

AS CREATION

INTERIM REPORT FOR THE PERIOD
ENDED JUNE 30, 2018

A.S. CRÉATION TAPETEN AG

		2014	2015	2016	2017	2018
Sales	€ '000	99,501	87,160	81,725	75,732	72,756
EBIT	€ '000	6,516	7,466	5,362	-317	886
Earnings before income taxes	€ '000	4,894	9,081	7,700	-1,768	-396
Earnings after income taxes	€ '000	2,658	7,288	5,615	-2,238	-1,074
Earnings per share	€/share	0.96	2.64	2.04	-0.81	-0.39
Cash-flow from operating activities	€ '000	5,573	8,774	7,422	-2,679	-1,894
Capital expenditures	€ '000	3,191	1,926	2,640	2,949	3,872
Depreciation	€ '000	4,728	4,344	3,882	3,676	3,079
Number of employees		825	807	767	768	747

A.S. Création Tapeten AG, Gummersbach

Interim Management Report

on the business performance for the six-month period ended June 30, 2018

Sales performance

With the eurozone economy having grown by 2.4% in the full year 2017, a growth rate of 2.5% was projected for 2018 in view of rising commodity and energy prices. The available data for the first half of 2018 show that growth, at 2.0%, is below the projected range. Germany, the biggest output market of A.S. Création, recorded a growth rate of 1.8% in the first six months of 2018. Private consumption remained the most important growth driver both in Germany and in the eurozone as a whole.

The economic situation in Russia improved slightly last year, with the gross domestic product growing by 1.9%. This positive trend was mainly attributable to the fact that the oil price picked up sharply in the course of 2017, given that commodity and energy-oriented companies play a particularly important role for the local economy. A growth rate of 2.9% and a further decline in the rate of inflation are projected for 2018. In view of the political tensions between Russia and the USA as well as the EU, it is doubtful whether this full-year forecast will be achieved, however. The rouble exchange rate, for instance, has failed to stabilise as expected in the year to date. Right on the contrary, the Russian currency has depreciated against the euro since the beginning of the year 2018 and is characterised by great volatility. The exchange rate climbed from RUB/€ 68.87 at the beginning of the year to a high of RUB/€ 80.50 on April 11, 2018. At the end of June 2018, it stood at approx. RUB/€ 73. This means that the Russian rouble has lost over 6% in value since the beginning of the year.

In this macroeconomic environment, A.S. Création's consolidated revenues amounted to € 72.8 million in the first half of 2018, down € 29 million or 3.9% on the previous year's € 75.7 million. Of this decline, € 0.6 million related to exchange rate changes, while € 0.5 million related to the new IFRS 15 ("Revenues from Contracts with Customers"), which is applicable as of the fiscal year 2018. Adjusted for these effects, revenues were down by 2.4%. Compared to the full fiscal year 2017, in which A.S. Création's sales revenues declined by as much as 6.1%, the drop in revenues in the first six months of 2018 was more moderate. The Managing Board is nevertheless not satisfied with this revenue trend. In particular, the drop in revenues in Q2 2018 by € 1.7 million or 4.9% from € 34.0 million in the prior year period to € 32.3 million had not been expected. Right on the contrary, A.S. Création had been expected to return to revenue growth in the second quarter according to the projections for the full year.

The breakdown of revenues by regions shows that A.S. Création was able to grow its revenues in Germany by 4.1% from € 34.6 million in the previous year to € 36.0 million in the first half of 2018. This is primarily due to the success of the advertising campaign launched in Germany under the title “Bude 2.0” (“Home 2.0”). TV commercials, billboards, ads, roadshows and social media channels are used to advertise wallpapers in general and A.S. Création’s “Bude 2.0” collection in particular. Moreover, A.S. Création has been able to grow its revenues in Germany and to win market share with the help of product ranges specifically developed for the individual distribution channels. This should not conceal the fact, however, that gross revenues in Germany declined by 2.3% in the second quarter of 2018 and thus clearly fell short of the company’s expectations. The long spell of warm weather certainly led to lower customer footfall in retail stores, with consumers showing reduced interest in interior decoration products.

By contrast, A.S. Création’s revenues in the remaining EU countries declined by 12.0%, with a particularly sharp drop recorded in France, Great Britain and Poland. One of the main reasons were the sales to DIY stores, with customers closing branches and reducing their stocks. Moreover, large international DIY store chains invited tenders for wallpaper products in the second half of 2017, which have not been completed yet and continue to be delayed. Given that top-up orders are reduced to a minimum during such tender phases to reduce the remaining stocks in the stores, A.S. Création received an unusually low number of orders in this segment in the first half of 2018.

At € 8.2 million, A.S. Création’s gross revenues in non-EU Eastern European countries were down by € 0.6 million or 7.2% on the previous year in the first half of 2018, with much of this decline attributable to the changes in exchange rates described above. These figures include revenues of € 0.9 million generated by the new wallpaper production facility in Minsk. Given that the Belarus subsidiary, OOO Profistil, started production only at the end of March 2018 and sold the first wallpaper rolls in April, this revenue contribution is clearly a success.

Earnings performance

A.S. Création has been able to improve its earnings position in the current fiscal year. In the first six months of 2018, the company generated an operating profit of € 0.9 million, compared to a loss of € 0.3 million in the same period of the previous year

This improvement in earnings was essentially due to the measures initiated in the previous year to reduce personnel expenses, which took full effect in the reporting period. The number of employees of the A.S. Création Group declined from 768 in the first half of 2017 to 747 in the reporting period; personnel expenses were reduced by € 1.4 million or 6.8% from € 20.8 million in the previous year to € 19.4 million in the first six months of 2018. At 26.0%, the personnel expense ratio (personnel expenses as a percentage of total output) was below the previous year’s 27.1%. When analysing these figures, it should be noticed that Profistil, the Belarus company, employed 70 people on average in the first half of the year, who generated revenues only in the second quarter. As previously reported, the company took the first production line into operation at the end of March 2018 and generated the first revenues in April. As revenues increase, the personnel expense ratio will improve. A.S. Création is thus well on track towards achieving the Managing Board’s objective for the full year 2018 to reduce the personnel expense ratio below the previous year’s high 28.1%.

Savings were achieved also with regard to other operating expenses, which dropped by € 1.0 million from € 15.1 million in the first half of 2017 to € 14.1 million in the reporting period. As a result, other operating expenses in percent of total output improved to 19.0% (previous year: 19.6%).

The € 0.6 million decline in depreciation from € 37 million in the previous year to € 3.1 million in H1 2018, also led to a corresponding improvement in the operating result. The decline is due, on the one hand, to the fact that older plants and machinery are no longer written off and, on the other hand, to reduced investments in printing and embossing rollers as well as rotary screens. Given that production in Belarus did not start before the end of March, depreciation attributable to the new production facility was incurred only as of the second quarter of 2018. At the bottom line, the activities in Belarus resulted in start-up losses of € -0.2 million in the first half of 2018 (previous year: € -0.3 million).

A further improvement in the operating result was prevented by the drop in revenues outlined above. Moreover, the reduced gross profit margin, which fell from 50.4% in H1 2017 to 49.7%, weighed on the bottom line in the reporting period. This reflects the noticeably higher commodity and energy prices, which the company has not yet been able to offset through higher average selling prices. This trend became apparent already in the course of the past year and is continuing in 2018. Compared to the first six months of the previous year, A.S. Création thus lost € 1.7 million in gross profits.

As a result of the factors described above, A.S. Création posted earnings before interest and taxes of € 0.9 million for the first half of 2018 (previous year: € -0.3 million), which means that the company has returned to profit. Adjusted for exchange losses of € -0.3 million (previous year: € -0.4 million), earnings before interest and taxes stood at € 1.2 million at the six-month stage, up by € 1.1 million on the previous year's €0.1 million. The Managing Board believes that this improvement in earnings reflects the success of the measures taken, although the improvement was lower than expected given that sales revenues remained below plan in the first half of 2018.

The Group's financial result improved slightly to € -1.3 million in H1 2018 (previous year: € -1.5 million). The result posted by the Russian production company, 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 wallpaper company is accounted for using the equity method; consequently the share in net result after taxes that is attributable to A.S. Création is recognised in the consolidated financial result. Operationally, the joint venture showed a good performance in the first half of 2018. Revenues (in euros) increased by approx. 10%. As personnel expenses were reduced at the same time, this resulted in an operating profit (adjusted for exchange losses) of € 0.4 million, compared to a loss of € -0.2 million in the first half of 2017. Due to the above-described depreciation of the Russian rouble against the euro in the current fiscal year, however, translation-related exchange losses occurred both in the reporting period and in the prior year period. As a result of these exchange effects and the company's financing costs, A.S. & Palitra posted a loss after taxes of € -3.0 million in spite of the improved operating result, compared to a loss after taxes of € -3.4 million in the first half of 2017. Half of this result after taxes, i.e. € -1.5 million in the first half of 2018 and € -1.7 million in the first six months of 2017, is reflected in the financial result of A.S. Création.

These figures include pro-rated exchange losses of € -1.1 million (previous year: € -1.0 million). This means that the moderate improvement in A.S. Création's financial result is attributable to the above-mentioned effects affecting the Russian joint venture.

The increase in EBIT and the improved financial result led to earnings after taxes of € -1.1 million in the first half of 2018, up by € 1.1 million on the previous year's € -2.2 million. Adjusted for the exchange losses included in this figure, earnings after taxes amounted to € 0.3 million in the first half of 2018 (previous year: € -0.8 million). While the improvement in earnings after taxes, just like the improvement in EBIT, is gratifying, the Managing Board had expected earnings to improve more strongly in H1 2018.

Financial and net worth position

Due to the improvement in earnings after taxes, operating cash flow increased by € 0.8 million from € -2.7 million in the first half of 2017 to € -1.9 million in the first six months of 2018. In spite of this improvement, the Group's operating activities still resulted in net financing requirements. On the one hand, this is attributable to the typical seasonal increase in trade receivables. At € 3.9 million, the latter remained below the previous year's € 4.6 million but led to an increase in days of sales outstanding from 64 days in H1 2017 to 68 days in the reporting period due to the reduced sales revenues. On the other hand, inventories increased by € 2.1 million in the reporting period (previous year: € 1.1 million). At 3.8x per year, inventory turnover remained almost unchanged compared to the previous year's 4.0x per year.

A € 1.0 million rise in investments from € 2.9 million in the previous year to € 3.9 million in the reporting period resulted in increased financing requirements. This increase is attributable to the ongoing modernisation of the logistic resources. As in the previous year, an amount of € 1.3 million was invested in building up the Belarus production company in the first half of 2018.

Net financial liabilities stood at € 5.2 million as at June 30, 2018. They are composed of cash and cash equivalents of € 12.9 million and interest-bearing financial liabilities of € 18.1 million. In the second quarter of 2018, A.S. Création was able to conclude the negotiations with the banks about the funding of the capital expenditures for the next two fiscal years as well as the remaining financing requirements resulting from the financial projections. Long-term loan agreements were signed for this purpose, which led to the high amount of cash and cash equivalents and interest-bearing financial liabilities on the reporting date. No cash requirements resulted from the anti-trust proceedings in Germany and France in the reporting period, as the two verdicts are not final yet. In Germany, A.S. Création filed an appeal against the court of appeal's verdict and gave reasons for this appeal within the statutory deadline. In France, the Supreme Court has referred the case back to the court of appeal.

The high equity ratio of 54.1% as at June 30, 2018 (December 31, 2017: 57.9%) underlines the solid financial structure A.S. Création.

In the opinion of the Managing Board, A.S. Création also has a solid net worth position. As at June 30, 2018, the A.S. Création Group's total assets amounted to € 139.9 million (previous year: € 135.9 million), of which 80.4% (previous year: 77.2%), i.e. by far the biggest portion, was composed of property, plant and equipment, inventories, trade receivables, current financial assets as well as cash and cash equivalents. By contrast, intangible assets (including goodwill) carried in the consolidated balance sheet as of the reporting date played a minor role and represented only 5.9% (previous year: 6.1%) of the Group's total assets and 10.9% (previous year: 9.1%) of its equity capital.

Forecast

In the "Forecast" chapter of the 2017 consolidated financial statements, the Managing Board communicated the following expectations for the fiscal year 2018:

- Group sales revenues should amount to between € 150 million and € 155 million in 2018, compared to € 143 million in the past fiscal year.
- The gross profit margin will probably decline moderately against the previous year's 48.8%.
- Personnel expenses as a percentage of total output, which stood at 28.1% in 2017, should decline notably already in 2018 provided that revenues grow as planned. The Group aims for a personnel cost ratio of 23% in the medium term.
- Earnings before interest and taxes should come in at between € 4 and 5 million in 2018. This figure does not include any extraordinary effects such as exchange gains or losses.
- On the additional condition that the Russian joint venture will post a clear profit for 2018, A.S. Création could achieve earnings after taxes of between € 3 and 4 million in the fiscal year 2018.

As sales revenues were disappointing in the second quarter of 2018, the Managing Board assumes that the consolidated revenues of between € 150 million and € 155 million projected for the full year 2018 will not be achieved.

The gross profit margin and the personnel expense ratio were more or less in line with expectations in the first half of 2018. However, sales revenues came in below plan because of the disappointing second quarter. As a result of this shortfall in revenues, earnings before interest and taxes as well as earnings after taxes also fell short of the projections for the year to date. Although the earnings projections for the full year 2018 may still be reached based on optimistic assumptions for the second half of the year, the Managing Board assumes at this stage that such a scenario is rather unlikely. It is more likely that the revenue and earnings projections for the full year 2018 will not be reached in spite of the improvement in earnings in the first half of 2018.

With a view to the future sales trend, there are no signs of any impulses coming from the retail sector. Consequently, A.S. Création's incoming orders in the month of July to date have

been below the level of July 2017. However, these incoming orders do not allow any conclusion to be drawn regarding the sales trend in the second half of 2018, as the business model of A.S. Création is essentially based on the immediate fulfilment of orders with wallpapers and furnishing fabrics that are in stock. This means that there is no order backlog that secures sales revenues in the coming months. It is impossible, for instance, to make a reliable assessment as to whether there will be catch-up effects by the end of the year as consumers postponed planned renovations in the second quarter.

According to current knowledge, the results of the tenders in the DIY store sector, which the Managing Board had hoped to lead to additional revenues in the second half of 2018, will probably not be implemented before spring 2019.

By contrast, the Managing Board projects a positive revenue trend for the Belarus company, Profistil, which should be able to grow its revenues strongly in the second half of the year.

Earnings in the second half of the year will primarily be influenced by the revenues that are achievable. As the revenue projections to which the current corporate structure has been geared will probably not be reached, the second half of 2018 will be marked by strict cost management. As described above, earnings are currently being adversely affected by rising commodity and energy prices, which can no longer be offset by internal cost savings. A.S. Création has therefore announced price increases for part of its product range for the second half.

In view of the extreme uncertainty surrounding the factors that will influence A.S. Création's earnings until the end of 2018, the Managing Board intends to present a revised forecast for the full year 2018 only after the third quarter of 2018.

The risk and opportunity profile of A.S. Création Tapeten AG has not changed materially as compared to the presentation in the 2017 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, July 27, 2018

A.S. Création Tapeten AG

The Managing Board

Krämer

Bantel

Suskas

A.S. Création Tapeten AG, Gummersbach

Consolidated balance sheet

as per June 30, 2018

Assets			
		30.06.2018	31.12.2017
		€ '000	€ '000
Tangible fixed assets		31,535	30,553
Intangible fixed assets		8,290	8,342
Investments accounted for at equity		0	0
Financial assets		6,854	7,959
Other assets		5,286	5,260
Deferred tax assets		805	671
Non-current assets		52,770	52,785
Inventories		38,856	36,853
Trade receivables		29,213	25,912
Other assets		6,114	5,672
Income tax receivables		55	665
Cash and cash equivalents		12,872	8,827
Current assets		87,110	77,929
Total assets		139,880	130,714
Equity and liabilities			
	Notes No.	30.06.2018 € '000	31.12.2017 € '000
Capital stock		9,000	9,000
Capital reserves		13,757	13,757
Revenue reserves		72,204	83,580
Profit carried forward		-20,698	-14,604
Earnings after taxes		-1,074	-17,771
Adjustment for own shares		-4,021	-4,021
Currency translation differences		6,555	5,774
Equity		75,723	75,715
Financial liabilities (interest-bearing)		13,887	4,691
Other liabilities		468	508
Provisions	(1)	12,512	12,662
Deferred tax liabilities		136	199
Non-current liabilities		27,003	18,060
Financial liabilities (interest-bearing)		4,173	3,719
Other liabilities		25,833	26,202
Trade payables		6,266	6,808
Provisions	(1)	104	130
Tax liabilities		778	80
Current liabilities		37,154	36,939
Total equity and liabilities		139,880	130,714

A.S. Création Tapeten AG, Gummersbach

Consolidated income statement

for the six-month period ended June 30, 2018

	Notes No.	2018 € '000	2017 € '000
Sales	(2)	72,756	75,732
Increase or decrease in unfinished and finished goods		1,549	941
Other own work capitalized		41	0
Total output		74,346	76,673
Cost of materials		37,423	38,027
Gross profit		36,923	38,646
Other income		502	529
		37,425	39,175
Personnel expenses		19,365	20,767
Depreciation		3,079	3,676
Other operating expenses		14,095	15,049
Operating expenses		36,539	39,492
Earnings before interest and taxes (EBIT)		886	-317
Interest and similar income		535	569
Results from investments accounted for at equity		-1,519	-1,718
Interest and similar expenses		298	302
Financial result		-1,282	-1,451
Earnings before income taxes		-396	-1,768
Income taxes	(3)	678	470
Earnings after taxes		-1,074	-2,238
Earnings per share	(4)	-0.39 €	-0.81 €

A.S. Création Tapeten AG, Gummersbach

Consolidated statement of comprehensive income

for the six-month period ended June 30, 2018

	2018 € '000	2017 € '000
Earnings after taxes	-1,074	-2,238
Items, that will never be reclassified to profit or loss:		
Actuarial gains/losses from pension provisions	206	851
Deferred taxes on other comprehensive income	-64	-266
	142	585
Items, that are or may be reclassified to profit or loss:		
Foreign currency translation differences for fully consolidated companies	288	-156
Foreign currency translation differences for investments accounted for at equity	493	471
Change in fair value of an interest rate hedge	52	88
Deferred taxes on other comprehensive income	-16	-27
	817	376
Other comprehensive income (outside profit or loss)	959	961
Total comprehensive income	-115	-1,277

A.S. Création Tapeten AG, Gummersbach

Consolidated income statement

for the three-month period ended June 30, 2018

	Notes No.	2018 € '000	2017 € '000
Sales	(2)	32,332	34,012
Increase or decrease in unfinished and finished goods		2,483	776
Other own work capitalized		0	0
Total output		34,815	34,788
Cost of materials		17,941	18,172
Gross profit		16,874	16,616
Other income		276	-51
		17,150	16,565
Personnel expenses		9,533	10,253
Depreciation		1,556	1,819
Other operating expenses		6,208	6,878
Operating expenses		17,297	18,950
Earnings before interest and taxes (EBIT)		-147	-2,385
Interest and similar income		269	287
Results from investments accounted for at equity		-917	-2,152
Interest and similar expenses		172	169
Financial result		-820	-2,034
Earnings before income taxes		-967	-4,419
Income taxes	(3)	133	-267
Earnings after taxes		-1,100	-4,152
Earnings per share	(4)	-0.40 €	-1.50 €

A.S. Création Tapeten AG, Gummersbach

Consolidated statement of comprehensive income

for the three-month period ended June 30, 2018

	2018 € '000	2017 € '000
Earnings after taxes	-1,100	-4,152
Items, that will never be reclassified to profit or loss:		
Actuarial gains/losses from pension provisions	206	551
Deferred taxes on other comprehensive income	-64	-173
	142	378
Items, that are or may be reclassified to profit or loss:		
Foreign currency translation differences for fully consolidated companies	287	-193
Foreign currency translation differences for investments accounted for at equity	288	796
Change in fair value of an interest rate hedge	28	40
Deferred taxes on other comprehensive income	-9	-12
	594	631
Other comprehensive income (outside profit or loss)	736	1,009
Total comprehensive income	-364	-3,143

A.S. Création Tapeten AG, Gummersbach

Consolidated statement of changes in equity

for the six-month period ended June 30, 2018

	Capital stock	Capital reserves	Revenue reserves	Profit/ losses 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	646	0	-2,238	0	315	-1,277
June 30, 2017	9,000	13,757	82,097	-12,774	-2,238	-4,021	5,959	91,780

	Capital stock	Capital reserves	Revenue reserves	Profit/ losses 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, 2018	9,000	13,757	83,580	-14,604	-17,771	-4,021	5,774	75,715
First adoption of IFRS 9 and IFRS 15	0	0	123	0	0	0	0	123
Earnings after taxes 2017	0	0	0	-17,771	17,771	0	0	0
Dividend payments	0	0	0	0	0	0	0	0
Allocation to revenue reserves	0	0	-11,677	11,677	0	0	0	0
Total comprehensive income 2018	0	0	178	0	-1,074	0	781	-115
June 30, 2018	9,000	13,757	72,204	-20,698	-1,074	-4,021	6,555	75,723

A.S. Création Tapeten AG, Gummersbach

Consolidated cash flow statement

for the six-month period ended June 30, 2018

	2018 € '000	2017 € '000
Operating activities		
Earnings after taxes	-1,074	-2,238
+ Depreciation on tangible and intangible fixed assets	3,079	3,676
+/- Increase/decrease in long-term provisions	57	104
-/+ Income/expenses from investments accounted for at equity	1,519	1,718
-/+ Increase/decrease in present value of corporate income tax credit	0	-5
-/+ Income/expenses from changes in deferred taxes	-336	-464
-/+ Profit/losses from disposal of tangible and intangible fixed assets	17	71
/+ Increase/decrease in inventories	-2,123	-1,094
-/+ Increase/decrease in trade receivables	-3,927	-4,609
+/- Increase/decrease in trade payables	-513	230
-/+ Increase/decrease in other net working capital	1,407	-68
Cash-flow from operating activities	-1,894	-2,679
Investing activities		
- Cash outflows for capital expenditures on tangible and intangible fixed assets	-3,872	-2,949
Capital expenditures	-3,872	-2,949
-/+ Cash outflows / Proceeds from current financial investments	0	150
+ Proceeds from credits and bonds granted	47	100
+ Proceeds from the disposal of tangible and intangible fixed assets	37	109
Cash-flow from investing activities	-3,788	-2,590
Financing activities		
- Dividends paid to shareholders of A.S. Création Tapeten AG	0	-3,445
+/- Raising/repayment of financial liabilities (interest-bearing)	9,649	-1,701
Cash-flow from financing activities	9,649	-5,146
Net change in cash and cash equivalents	3,967	-10,415
+/- Change in cash and cash equivalents due to exchange rate fluctuations	78	-188
+ Cash and cash equivalents at January 1	8,827	20,826
Cash and cash equivalents at June 30	12,872	10,223

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 six-month period ended June 30, 2018

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 three-month period ended June 30, 2018 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, 2017. 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 315e (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, 2017.

A.S. Création Tapeten AG has a policy of applying new IFRS as soon as they become effective. The IFRS adopted for the first time in H1 2018 had the following effects 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. The recognition of impairments of financial assets is now based on the expected losses. The general approach provides for a three-step model to determine the risk provision. Depending on the credit loss risk, the model requires different scopes of impairment. A simplified procedure for loss impairments applies to certain financial instruments. Expected losses for trade receivables will now essentially be recognised on the basis of internal and external customer ratings as well as associated probabilities of default and will be determined with the help of a risk matrix. The new impairment model shall also be applied to other financial instruments measured at amortised cost such as other receivables and bank balances. The new hedge accounting regulations will not result in any changes to hedge accounting at A.S. Création. A.S. Création will apply the modified retrospective method when first adopting IFRS 9 as of January 1, 2018. Compared to the previous versions, the adoption of IFRS 9 with effect from January 1, 2018 has led to an increased recognition of write-downs of receivables, contract assets and other assets. In the first half of 2018, the change in these write-downs is included in earnings before taxes in the amount of € 0.380 million and in earnings after taxes in the amount of € 0.262 million.

IFRS 15 “Revenue from Contracts with Customers” primarily contains regulations as to how and when revenue is recognised. The standard introduces a five-step model for the accounting for revenue from contracts with customers. Most of A.S. Création’s contracts with customers are contracts on the sale of wallpapers, borders and furnishing fabrics. Revenue is recognised at a certain point in time when the performance obligation is met, usually when control passes to the customer. Accounting aspects which should be qualified as a separate performance obligation influence the recognition of revenue over time. Where these performance obligations are not met simultaneously, the adoption of the new standard will postpone the recognition of revenue. Costs incurred to fulfil a contract are capitalised and written off over the term of the contract. Compared to the previous versions, the adoption of IFRS 15 with effect from January 1, 2018 has led to an increased recognition of contract assets and contract liabilities. In the first half of 2018, the change in this item is included in earnings before taxes in the amount of € -0.488 million and in earnings after taxes in the amount of € -0.336 million.

The following standards and interpretations have been published but not yet become effective in or endorsed by the EU in fiscal 2018:

- IFRS 16 “Leases”; first-time adoption for fiscal years beginning on or after January 1, 2019.
- Annual improvements to IFRS (2015-2017); first-time adoption for fiscal years beginning on or after January 1, 2019.

According to IFRS 16 “Leases”, lessees should recognise all leases and the associated contractual rights and obligations in the balance sheet. The resulting rise in fixed assets and financial liabilities will increase A.S. Création’s total assets only by approx. 1%, however, as operating leases play only a minor role at the Group. In addition, the disclosures in the notes will become more extensive. A.S. Création intends to adopt IFRS 16 as of January 1, 2019 and to use the option of the modified retrospective first-time adoption.

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 2018 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, ten subsidiaries are consolidated, thereof nine companies are fully consolidated and one company is accounted for using the equity method. The basis of consolidation has not changed compared to the consolidated financial statements of 2017.

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	
	30.06.2018	31.12.2017	2018	2017
Pound Sterling (GBP/€)	0.88590	0.88740	0.87986	0.86060
Russian Rouble (RUB/€)	72.99210	68.86680	71.95963	62.68678
Belarus Rouble (BYN/€)	2.31420	2.35530	2.40793	2.05199

Notes to the balance sheet

(1) Long-term provisions

Long-term provisions refer to pension provisions, while short-term provisions mainly refer to potential losses from current contracts and warranties.

Notes to the income statement

(2) Sales

A breakdown of Group sales by region is provided below:

	Wallpaper Division		Fabrics Division		Consolidation		Group	
	2018 € '000	2017 € '000	2018 € '000	2017 € '000	2018 € '000	2017 € '000	2018 € '000	2017 € '000
Germany	31,292	29,439	4,790	5,240	-34	-36	36,048	34,643
EU (excl. Germany)	28,883	33,043	1,133	1,076	-11	-23	30,005	34,096
European Union (EU)	60,175	62,482	5,923	6,316	-45	-59	66,053	68,739
Other Eastern Europe	8,058	8,633	115	176	0	0	8,173	8,809
Other countries	6,102	6,074	339	310	0	0	6,441	6,384
Sales (gross)	74,335	77,189	6,377	6,802	-45	-59	80,667	83,932
Reduction in revenues	-7,513	-7,701	-398	-500	0	1	-7,911	-8,200
Sales (net)	66,822	69,488	5,979	6,302	-45	-58	72,756	75,732

As a result of the first-time adoption of IFRS 15 “Revenue from Contracts with Customers”, revenues recognised for the first half of 2018 in the Wallpaper Division were down to € 0.488 million.

(3) Income taxes

Income taxes recognised comprise the income taxes paid or due in the individual countries as well as deferred tax assets and liabilities. Income taxes break down as follows:

	2018 € '000	2017 € '000
Current income tax expenses	1,014	934
Deferred taxes	-336	-464
	678	470

(4) Earnings per share

Earnings per share are calculated as follows:

		2018	2017
Number of shares outstanding (weighted average)	shares	2,756,351	2,756,351
Net profit	€	-1,073,823	-2,237,689
Earnings per share	€/share	-0.39	-0.81

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.

As a result of the first-time adoption of IFRS 15 “Revenue from Contracts with Customers” and IFRS 9 “Financial Instruments” in the half of 2018, earnings per share were reduced by € 0.03.

Complementary information

(5) Cash flow statement

Cash flow from operating activities includes the following payments:

	2018 € '000	2017 € '000
Interest received	30	7
Interest paid	166	176
Income tax paid	-249	1,716

Interest paid primarily relates to investment financing.

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

	2018 € '000	2017 € '000
Raising of financial liabilities (excl. financial lease)	11,194	668
Repayment of financial liabilities (excl. financial lease)	-1,545	-2,312
Repayment of liabilities under financial lease contracts	0	-57
	9,649	-1,701

(6) Costs to fulfil a contract

In the reporting period, costs incurred for the fulfilment of contracts pursuant to IFRS 15 amounted to € 0.835 million and are mainly included in personnel expenses and other operating expenses. These costs relate to services which are provided continuously over the term of the underlying contract. Given that the provision of services for the contract fulfilment costs recorded in the reporting period is recorded in full, no asset for contract fulfilment costs is recognised as of the balance sheet date.

(7) 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	
	2018 € '000	2017 € '000	2018 € '000	2017 € '000	2018 € '000	2017 € '000	2018 € '000	2017 € '000
External sales	66,792	69,457	5,964	6,275	0	0	72,756	75,732
Intra-Group sales	30	31	15	27	-45	-58	0	0
Total sales	66,822	69,488	5,979	6,302	-45	-58	72,756	75,732
EBITDA ¹	3,884	3,267	81	92	0	0	3,965	3,359
EBITDA-margin	5.8 %	4.7 %	1.4 %	1.5 %			5.4 %	4.4 %
EBIT ²	886	-320	-3	-9	3	12	886	-317
EBIT-margin	1.3 %	-0.5 %	-0.1 %	-0.1 %			1.2 %	-0.4 %
Interest income	545	615	0	0	-10	-46	535	569
Results from investments accounted for at equity	-1,519	-1,718	0	0	0	0	-1,519	-1,718
Interest expenses	267	290	41	58	-10	-46	298	302
Earnings before taxes	-355	-1,713	-44	-67	3	12	-396	-1,768
Return on sales (before taxes)	-0.5 %	-2.5 %	-0.7 %	-1.1 %			-0.5 %	-2.3 %
Income taxes	692	488	-15	-23	1	5	678	470
Capital expenditures ³	3,869	2,817	3	132	0	0	3,872	2,949
Depreciation	2,998	3,587	84	101	-3	-12	3,079	3,676
Cash-flow ⁴	-1,978	2,769	84	22	0	0	-1,894	2,791
Segment assets (closing date) ⁵	119,890	114,249	6,280	6,356	-22	-54	126,148	120,551
thereof non-current assets	(50,793)	(50,856)	(1,172)	(1,262)	(0)	(-3)	(51,965)	(52,115)
Segment liabilities (closing date) ⁶	31,333	32,375	1,361	1,323	-22	-51	32,672	33,647
Employees (average)	681	698	66	70	0	0	747	768

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** correspond to the cash flow statement.

⁴ **Cash flow** corresponds to the operating cash flow stated in the cash flow statement.

⁵ **Segment assets** are the total assets of the segment less interest-bearing intercompany loans, cash and cash equivalents, deferred tax assets and income tax receivables.

⁶ **Segment liabilities** are the business segment's total liabilities less shareholders' equity, long-term provisions, tax liabilities, deferred tax liabilities and financial liabilities.

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

The table below shows a breakdown of the Group's assets by regions and maturities:

	Total		Remaining term of up to 1 year		Remaining term of over 1 year	
	30.06.2018	31.12.2017	30.06.2018	31.12.2017	30.06.2018	31.12.2017
	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000
Germany	82,075	78,569	55,285	51,776	26,790	26,793
EU (excl. Germany)	21,757	21,692	12,706	12,229	9,051	9,463
Other Eastern Europe	22,316	20,290	6,192	4,431	16,124	15,859
	126,148	120,551	74,183	68,436	51,965	52,115

(8) 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

(9) 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:

	2018	2017
	€ '000	€ '000
Sales	23	84
Purchases	707	1,818
Interest income	528	562

	30.06.2018	31.12.2017
	€ '000	€ '000
Shareholder loans	16,205	16,285
Receivables	6,089	5,580
Liabilities	170	464

The relationship of the company with A.S. Création Tapeten Stiftung, a charitable foundation, mentioned in the consolidated financial statement 2017, as well as the agreements with Franz Jürgen Schneider relating the release from the anti-trust proceedings continued to exist in the period under review. As in the previous year, no expenses were incurred in this context in the reporting period (previous year: € 0.030 million).

(10) Post balance sheet events

No events that require reporting occurred.

Gummersbach, July 27, 2018

A.S. Création Tapeten AG

The Managing Board

Krämer

Bantel

Suskas

Investor Relations

Maik Krämer, Director of Finance
Südstraße 47, D-51645 Gummersbach-Derschlag
Phone: +49-2261-542 387
fax: +49-2261-542 304
e-mail: m.kraemer@as-creation.de