



**INTERIM REPORT FOR THE PERIOD
ENDED SEPTEMBER 30, 2017**

A.S. CRÉATION TAPETEN AG

		2013	2014	2015	2016	2017
Sales	€ '000	153,094	145,240	126,839	116,290	109,350
EBIT	€ '000	11,713	8,606	6,751	4,908	-14,131
Earnings before income taxes	€ '000	8,550	6,107	5,566	7,600	-16,025
Earnings after taxes	€ '000	4,852	3,176	3,445	5,503	-15,851
Earnings per share	€/share	1.76	1.15	1.25	2.00	-5.75
Cash-flow	€ '000	13,789	11,886	10,181	11,378	3,544
Capital expenditures	€ '000	7,292	4,297	3,489	3,809	7,589
Depreciation	€ '000	7,045	7,096	6,362	5,827	5,445
Number of employees		836	823	805	767	765

A.S. Création Tapeten AG, Gummersbach

Interim Management Report

on the business performance for the nine-month period ended September 30, 2017

Sales performance

Having experienced 1.7% growth for the full year 2016, the eurozone economy was forecast to expand at a moderate rate of 1.8% in 2017 in view of declining demand from China and other emerging countries. The available data for the first nine months of 2017 are better, which is why the 2017 GDP growth projection for the eurozone has been upgraded to 2.2% in the meantime. In the past years, the German economy grew more strongly than the average of the other eurozone countries. But Germany is no longer experiencing a special trend of economic activity. Accordingly, an economic growth of approximately 2.0% is projected for 2017. Private consumption remains the main driver of the economy, both in Germany and in the eurozone as a whole.

The economic situation in Russia remains tight, as the Russian economy is suffering particularly strongly from the low oil price. The economy is also being adversely affected by the sanctions imposed in the context of the Ukraine crisis and by the sharp depreciation of the Russian rouble against the euro. The latest economic data suggest, however, that the Russian economy is recovering. While the Russian economy contracted by 3.7% and 0.5% in 2015 and 2016, respectively, an increase by 2.0% is projected for 2017 due to the slight pick-up in the oil price and the stabilisation of the rouble. Russia's inflation rate will probably be more moderate in 2017 than in the previous years. Russia's data for the first nine months of 2017 also exceed the full-year projections slightly.

A.S. Création has been unable to benefit from the improved framework conditions, though. At € 109.4 million, consolidated sales revenues in the first nine months were down by € 6.9 million or 6.0% on the previous year's € 116.3 million. Some positive signs can be identified, however, in the sales trend in Q3 2017. On the one hand, A.S. Création has been able to reduce the sharp drop in revenues of 7.3% in H1 2017 to only 2.7% in Q3 2017. On the other hand, A.S. Création Tapeten AG won significant market shares in the third quarter of 2017 both in Germany and abroad, according to the market data collected by the Association of German Wallpaper Manufacturers. This confirms the Managing Board's view that A.S. Création is well positioned for the prevailing fierce competition in the international wallpaper market thanks to its closely knit distribution network and its broad and diverse product range.

The breakdown of revenues by regions shows that A.S. Création recorded declining revenues in the European Union (EU) in the first nine months of the year, whereas revenues in the other regions increased in the reporting period.

The 11.5% reduction in gross revenues in the EU in the first nine months of 2017 is essentially attributable to the declining revenues in the large markets of Germany and France, which were faced with reduced overall demand for wallpapers and furnishing fabrics. Retailers recorded declining revenues also for other interior decoration product groups such

as paint in the current fiscal year. This trend has been intensified by several large retailers inviting new bids for their wallpaper categories. During such bidding phases, retailers typically reduce their (top-up) orders in order to minimise their inventories ahead of a potential change of supplier.

By contrast, A.S. Création's gross revenues in non-EU Eastern European countries have shown a very gratifying trend in the current fiscal year. In the first nine months of 2017, they were up by 11.1% on the previous year, with growth recorded in all major countries in this region. This is the first increase since the financial year 2013. Even though half of this increase is attributable to the higher average value of the Russian rouble against the euro in the first nine months of 2017 compared to the same period of the previous year, a turnaround in revenues is on the cards for A.S. Création in Eastern Europe in the current fiscal year.

However, these minor positive aspects, especially in the third quarter of 2017, should not conceal the fact that A.S. Création lost € 6.9 million in revenues in the first nine months of 2017 compared to the previous year and that sales revenues of € 109.4 million (previous year: € 116.3 million) are not in line with the original expectations for the fiscal year 2017. Consequently, the Managing Board is disappointed with the revenues generated in the fiscal year to date.

Earnings performance

The earnings position of A.S. Création deteriorated notably in the current fiscal year and is adversely affected by the penalty of € 13.9 million imposed by the Düsseldorf Supreme Court in the ongoing anti-trust proceedings in Germany. Together with the lower revenues, the reduced gross profit margin, exchange losses, severance payments in conjunction with restructuring measures and the ongoing optimisation of the cost structure, this penalty resulted in a loss after taxes of € -15.9 million in the first nine months of 2017, compared to a profit after taxes of € 5.5 million in the same period of the previous year.

The € 6.9 million drop in revenues, together with the decline in the gross profit margin from 53.0% in the previous year to 49.6% in the reporting period, sent gross profits falling by € 7.0 million from € 61.4 million in the previous year to € 54.4 million in the reporting period. The reduced revenues account for € 3.4 million of this decline, while the lower gross profit margin accounts for € 3.6 million. The latter is attributable to higher commodity prices, which could not be offset by adjusting the company's own selling prices. Right on the contrary, selling prices came under further pressure as a result of overcapacities and the resulting fiercer competition. The only positive aspect in this context is that the gross profit margin, which declined unexpectedly strongly to 47.8% in the second quarter of 2017, did not drop any further in Q3, but stayed at the level of the second quarter at 47.9%.

The measures aimed at reducing the company's personnel expenses, which started with the concentration of the two German production facilities, continued in the first nine months of 2017. Further redundancies became necessary in Germany in the third quarter of 2017. Due to the periods of notice to be observed by the employer, these headcount reductions will successively be reflected in reduced personnel expenses only in the coming months. By contrast, the severance payments that were made in conjunction with the redundancies or for

which provisions have been established in the first nine months of 2017 already exceeded the prior year severance payments by € 0.6 million.

The average headcount for the continued operations declined by 24 full-time employees in the first nine months of 2017 compared to the previous year. At the same time, new employees were recruited for the start-up of production in Belarus. Consequently, the average headcount in the first nine months of 2017 declined by only two full-time employees from 767 in the previous year to 765 in the reporting period.

At € 30.6 million, personnel expenses were € 0.4 million or 1.0% below the previous year's € 31.0 million. Adjusted for the above-mentioned severance payments, which have not yet been offset by a commensurate reduction in personnel expenses, the latter declined by € 1.0 million or 3.0% to € 30.0 million. The Managing Board's objective for the full fiscal year 2017 to reduce personnel expenses as a percentage of total output below the high level of the previous year has not been reached. Adjusted for severance payments, personnel expenses as a percentage of total output exceeded the previous year's 26.6% and amounted to 27.3%. This is primarily due to the fact that the savings resulting from the headcount reduction were offset by the collective pay rises of 2.1% which became effective in January 2017 for most of the domestic employees. Moreover, as already reported, sales revenues in the first three quarters of 2017 were much lower than planned, which meant that we were unable to improve personnel expenses as a percentage of total output through higher revenues. It remains a key objective of the Managing Board to reduce personnel expenses as a percentage of total output. The above-mentioned redundancies are one of the measures taken to achieve this objective.

At € 33.2 million, other operating expenses in the first nine months of 2017 were up by € 12.4 million on the previous year's € 20.8 million due to the ongoing anti-trust proceedings in Germany.

As published in the ad-hoc announcement dated October 12, 2017, the Düsseldorf Supreme Court announced its verdict in the appeal proceedings and fixed the penalties imposed on A.S. Création Tapeten AG and some of its officers at a total of € 13.9 million. A.S. Création had recognised a provision of only € 2.0 million in the financial statements for 2013 and paid this amount to the authorities in 2014 as a matter of commercial prudence. The Managing Board considers the penalties now imposed to be disproportionately high and inappropriate with regard to the arguments brought forward by the company in the proceedings and the result of evidence heard by the court. After receipt of the written verdict, the Managing Board and the company's legal counsel will therefore jointly examine whether an appeal should be lodged with the Federal Court of Justice against the verdict.

Even though the Supreme Court's verdict is not final yet and the actual amount of the penalty that will ultimately have to be paid is not clear yet, the Managing Board established an additional provision of € 11.9 million in the third quarter of 2017 to cover the maximum amount by which the company's earnings may be reduced as a result of the penalties payable in Germany. The addition to this provision is included to other operating expenses of the current fiscal year.

Moreover, expenses for legal counsel were up by € 0.5 million in the reporting period, of which € 0.3 million related to the third quarter of 2017. A big portion is attributable to the anti-trust proceedings in Germany and France.

Adjusted for these effects, other operating expenses in the first nine months of 2017 were exactly on a par with the previous year, at € 20.8 million. In the reporting period, higher exchange losses and higher valuation allowances on receivables contrasted with lower maintenance and freight expenses as well as reduced other expense items. Further cost-saving measures are being implemented to reduce other operating expenses, similar to personnel expenses.

Earnings before interest and taxes for the first nine months of 2017 were adversely affected by exchange losses of € 0.5 million, compared to exchange gains of € 0.3 million in the same period of the previous year.

As a result of the above effects, the A.S. Création Group posted an operating loss of € -14.1 million for the first nine months of 2017, compared to an operating profit of € 4.9 million in the same period of the previous year. Adjusted for the four extraordinary effects described above (anti-trust penalty, severance payments, exchange rate effects and legal counsel), the operating result declined from € 4.6 million in the first nine months of 2016 to € -0.6 million in the reporting period.

It is positive to note that the slump in earnings of the second quarter of 2017, which led to an operating loss of € -2.4 million, did not continue. Adjusted for the above-mentioned extraordinary influences, A.S. Création closed the third quarter of 2017 with an operating loss of € -0.9 million (Q3 2016: € -0.5 million). While this operating loss is obviously not satisfactory, the Managing Board believes it is positive that the company was able to limit the operating losses to € -0.9 million in the third quarter of 2017 following the sharp drop in earnings in the second quarter of 2017, when the operating loss (also adjusted for the above extraordinary effects) amounted to as much as € -1.6 million (Q2 2016: € +0.7 million).

The Group's financial result declined by € 4.6 million to -1.9 million (previous year: € 2.7 million) in the first three quarters of 2017. The earnings situation of the Russian joint venture, A.S. & Palitra, has the biggest influence on the consolidated financial result of A.S. Création. Given that A.S. Création Tapeten AG and the second shareholder, Kof Palitra, each own 50% of this company, the Russian production company is accounted for using the equity method, which means that the share in net result after taxes that is attributable to A.S. Création is recognised in the Group's financial result. While a pro-rated profit of € 2.4 million was reported for the first nine months of 2016, a pro-rated loss of € -2.3 million was posted for the reporting period. It should be noted that the prior-year figure includes translation-related exchange gains of € 2.0 million, whereas the at-equity result was reduced by exchange losses of € 1.3 million in the reporting period. Adjusted for the exchange rate effects, the pro-rated result of A.S. & Palitra deteriorated from € 0.4 million in the previous year to € -1.0 million. This mainly reflects the fact that the joint venture was unable to fully utilise its production capacity in the reporting period due to reduced wallpaper consumption in Russia. Increased commodity prices additionally weighed on the company's gross profit margin.

The decline in EBIT and in the financial result led to earnings before taxes of € -16.0 million in the first three quarters of 2017 (previous year: € +7.6 million). Adjusted for the extraordinary effects, earnings before taxes amounted to € -1.2 million (previous year: € +5.3 million) in the first nine months of 2017.

Earnings after taxes stood at € -15.9 million at the nine-month stage of 2017 (previous year: € +5.5 million).

Financial and net worth position

At € 1.9 million, cash flow from operating activities in the first nine months of 2017 was down by € 10.4 million on the previous year's € 12.3 million. Apart from the poorer operating performance in the current fiscal year, this decline is attributable, among other things, to a one-time boost of € 2.9 million to the previous year's cash flow, namely the partial refund of the penalty by the French competition authorities, which had lost the appeal proceedings in 2016. Moreover, the changes in inventories, trade receivables and trade payables led to a higher capital tie-up in net current assets in the first nine months of 2017 than in the same period of the previous year, which had a negative impact on cash flow from operating activities.

Although the typical seasonal increases in trade receivables and inventories in the first nine months of 2017 were higher than in the previous year, days of sales outstanding (DSO), improved from 70 days in the first nine months of 2016 to 67 days in the reporting period. At 3.9, average annual inventory turnover remained almost unchanged from the previous year's 4.0.

At € 7.6 million, capital expenditures in the reporting period exceeded the previous year's € 3.8 million by € 3.8 million. This increase is attributable to the investment project in Belarus, where A.S. Création is building up a wallpaper production facility in order to make further inroads into the wallpaper markets in the Eurasian Economic Union. Investments in this project totalled € 4.2 million in the first nine months of 2017.

Apart from the increased capital expenditures, the dividend payment also resulted in higher cash requirements in the reporting period. Because of the high profit of the fiscal year 2016, a dividend of € 3.4 million was distributed to the shareholders in Q2 2017 (previous year: € 1.7 million) and resulted in a corresponding outflow of cash.

Due to the increased cash requirements in conjunction with a poorer earnings position, the net credit position declined by € 9.9 million in the first nine months of the fiscal year from € 11.7 million on December 31, 2016 to € 1.8 million on September 30, 2017. On the balance sheet date, financial liabilities of € 7.6 million (December 31, 2016: € 9.6 million) contrasted with cash and cash equivalents as well as current financial assets of € 9.4 million (December 31, 2016: € 21.2 million).

As a result of the high loss of the first nine months of 2017, which, as explained above, is primarily attributable to the disproportionately high penalty of € 13.9 million imposed by the

Düsseldorf Supreme Court, equity capital declined from € 96.5 million on December 31, 2016 to € 77.7 million on September 30, 2017. As a consequence, the equity ratio dropped to 57.7% (December 31, 2016: 68.8%).

On balance, the financial position of A.S. Création deteriorated in the reporting period.

A.S. Création's net worth position remained almost unchanged as of the balance sheet date. As of September 30, 2017, the Group's total assets amounted to € 134.7 million (previous year: € 146.5 million), of which 78.4% (previous year: 79.9%), i.e. by far the biggest portion, related to property, plant and equipment, inventories, trade receivables, current financial assets as well as cash and cash equivalents. By contrast, intangible assets recognised in the consolidated balance sheet as of the balance sheet date (including goodwill) played only a minor role and represented only 6.1% (previous year: 5.5%) of total assets and 10.6% (previous year: 8.5%) of the equity capital.

Forecast

The original projections for the full fiscal year 2017 provided for sales revenues of between € 155 million and € 160 million. Based on these revenues and the additional assumption that the gross profit margin would decline only moderately, earnings before interest and taxes (excl. exchange rate effects and additional charges from the antitrust proceedings) were expected to come in at between € 3 million and € 4 million in fiscal 2017. Full-year projections for earnings after taxes were based on the additional assumption that the Russian joint venture would generate increased revenues and would clearly break even (excl. exchange rate effects). As a result, Group earnings after taxes were expected to reach between € 4 million and € 5 million. The Managing Board made it clear already in July 2017 that these original projections for the full year will not be reached in view of the unsatisfactory business trend in the first half of 2017. This view has been confirmed by the business trend in the third quarter of 2017.

The Managing Board expects the fierce competition for market share to continue in the fourth quarter of 2017, as there are no signs of a general turnaround that could lead to a significant increase in wallpaper consumption in the Western and Eastern European wallpaper markets by the end of the year. Due to seasonal factors, sales revenues in the fourth quarter are usually lower than in the third quarter. It is a positive sign that incoming orders in the current month of October have been higher than in October 2016, although these incoming orders do not allow a conclusion to be drawn for sales revenues in the fourth quarter of 2017, as the business model of A.S. Création is essentially based on the immediate fulfilment of orders with the wallpapers and furnishing fabrics that are in stock. This means that there are no order backlogs which would secure sales revenues in the coming months.

While we are making good progress in building up a wallpaper production facility in Belarus, we now assume that the latter will probably not be taken into operation before the first quarter of 2018 and not, as originally planned, in November/December 2017. This moderate delay is attributable to additional documentation requirements as a precondition for the official acceptance of the used production plants and their connection to the power grid.

Consequently, this project will not make any contribution to consolidated sales revenues in the fiscal year 2017. In the medium term, the Belarus company is expected to contribute more than € 10 million to consolidated sales revenues.

At this stage, the Managing Board projects total revenues of between € 138 million and € 143 million for the full year 2017.

Fourth-quarter revenues will play an important role for the company's earnings position. This applies, in particular, to revenues in Eastern Europe, as the revenue trend in this region will greatly influence the company's decision to further write down activities in the region for risk management reasons.

The additional measures taken and initiated in the third quarter to improve the cost structures will not take full effect before the beginning of 2018, which means that they will contribute only little to an improved result in Q4 2017; most of the redundancies, for instance, will not become effective before the end of the year.

By contrast, the start-up losses of the Belarus company will increase in the course of the next months, as further employees that are needed for the start-up of production and the sales department will be hired.

Although there are only three months left of the fiscal year, there are significant uncertainties with regard to the result of the final quarter and, consequently, the result for the full fiscal year 2017. From today's point of view, the Managing Board of A.S. Création projects earnings after taxes of between € -16 million and €-19 million. This projection is based on the key assumption that no material exchange gains or losses will be posted in the fourth quarter and that the Russian joint venture will improve its sales revenues and, hence, its earnings.

Moreover, no effects have been taken into account that could arise from the outcome of the appeal lodged in the French anti-trust proceedings. The court is expected to announce its verdict on November 8, 2017. Should the Supreme Court confirm the verdict of the court of appeal, this would result in income of € 2.9 million for A.S. Création.

Except for the anti-trust proceedings in Germany, the risk of which has been covered by a commensurate provision in the interim report for the period ended September 30, 2017, the risk and opportunity profile of A.S. Création Tapeten AG has not changed materially as compared to the presentation in the 2016 Annual Report.

Statement pursuant to Article 315 paragraph 1 sentence 6 of the German Commercial Code (Handelsgesetzbuch HGB)

To the best of our knowledge, and in accordance with the applicable reporting principles for interim financial reporting, the interim consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the interim management report of the Group includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group for the remaining months of the financial year.

Gummersbach, October 23, 2017

A.S. Création Tapeten AG

The Managing Board

Krämer

Bantel

Suskas

A.S. Création Tapeten AG, Gummersbach

Consolidated balance sheet

as per September 30, 2017

Assets			
		30.09.2017	31.12.2016
		€ '000	€ '000
Tangible fixed assets		29,026	26,240
Intangible fixed assets		8,269	8,106
Investments accounted for at equity		0	0
Financial assets		8,627	10,548
Other assets		5,402	4,895
Deferred tax assets		550	481
Non-current assets		51,874	50,270
Inventories		37,910	37,681
Trade receivables		29,341	24,830
Other assets		4,228	5,819
Income tax receivables		2,205	847
Cash and cash equivalents		9,113	20,826
Current assets		82,797	90,003
Total assets		134,671	140,273
Equity and liabilities			
	Notes No.	30.09.2017 € '000	31.12.2016 € '000
Capital stock		9,000	9,000
Capital reserves		13,757	13,757
Revenue reserves		81,824	83,177
Profit carried forward		-12,774	-18,490
Earnings after taxes		-15,851	7,435
Adjustment for own shares		-4,021	-4,021
Currency translation differences		5,792	5,644
Equity		77,727	96,502
Financial liabilities (interest-bearing)		3,241	5,777
Other liabilities		550	638
Provisions	(1)	27,436	15,645
Deferred tax liabilities		528	891
Non-current liabilities		31,755	22,951
Financial liabilities (interest-bearing)		4,315	3,798
Other liabilities		13,793	9,663
Trade payables		6,981	7,119
Provisions		89	117
Tax liabilities		11	123
Current liabilities		25,189	20,820
Total equity and liabilities		134,671	140,273

A.S. Création Tapeten AG, Gummersbach

Consolidated income statement

for the nine-month period ended September 30, 2017

	Notes No.	2017 € '000	2016 € '000
Sales	(2)	109,350	116,290
Increase or decrease in unfinished and finished goods		240	-288
Total output		109,590	116,002
Cost of materials		55,181	54,560
Gross profit		54,409	61,442
Other income		772	1,013
		55,181	62,455
Personnel expenses		30,644	30,965
Depreciation		5,445	5,827
Other operating expenses		33,223	20,755
Operating expenses		69,312	57,547
Earnings before interest and taxes (EBIT)		-14,131	4,908
Interest and similar income		860	880
Results from investments accounted for at equity		-2,298	2,417
Interest and similar expenses		456	605
Financial result		-1,894	2,692
Earnings before income taxes		-16,025	7,600
Income taxes	(3)	-174	2,097
Earnings after taxes		-15,851	5,503
Earnings per share	(4)	-5.75 €	2.00 €

A.S. Création Tapeten AG, Gummersbach

Consolidated statement of comprehensive income

for the nine-month period ended September 30, 2017

	2017 € '000	2016 € '000
Earnings after taxes	-15,851	5,503
Items, that will never be reclassified to profit or loss:		
Actuarial gains/losses from pension provisions	424	-2,634
Deferred taxes on other comprehensive income	-133	823
	291	-1,811
Items, that are or may be reclassified to profit or loss:		
Foreign currency translation differences for fully consolidated companies	-397	-63
Foreign currency translation differences for investments accounted for at equity	545	-900
Change in fair value of an interest rate hedge	119	106
Deferred taxes on other comprehensive income	-37	-33
	230	-890
Other comprehensive income (outside profit or loss)	521	-2,701
Total comprehensive income	-15,330	2,802

A.S. Création Tapeten AG, Gummersbach

Consolidated income statement

for the three-month period ended September 30, 2017 (3rd quarter)

	Notes No.	2017 € '000	2016 € '000
Sales	(2)	33,618	34,565
Increase or decrease in unfinished and finished goods		-701	-1,623
Total output		32,917	32,942
Cost of materials		17,154	16,240
Gross profit		15,763	16,702
Other income		243	242
		16,006	16,944
Personnel expenses		9,877	9,559
Depreciation		1,769	1,945
Other operating expenses		18,174	5,894
Operating expenses		29,820	17,398
Earnings before interest and taxes (EBIT)		-13,814	-454
Interest and similar income		291	288
Results from investments accounted for at equity		-580	258
Interest and similar expenses		154	192
Financial result		-443	354
Earnings before income taxes		-14,257	-100
Income taxes	(3)	-644	12
Earnings after taxes		-13,613	-112
Earnings per share	(4)	-4.94 €	-0.04 €

A.S. Création Tapeten AG, Gummersbach

Consolidated statement of comprehensive income

for the three-month period ended September 30, 2017 (3rd quarter)

	2017 € '000	2016 € '000
Earnings after taxes	-13,613	-112
Items, that will never be reclassified to profit or loss:		
Actuarial gains/losses from pension provisions	-427	-478
Deferred taxes on other comprehensive income	133	149
	-294	-329
Items, that are or may be reclassified to profit or loss:		
Foreign currency translation differences for fully consolidated companies	-241	-11
Foreign currency translation differences for investments accounted for at equity	74	-84
Change in fair value of an interest rate hedge	31	52
Deferred taxes on other comprehensive income	-10	-16
	-146	-59
Other comprehensive income (outside profit or loss)	-440	-388
Total comprehensive income	-14,053	-500

A.S. Création Tapeten AG, Gummersbach

Consolidated statement of changes in equity

for the nine-month period ended September 30, 2017

	Capital stock	Capital reserves	Revenue reserves	Profit carried forward	Earnings after taxes	Adjust- ment for own shares	Currency trans- lation diffe- rences	Total
	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000
January 1, 2016	9,000	13,757	81,133	-17,216	3,287	-4,021	7,248	93,188
Earnings after taxes 2015	0	0	0	3,287	-3,287	0	0	0
Dividend payments	0	0	0	-1,654	0	0	0	-1,654
Allocation to revenue reserves	0	0	3,087	-3,087	0	0	0	0
Total comprehensive income 2016	0	0	-1,738	0	5,503	0	-963	2,802
September 30, 2016	9,000	13,757	82,482	-18,670	5,503	-4,021	6,285	94,336

	Capital stock	Capital reserves	Revenue reserves	Profit carried forward	Earnings after taxes	Adjust- ment for own shares	Currency trans- lation diffe- rences	Total
	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000
January 1, 2017	9,000	13,757	83,177	-18,490	7,435	-4,021	5,644	96,502
Earnings after taxes 2016	0	0	0	7,435	-7,435	0	0	0
Dividend payments	0	0	0	-3,445	0	0	0	-3,445
Allocation to revenue reserves	0	0	-1,726	1,726	0	0	0	0
Total comprehensive income 2017	0	0	373	0	-15,851	0	148	-15,330
September 30, 2017	9,000	13,757	81,824	-12,774	-15,851	-4,021	5,792	77,727

A.S. Création Tapeten AG, Gummersbach

Consolidated cash flow statement

for the nine-month period ended September 30, 2017

	2017 € '000	2016 € '000
Operating activities		
Earnings after taxes	-15,851	5,503
+ Depreciation on tangible and intangible fixed assets	5,445	5,827
+/- Increase/decrease in long-term provisions	12,216	3,051
-/+ Income/expenses from investments accounted for at equity	2,298	-2,417
-/+ Increase/decrease in present value of corporate income tax credit	-5	-10
-/+ Income/expenses from changes in deferred taxes	-559	-576
Cash-flow	3,544	11,378
-/+ Profit/losses from disposal of tangible and intangible fixed assets	75	-60
-/+ Increase/decrease in inventories	-423	440
-/+ Increase/decrease in trade receivables	-4,584	-3,422
+/- Increase/decrease in trade payables	-66	536
-/+ Increase/decrease in other net working capital	3,367	3,378
Cash-flow from operating activities	1,913	12,250
Investing activities		
- Cash outflows for capital expenditures on tangible and intangible fixed assets	-7,589	-3,809
Capital expenditures	-7,589	-3,809
+ Proceeds from current financial investments	150	9,000
+ Proceeds from credits and bonds granted	100	330
+ Proceeds from the disposal of tangible and intangible fixed assets	151	177
Cash-flow from investing activities	-7,188	5,698
Financing activities		
- Dividends paid to shareholders of A.S. Création Tapeten AG	-3,445	-1,654
+/- Raising/repayment of financial liabilities (interest-bearing)	-2,618	-4,260
Cash-flow from financing activities	-6,063	-5,914
Net change in cash and cash equivalents	-11,338	12,034
+/- Change in cash and cash equivalents due to exchange rate fluctuations	-375	28
+ Cash and cash equivalents at January 1	20,826	6,918
Cash and cash equivalents at September 30	9,113	18,980

Further information on the cash flow statement is presented in the notes to the consolidated financial statement (see No. 5).

A.S. Création Tapeten AG, Gummersbach

Notes to the consolidated financial statements

for the nine-month period ended September 30, 2017

General

A.S. Création Tapeten AG is a joint stock company registered in the Federal Republic of Germany. The address of the headquarters is Südstrasse 47, D-51645 Gummersbach.

The present interim consolidated financial statements for the nine-month period ended September 30, 2017 were prepared by A.S. Création Tapeten AG in condensed form in accordance with IAS 34 "Interim Financial Reporting". The accounting and valuation methods used are consistent with those used to prepare the consolidated financial statements for the year ended December 31, 2016. The latter were prepared on the basis of the International Financial Reporting Standards (IFRS) in force on the reporting date, such as they are applicable in the European Union, as well as the additional requirements pursuant to section 315a (1) of the German Commercial Code (Handelsgesetzbuch HGB). For a detailed description of the accounting and valuation methods, refer to the notes to the consolidated financial statements for the period ended December 31, 2016.

A.S. Création Tapeten AG has a policy of applying new IFRS as soon as they become effective. The newly published IFRS had no material effect on the assets, liabilities, financial position and earnings position of A.S. Création in the reporting period.

IFRS 9 "Financial Instruments" includes new regulations regarding the classification and measurement of financial instruments and the impairment of financial instruments. No material impact on the consolidated financial statements of A.S. Création is expected.

IFRS 15 "Revenue from Contracts with Customers" in particular includes regulations to the question how and when revenue is to be recognised. An initial detailed analysis conducted by A.S. Création on the basis of existing contractual obligations has identified certain accounting aspects which should be qualified as a separate performance obligation influencing the recognition of revenue over time. According to the current state of the analysis, however, these accounting aspects are only of little importance at A.S. Création in relation to the consolidated revenues generated. The costs of obtaining a contract, which generally should be recognised and amortised over the term of the contract, are qualified as immaterial as they are very low. No impact on the consolidated financial statements is expected. A.S. Création intends to adopt IFRS 15 as of January 1, 2018 and to use the option of the modified retrospective first-time adoption based on the current state of the analysis. The full analysis and any potential adjustments of systems and processes that may be required will be completed by the end of 2017.

According to IFRS 16 "Leases", lessees should recognise all leases and the associated rights and obligations in the balance sheet. This will lead to a moderate increase in assets

and equity and liabilities, as operating leases play only a minor role at A.S. Création. In addition, the disclosures in the notes will become more extensive.

To prepare the consolidated financial statements, the Managing Board must make estimates and assumptions that influence the recognition of assets and liabilities as well as income and expenses. All estimates and assumptions are made to the best of the Managing Board's knowledge to give a true and fair view of the net worth, financial and earnings position of the Group. The actual values may nevertheless deviate from the estimates. The results achieved in the fiscal year 2017 to date do not necessarily provide an indication of the performance in the further course of the year.

The present interim report has neither been audited nor reviewed by a certified public accountant. This English translation of the interim report is merely a convenience translation. The German version is the prevailing one.

Notes on the basis of consolidation

Next to A.S. Création Tapeten AG, eleven subsidiaries are consolidated, thereof ten companies are fully consolidated and one company is accounted for using the equity method. By the acquisition of the shares in OOO Profistil, the basis of consolidation increased by one company compared to the consolidated financial statements for 2016.

Currency translation

A.S. Création Tapeten AG's reporting currency is the euro (€).

In accordance with IAS 21, foreign currencies of subsidiaries in non-EMU countries are translated according to the functional currency concept using the modified closing rate method. Besides, the following exchange rates come to the use:

	Closing rate of the period		Average rate of the period	
	30.09.2017	31.12.2016	2017	2016
Pound Sterling (GBP/€)	0.88265	0.85860	0.87329	0.80313
Russian Rouble (RUB/€)	68.44830	63.81110	65.06752	76.12693
Belarusian Rouble (BYN/€)	2.31410	2.06860	2.13471	2.18169

Notes to the balance sheet

(1) Long-term provisions

Long-term provisions divide as follows:

	30.09.2017	31.12.2016
	€ '000	€ '000
Pension provisions	12,488	12,756
Other provisions	14,948	2,889
	27,436	15,645

Other long-term provisions concern risks from the anti-trust proceeding in Germany and France.

Notes to the income statement

(2) Sales

A breakdown of Group sales by region is provided below:

	Wallpaper Division		Fabrics Division		Consolidation		Group	
	2017	2016	2017	2016	2017	2016	2017	2016
	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000
Germany	42,048	48,464	7,437	7,924	-59	-81	49,426	56,307
EU (excl. Germany)	46,652	52,191	1,509	1,717	-28	-39	48,133	53,869
European Union (EU)	88,700	100,655	8,946	9,641	-87	-120	97,559	110,176
Other Eastern Europe	13,184	11,776	287	348	0	0	13,471	12,124
Other countries	9,707	9,396	449	385	0	0	10,156	9,781
Sales (gross)	111,591	121,827	9,682	10,374	-87	-120	121,186	132,081
Reduction in revenues	-11,153	-15,047	-685	-745	2	1	-11,836	-15,791
Sales (net)	100,438	106,780	8,997	9,629	-85	-119	109,350	116,290

(3) Income taxes

Income taxes in the reporting period were calculated using country-specific tax rates anticipated for the full fiscal year. Income taxes break down as follows:

	2017	2016
	€ '000	€ '000
Current income tax expenses	385	2,673
Deferred taxes	-559	-576
	-174	2,097

(4) Earnings per share

Earnings per share are calculated as follows:

		2017	2016
Number of shares outstanding (weighted average)	shares	2,756,351	2,756,351
Net profit	€	-15,851,172	5,503,290
Earnings per share	€/share	-5.75	2.00

Given that no stock options or similar equity instruments exist that may lead to a change in the number of shares (so-called "capital dilution"), earnings per share represent both basic and diluted earnings per share.

Complementary information

(5) Cash flow statement

Cash flow from operating activities includes the following payments:

	2017	2016
	€ '000	€ '000
Interest received	9	15
Interest paid	267	370
Income tax paid	1,853	3,059

Interest paid primarily relates to investment financing.

The changes in financial liabilities shown under cash flow from financing activities are composed as follows:

	2017	2016
	€ '000	€ '000
Raising of financial liabilities (excl. financial lease)	407	0
Repayment of financial liabilities (excl. financial lease)	-2,939	-3,923
Repayment of liabilities under financial leasecontracts	-86	-337
	-2,618	-4,260

(6) Segment reporting

According to IFRS 8, segment reporting must reflect the Group's internal organisational and reporting structures. Based on A.S. Création's products and services, the corporate structure comprises two segments, i.e. the Wallpaper Division and the Furnishing Fabrics Division. Prices charged for intragroup deliveries and services are set in line with general market prices.

A breakdown of key figures by segments is provided below:

	Wallpaper Division		Fabrics Division		Consolidation		Group	
	2017 € '000	2016 € '000	2017 € '000	2016 € '000	2017 € '000	2016 € '000	2017 € '000	2016 € '000
External sales	100,392	106,712	8,958	9,578	0	0	109,350	116,290
Intra-Group sales	46	68	39	51	-85	-119	0	0
Total sales	100,438	106,780	8,997	9,629	-85	-119	109,350	116,290
EBITDA ¹	-8,779	10,533	93	202	0	0	-8,686	10,735
EBITDA-margin	-8.7%	9.9%	1.0%	2.1%			-7.9%	9.2%
EBIT ²	-14,088	4,825	-56	63	13	20	-14,131	4,908
EBIT-margin	-14.0%	4.5%	-0.6%	0.7%			-12.9%	4.2%
Interest income	928	948	1	1	-69	-69	860	880
Results from investments accounted for at equity	-2,298	2,417	0	0	0	0	-2,298	2,417
Interest expenses	438	578	87	96	-69	-69	456	605
Earnings before taxes	-15,896	7,612	-142	-32	13	20	-16,025	7,600
Return on sales (before taxes)	-15.8%	7.1%	-1.6%	-0.3%			-14.7%	6.5%
Income taxes	-130	2,099	-48	-8	4	6	-174	2,097
Capital expenditures ³	7,451	3,714	138	95	0	0	7,589	3,809
Depreciation	5,309	5,708	149	139	-13	-20	5,445	5,827
Cash-flow ³	3,556	11,279	-12	99	0	0	3,544	11,378
Segment assets ⁴	115,959	116,970	6,663	7,015	-69	-67	122,553	123,918
thereof non-current assets	(50,024)	(48,176)	(1,305)	(1,306)	(-4)	(-20)	(51,325)	(49,462)
Segment liabilities ⁵	19,945	20,878	1,533	1,754	-66	-47	21,412	22,585
Employees (average)	695	695	70	72	0	0	765	767

A breakdown of Group sales by geographical regions is provided in the notes on sales (see No. 2).

¹ **EBITDA** is the common international abbreviation of earnings before interest, taxes, depreciation and amortisation.

² **EBIT** is the common international abbreviation of earnings before interest and taxes. It is equivalent to the segment result.

³ **Capital expenditures and cash flow** correspond with the item which is shown in the consolidated cash flow statement.

⁴ **Segment assets** are the total assets of the segment less interest-bearing intercompany loans, cash and cash equivalents, deferred tax assets and other tax receivables.

⁵ **Segment liabilities** are the business segment's total equity and liabilities less shareholders' equity, long-term provisions, tax liabilities, deferred tax liabilities and financial liabilities.

Of the total non-current Group assets of € 51.325 million (previous year: € 49.462 million), an amount of € 27.355 million (previous year: € 29.018 million) relates to Germany, an amount of € 9.772 million (previous year: € 10.494 million) to other EU countries and an amount of € 14.198 million (previous year: € 9.950 million) to non-EU Eastern European countries.

(7) Managing Board

The Managing Board had the following members in the reporting period:

- Maik Holger Krämer, Chairman, Finance and Controlling
- Roland Werner Bantel, Sales and Marketing
- Antonios Suskas, Production and Logistics

(8) Related party transactions

All business relations with related parties are contractually agreed and conducted on an arm's length basis.

In the fiscal year, A.S. Création maintained business relations with OOO A.S. & Palitra, which is accounted for using the equity method. Details of the business relationship are shown below:

	2017 € '000	2016 € '000
Sales	117	299
Purchases	2,610	3,458
Interest income	850	864

	30.09.2017 € '000	31.12.2016 € '000
Shareholder loans	16,750	16,919
Receivables	5,482	4,641
Liabilities	665	1,361

In the context of the equity method, long term shareholder loans are increased or decreased to reflect changes in equity of the jointly controlled entity through changes affecting income and through changes affecting other comprehensive income, provided that these changes relate to the shares of A.S. Création Tapeten AG. As of the balance sheet date, shareholder loans in an amount of € 8.627 million (December 31, 2016: € 10.549 million) were recognised in the consolidated financial statements.

The relationship of the company with A.S. Création Tapeten Stiftung, a charitable foundation, mentioned in the consolidated financial statement 2016, as well as the agreements with Franz Jürgen Schneider and Jörn Kämper relating the release from the anti-trust

proceedings continued to exist in the period under review. In the reporting period, A.S. Création Tapeten-Stiftung received a donation of € 0.030 million (previous year: € 0.020 million) in support of its work. From the release agreements resulted an expense of € 0.820 million (previous year: € 0 million) in thereporting period.

(9) Post balance sheet events

On October 12, 2017 the Düsseldorf Supreme Court announced the verdict in the German appeal proceedings and fixed the penalties for A.S. Création Tapeten AG at € 13.0 million and for the persons affected at € 0.91 million.

Gummersbach, October 23, 2017

A.S. Création Tapeten AG

The Managing Board

Krämer

Bantel

Suskas

Investor Relations

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