to improved knowledge of the actual trade receivables default risks. As at 1 January 2018, bad debt provisions on trade receivables had been reduced by € 0.1 million. According to IFRS 9.7.2.15, the adjustment effect will be recognised directly in equity in the opening balance sheet value of the retained earnings at the time of initial adoption. There was no change in the level of risk provision for the measurement of other financial assets.

In addition, IFRS 9 does not specify any fundamental changes to the existing provisions for hedge accounting. However, the aim of the standard is to represent risk management activities more accurately and to make hedge accounting more flexible. One innovation relevant to the edding Group is, in particular, the possibility of recognising a change in the fair value of a currency option or the interest component of a forward exchange transaction in other comprehensive income. Edding has, however, made use of the transitional provision from IFRS 9.7.2.21, and will continue applying the rules governing hedge accounting in IAS 39 instead of the rules governing hedge accounting in IFRS 9. Therefore, no effects relating to hedge accounting apply in the edding Group as at 30 June 2018.

Moreover, there will be considerably more comprehensive disclosures in the Notes to the Consolidated Financial Statements as at 31 December 2018.

IFRS 15 – Revenue from contracts with customers

IFRS 15 revises the accounting rules for recognising revenue. Here edding has adjusted the comparative period retrospectively according to the provisions of IFRS 15 (compare the explanatory note on the adjustment of previous year's figures). The only significant changes for the edding Group as of 1 January 2018 were in respect of reporting advertising cost subsidies, since the existing approach is already largely consistent with the new regulations.

The general listing fees, sales-based advertising cost subsidies and certain marketing-related advertising cost subsidies contained in the agreements with our customers will be directly deducted from turnover as a revenue reduction as from financial year 2018 and will be separated from other marketing-related advertising cost subsidies, which will continue to be reported within other operating expenses. This reclassification from other operating expenses to sales revenue led to a significant reduction in sales revenue and other operating expenses at the time of the initial application, but overall it has no effect on earnings before interest and taxes (EBIT).

In the Consolidated Financial Statements as at 30 June 2018 expenses of € 5.0 million for advertising cost subsidies were no longer recognised in other operating expenses in the first half of 2018, but rather as a revenue reduction. Therefore, sales revenues were reduced by the same amount.

Considerably more extensive disclosures are required in the Notes to the Consolidated Financial Statements under IFRS 15 as from 2018.

Other accounting policies

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 2017.

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 16, which is mandatory from 1 January 2019 – we refer to the comments in the Notes to the consolidated financial statements as at 31 December 2017. In the course of 2018, statements about the expected effects of the ap-plication of IFRS 16 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 16, a decision on which first-time application method to adopt will be taken in the course of Q3 and Q4 2018 in the implementation project currently taking place.

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

Adjustment of previous year's figures

On 28 May 2014, the IASB issued IFRS 15 "Revenue from contracts with customers", and on 11 September 2015 and on 12 April 2016 an amendment to IFRS 15. The standard will be applied as a mandatory requirement for the first time from 1 January 2018. In particular, the reporting of advertising cost subsidies has changed (compare the explanatory note on IFRS 15 - Revenue from contracts with customers). To improve comparability, edding has chosen the retrospective method for initial application, and in the first application year 2018, also adjusted the comparative period according to the new IFRS 15 rules.

For the comparative figures from the previous year in the Interim Consolidated Financial Statements as at 30 June 2018, this approach resulted in a reclassification, not affecting profit or loss, of € 4.8 million from other operating expenses to sales revenue. The two items in the consolidated income statement for the first half of 2017 are therefore as follows:

	reported 2017 01/01-30/06 € m	adjusted 2017 01/01-30/06 € m
Sales revenue	71.7	66.9
Other operating expenses	-22.3	-17.5

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 annual group report 2017. The earnings per share pursuant to IAS 33 as at 30 June 2018 are calculated as follows:

	2018 01/01-30/06 € m	2017 01/01-30/06 € m
Group result attributable to shareholders of edding AG	4.5	3.7
Less preferred dividends paid in the financial year	1.0	1.0
Less ordinary share dividends paid in the financial year	1.3	1.3
Sub-total	**2.2**	**1.4**
Number of ordinary shares	600,000	600,000
Number of preference shares	473,219	473,219
Undistributed earnings attributable to ordinary shareholders	1.2	0.8
Undistributed earnings attributable to preference shareholders	1.0	0.6
Sub-total	**2.2**	**1.4**
Distributed earnings per ordinary share	2.10 €	2.10 €
Undistributed earnings per ordinary share	2.06 €	1.32 €
Basic/diluted earnings per ordinary share	**4.16 €**	**3.42 €**
Distributed earnings per preference share	2.15 €	2.15 €
Undistributed earnings per preference share	2.10 €	1.35 €
Basic/diluted earnings per ordinary share	**4.25 €**	**3.50 €**

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.

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 an asset is exchanged or a liability is settled between knowledgeable, willing and mutually independent parties.

IFRS 9[1]	Fair value Hierarchy Level[2]	30/06/2018 Book value € m	Fair value € m
Financial assets			
At amortised cost		**48.3**	**48.3**
Trade receivables	-	26.4	26.4
Other receivables and assets (excl. derivatives)	-	1.6	1.6
Cash and cash equivalents	-	20.3	20.3
For the purposes of hedge accounting		**0.1**	**0.1**
Derivatives with a positive market value with hedging relationship (cash flow hedges)	2	0.1	0.1
Liabilities measured at fair value through profit or loss		**0.1**	**0.1**
Derivatives with a positive market value without hedging relationship, held for trading	2	0.1	0.1
Assets measured at fair value directly in equity		**3.5**	**3.5**
Investments	3	3.5	3.5
Financial liabilities			
Other financial liabilities measured at cost		**21.3**	**21.4**
Liabilities to banks	-	4.6	4.7
Other financial liabilities	-	3.1	3.1
Trade payables	-	5.0	5.0
Other financial liabilities (excluding derivatives)	-	9.3	9.3
For the purposes of hedge accounting		**0.2**	**0.2**
Derivatives with a negative market value with hedging relationship (cash flow hedges)	2	0.2	0.2
Liabilities measured at fair value through profit or loss		**0.1**	**0.1**
Derivatives with a positive market value without hedging relationship, held for trading	2	0.1	0.1

IAS 39	Fair value Hierarchy Level[2]	31/12/2017 Book value € m	Fair value € m
Financial assets			
Loans and receivables		**49.1**	**49.1**
Trade receivables	-	22.5	22.5
Other receivables and assets (excl. derivatives)	-	1.5	1.5
Cash and cash equivalents	-	25.1	25.1
Assets measured at fair value		**0.1**	**0.1**
Derivatives with a positive market value with hedging relationship (cash flow hedges)	2	0.0	0.0
Derivatives with a positive market value without hedging relationship, held for trading	2	0.1	0.1
Available-for-sale financial assets		**3.5**	**n/a**
Investments	n/a	3.5	n/a
Financial liabilities			
Other financial liabilities measured at cost		**22.0**	**22.1**
Liabilities to banks	-	4.1	4.2
Other financial liabilities	-	3.1	3.1
Trade payables	-	4.8	4.8
Other financial liabilities (excluding derivatives)	-	10.0	10.0
Liabilities measured at fair value through profit or loss		**1.1**	**1.1**
Derivatives with a negative market value with hedging relationship (cash flow hedges)	2	0.8	0.8
Derivatives with a positive market value without hedging relationship, held for trading	2	0.3	0.3

The measurement methods and input factors for the valuation of financial assets and liabilities have changed slightly in comparison with the Consolidated Financial Statements as at 31 December 2017 due to the application of IFRS 9. As a result of the change from the measurement category “available-for-sale financial assets” under IAS 39 to the measurement category “at fair value through other comprehensive income” under IFRS 9, the participating interests were assigned to a fair value hierarchy level (level 3) for the first time as of 1 January 2018. There have been no reclassifications between the levels of the fair value hierarchy since 31 December 2017.

[1] First-time application of IFRS 9 (see Accounting policy - especially IFRS 9 - Financial instruments).

[2] **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.

The assignment of financial assets and financial liabilities to the new IFRS 9 measurement categories at the time of initial application had no impact on the Group's net assets, financial position and results of operations, and is compared with the previous IAS 39 categories in the following table:

	Fair value Hierarchy Level[1]		Measurement category		Book values as at 01/01/2018		
	IAS 39	IFRS 9	IAS 39	IFRS 9	IAS 39 € m	IFRS 9 € m	Difference € m
Financial assets							
Trade receivables	-	-	Loans and receivables	At amortised cost	22.5	22.6	0.1
Other receivables and assets (excl. derivatives)	-	-	Loans and receivables	At amortised cost	1.5	1.5	-
Cash and cash equivalents	-	-	Loans and receivables	At amortised cost	25.1	25.1	-
Derivatives with a positive market value with hedging relationship (cash flow hedges)[2]	2	2	n/a[2]	n/a[2]	0.0	0.0	-
Derivatives with a positive market value without hedging relationship, held for trading	2	2	At fair value through profit or loss	At fair value through profit or loss	0.1	0.1	-
Investments	n/a	3	Available-for-sale financial assets	At fair value directly in equity	3.5	3.5	-
Financial liabilities							
Liabilities to banks	-	-	At amortised cost	At amortised cost	4.1	4.1	-
Other financial liabilities	-	-	At amortised cost	At amortised cost	3.1	3.1	-
Trade payables	-	-	At amortised cost	At amortised cost	4.8	4.8	-
Other financial liabilities (excl. derivatives)	-	-	At amortised cost	At amortised cost	10.0	10.0	-
Derivatives with a negative market value with hedging relationship (cash flow hedges)[2]	2	2	n/a[2]	n/a[2]	0.8	0.8	-
Derivatives with a negative market value without hedging relationship, held for trading	2	2	At fair value through profit or loss	At fair value through profit or loss	0.3	0.3	-

[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.

[2] Derivatives with a hedging relationship are measured within the scope of the hedge accounting pursuant to IAS 39 and cannot be assigned to an IFRS 9 category.

Scope of consolidation

In the 2018 financial year, two new companies, edding Tech Solutions GmbH and edding Expressive Skin GmbH, were established. The object of edding Tech Solutions GmbH is to develop and distribute products and services for marking and labelling and similar products. edding Expressive Skin GmbH has the objective of developing and distributing decorative cosmetics and skin design products and services and similar products. Both companies are wholly owned subsidiaries of edding International GmbH and are included in the edding Group within the scope of the full consolidation.

edding International GmbH had already acquired a 25.1% stake in Prismade Labs GmbH, Chemnitz on 3. April 2017. On 2 May 2018 the shareholding was topped up to 50.0%. The object of the company is research and development in printed electronics. It is planned that the products developed by Prismade Labs GmbH will largely be distributed under the edding brand and via the edding Group, and that cost savings will be achieved through size and synergy effects.

Taking into account the distribution of voting rights and the requirement for the shareholders' meeting to take its decisions by a simple majority, the advisory board of Prismade Labs GmbH is decisive for assessing the power of disposal over Prismade Labs GmbH, since the decision of the advisory board on stalemates in the shareholders' meeting (by a simple voting majority) is binding. As edding has the right to appoint two of the three advisory board members, it has the legal means to push through decisions against the will of the other shareholders. This means that edding exercises a controlling influence over Prismade Labs GmbH within the meaning of IFRS 10. In addition, it has effective control over a major part of the customer relationships and over the use of the financial resources made available. The company is therefore included in the edding Group as an associated company within the scope of the full consolidation. In this connection, a controlling majority was acquired against cash payment (for the new shares) of € 0.5 million, exchange (of the old shares at fair value) of € 0.7 million and contingent consideration of € 0.2 million. Therefore, the fair value of the consideration is in total € 1.4 million. It is assumed that the contingent consideration will be paid quickly and therefore there will be no subsequent amendment of the amount included in the initial consolidation.

At the time of acquiring control, the 25.1% share in Prismade Labs GmbH already held by edding International GmbH at the time of acquisition was revalued at a fair value of € 0.7 million, based on an indicative evaluation of the company within the scope of the gradual merger. The difference between the carrying amount and the fair value of the old shares therefore led to a profit of € 37,000.00. This was recognised in the consolidated income statement under income from investments accounted for using the equity method.

The amount reported in the consolidated statement of cash flows in connection with the acquisition of the controlling majority (€ -0.4 million) takes into account both the payment for the new shares and the cash and cash equivalents gained in the transaction.

The amounts of assets and liabilities gained at the time of acquisition were as follows:

	Book value € m	Fair value € m
Non-current assets	0.8	0.8
Current assets	0.5	0.5
Non-current liabilities	0.2	0.2
Current liabilities	0.1	0.1

The assets and liabilities acquired through the corporate merger include intangible assets in the form of patents amounting to € 0.8 million and associated deferred tax liabilities of € 0.2 million, which were measured and recognised in the allocation of the purchase price using the licence price analogy method.

The fair value of the acquired receivables is € 0.3 million and corresponds to the gross amount. None of the receivables are uncollectible.

The goodwill of € 0.5 million can be attributed to the synergies expected through the corporate acquisition. It was assigned to the Writing and Marking segment. It is not expected that any part of the recorded goodwill will be deductible for tax purposes. There had been no change in the recognised goodwill within the scope of the initial consolidation up to the reporting date for the Interim Consolidated Financial Statements.

The non-controlling shares in the acquired company were recorded at a carrying amount of € 0.2 million at the time of acquisition. When determining the share of net worth attributable to the non-controlling shareholders, contractually agreed provisions for a disproportionate distribution of revenue and liquidity surplus in favour of edding were taken into account.

Between 2 May 2018 and 30 June 2018, the acquired business operation contributed a loss of € 0.1 million to the Group's results. Had the acquisition already taken place on 1 January 2018, a loss of € 0.3 million would have been reported in the consolidated income statement.

There were no off-balance-sheet obligations in the form of contingent liabilities in Prismade Labs GmbH at the time of acquisition.

There were no other changes in the scope of consolidation as at 30 June 2018 compared with the Consolidated Financial Statements of 31 December 2017.

Dividends

The edding AG Annual General Meeting passed a resolution on 14 June 2018 to pay the following dividends from the 2017 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

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 April 2018 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 2018, fees totalling € 0.1 million (previous year: € 0.0 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.

No other significant business activities were effected with members of the group of shareholders or their relatives in the first half of 2018.

Contingent liabilities

As at the reporting date, there were contingent liabilities arising from granted guarantees of € 0.2 million (31 December 2017: € 0.2 million).

As at 31 December 2017, there were also off-balance-sheet obligations in the form of financing commitments of € 0.5 million. These financing commitments related to the stake in Prismade Labs GmbH. They are equity injections, subject to a condition precedent, into the company's capital reserve, which are expected to become payable within the 2018 financial year. These injections into the company’s capital reserve were dependent upon the attainment of set milestones and were payable in tranches. As a result of the inclusion of Prismade Labs GmbH as a fully consolidated subsidiary in the edding Group's consolidated financial statements, there were no off-balance-sheet obligations in the form of reportable external financing commitments as at 30 June 2018.

Events after the reporting period

Since 1 July 2018, Argentina has been classified as a high inflation country under IAS 29, within the scope of the International Financial Reporting Standards (IFRS). Consequently, some of the balance sheet items and also the income statement items of edding Argentina S.A. are included in the next consolidated financial statements using a general price index that reflects the change in the general purchasing power. The first-time application of IAS 29 was carried out according to IFRIC 7, using the retrospective method and with adjustment of the previous year’s figures. Moreover, the gains or losses arising from net positions of monetary items such as receivables and liabilities are recognised in profit or loss and disclosed separately in order to take account of changes in purchasing power. However, we do not expect any material impact in the edding Group, since the assets of edding Argentina S.A. only correspond to 3.8% of the net assets of the edding Group as at 30 June 2018.

No other 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.

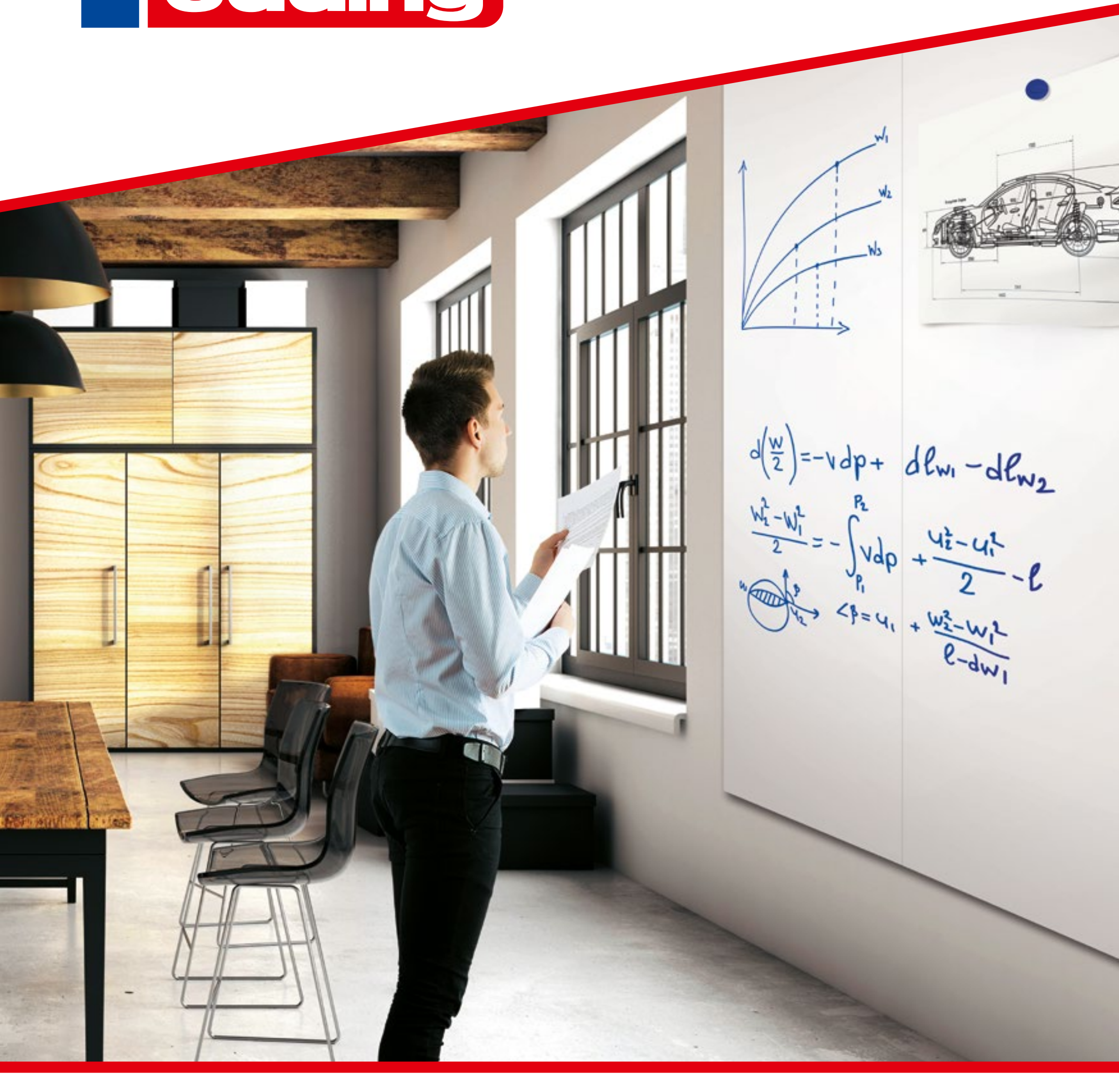
Ahrensburg, August 2018

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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