

# AS CREATION

INTERIM REPORT FOR THE PERIOD  
ENDED March 31, 2019

A.S. CRÉATION TAPETEN AG

		2015	2016	2017	2018	2019
<b>Sales</b>	€ '000	46,969	44,651	41,720	40,424	38,234
<b>EBIT</b>	€ '000	4,722	4,528	2,068	1,033	2,193
<b>Earnings after income taxes</b>	€ '000	4,194	3,884	1,914	26	3,431
<b>Earnings per share</b>	€/share	1.52	1.41	0.69	0.01	1.24
<b>Cash-flow from operating activities</b>	€ '000	4,497	1,982	-3,178	-972	1,576
<b>Capital expenditures</b>	€ '000	686	1,292	792	1,826	1,074
<b>Depreciation</b>	€ '000	2,176	1,947	1,857	1,523	1,530
<b>Number of employees</b>		814	770	757	742	749

# A.S. Création Tapeten AG, Gummersbach

## Interim Management Report

on the business performance for the three-month period ended March 31, 2019

### **Sales performance**

While the eurozone economy grew by 1.9% in the full year 2018, a growth rate of only 1.4% was projected for 2019 in view of the decline in exports resulting from the ongoing trade conflicts. The first available data for the first three months of 2019 show that growth, at 0.9%, is clearly lower than projected. Germany, the biggest output market of A.S. Création, recorded a growth rate of only 0.4% in the first three months of 2019. Private consumption remains the most important pillar of the economy in both Germany and the eurozone as a whole, while capital spending and exports are weak.

Growth in the Russian economy had already slowed to 1.6% in 2018, down from 1.9% in 2017. This moderate deterioration was mainly attributable to the political tensions between Russia and the USA as well as the European Union. In view of the increase in value-added tax from 18% to 20% and the unresolved political conflict, the gross domestic product was expected to grow by only 1.1% in 2019. At 1.2%, growth in the Russian economy was in line with expectations in the first quarter of 2019. The rouble exchange rate has improved noticeably in the year to date. The Russian currency has gained in value against the euro since the beginning of 2019. The exchange rate declined continuously from RUB/€ 79.46 at the beginning of the year to RUB/€ 72.72 at the end of March 2019, which corresponds to an appreciation of the rouble against the euro of almost 10% since the beginning of the year.

In this macroeconomic environment, A.S. Création's consolidated revenues amounted to € 38.2 million in the first three months of 2019, down € 2.2 million or 5.4% on the previous year's € 40.4 million. The Furnishing Fabrics Division increased its revenues by 4.5% in the reporting period. This very gratifying performance was offset, however, by the 6.2% decline in revenues in the Wallpaper Division.

The breakdown of revenues by regions shows that A.S. Création's revenues in the European Union (EU) dropped sharply in the first quarter of 2019. Gross revenues in the EU were down by 5.8% on the previous year, with revenues in Germany and the rest of the EU moving in opposite directions. In Germany, revenues declined by 10.5% from € 22.3 million in the previous year to € 19.9 million in the first quarter of 2019. This reduction is primarily attributable to a base effect in the previous year. In Germany, the first half of 2018, but especially the first quarter, was influenced by the very successful "Bude 2.0" advertising campaign. Most of the deliveries of the wallpaper collection advertised in this campaign took place in the first six months of the previous year, which means that revenues in the first quarter of 2018 were relatively high. The follow-up campaign "Metropolitan Stories" was launched at the beginning of 2019. Just like the "Bude 2.0" campaign, "Metropolitan Stories" also advertises wallpapers and the A.S. Création collection of the same name in TV commercials, billboards, advertisements, roadshows and social media channels. In contrast

to “Bude 2.0”, however, “Metropolitan Stories” is designed as an international campaign used by all distribution companies of the A.S. Création Group. Accordingly, the collection will be placed in the course of 2019, which means that revenues will be distributed more evenly over the year than was the case with “Bude 2.0” in 2018.

The significantly lower revenues in Germany contrasted with slightly higher revenues in the rest of the EU, where A.S. Création increased its gross revenues by 0.6% to € 16.5 million in the first quarter of 2019. This slight improvement is all the more pleasing as there were no major deliveries in the reporting period resulting from the tenders in the DIY store sector. These deliveries will not be made before the second quarter of 2019, when they will generate additional revenues.

Gross revenues generated by A.S. Création in non-EU Eastern European countries totalled € 3.8 million in the first quarter of 2019, up 1.7% on the previous year’s € 3.7 million. This is the result of two opposite effects. On the one hand, the reporting period includes revenues from the new wallpaper production facility in Minsk, which was taken into operation only at the end of March 2018 and therefore made no contribution to Group revenues in the first quarter of 2018. On the other hand, exports from Germany to this region declined, partially offsetting the increase in sales of Belarus-made wallpapers. The decline in exports was particularly strong in Russia and Ukraine, reflecting the deterioration in export conditions. This shows that the installation of a dedicated production company in this region, 100% of whose revenues are consolidated, was the right decision.

At € 38.2 million, revenues generated in the first quarter of 2019 were 5.4% below the previous year’s € 40.4 million. In the coming months, however, A.S. Création will benefit from the international advertising campaign “Metropolitan Stories”, the even distribution of deliveries resulting from the international tender in the DIY store sector and the ongoing increase in revenues generated by the Belarus production company. The Managing Board continues to project consolidated revenues of between € 135 million and € 140 million for the full year 2019.

## **Earnings performance**

Although Group revenues in the first quarter of 2019 were 5.4% lower than in the prior year period, gross profit reached € 20.1 million, which was on a par with the previous year’s € 20.0 million. This is attributable to the significant improvement in the gross profit margin, which climbed from 50.7% in the first quarter 2018 to 53.4% in the reporting period. A.S. Création’s gross profit margin was positively influenced not only by higher average selling prices resulting from a changed product mix and the price increase implemented in the second half of 2018 but also by a reduction in the cost of purchased services.

At € 9.4 million, personnel expenses in the first quarter of 2019 were down by € 0.4 million or 4.3% on the previous year’s € 9.8 million. At 25.0%, the personnel expense ratio (personnel expenses as a percentage of total output) remained almost unchanged from the first quarter of 2018 and is within the range projected for the full year 2019. The number of employees in the A.S. Création Group increased by 7 from 742 in the first quarter of 2018 to 749 in the

reporting period. This is the result of two opposite effects. On the one hand, the new Belarus production company Profistil hired new people in the course of 2018, resulting in an average headcount of 99 people at this company in the reporting period, 46 more than in the first quarter of 2018 (previous year: 53 people). The other entities of the A.S. Création Group reduced their average headcount by 39 people or 5.7% from 689 in the first quarter of 2018 to 650 in the first quarter of 2019. The 2.1% collective pay rise agreed in April 2018 for most of the Group's domestic workforce prevented a further improvement in personnel expenses. Nevertheless, A.S. Création is well on the way to achieving the Managing Board's target for the full year 2019, i.e. to reduce the personnel expense ratio from 27.8% in the fiscal year 2018 to between 25% and 26%.

The aforementioned appreciation of the Russian rouble against the euro led to translation-related exchange gains of € 0.7 million in the first quarter of 2019, which had a positive impact on other operating income in the reporting period. In the corresponding prior year period, translation-related exchange losses of € 0.3 million were incurred, which were reported under other operating expenses.

At € 1.5 million, depreciation in the first quarter of 2019 was exactly on a par with the previous year. Lower depreciation resulting from reduced investments in printing and embossing rollers and rotary screens was offset by higher write-downs at the Belarus Group company and by depreciation for the modernized small parts warehouse.

A.S. Création posted earnings before interest and taxes of € 2.2 million for the first quarter of 2019 (previous year: € 1.0 million). Both the Wallpaper Division and the Furnishing Fabrics Division recorded a positive earnings trend. This means that A.S. Création's earnings position has improved in the current fiscal year and the EBIT margin reached 5.7% (previous year: 2.6%). Even if the above-mentioned exchange rate effects are ignored, earnings showed a positive trend. Adjusted for the currency effects, earnings before interest and taxes in the first three months of 2019 amounted to € 1.5 million, which was up by € 0.2 million on the previous year's € 1.3 million.

In the past, the consolidated financial result included the earnings contributions made by the joint venture A.S. & Palitra, which is accounted for using the equity method. Under an agreement signed on April 2, 2019, A.S. Création Tapeten AG will sell its 50% stake in A.S. & Palitra to the co-shareholder's group of companies by December 31, 2019. Due to the imminent disposal, the earnings contribution made by A.S. & Palitra in the first quarter of 2019 is no longer reported under the financial result but under the separate item "Earnings after taxes from discontinued operations" in accordance with International Financial Reporting Standards (IFRS). As the IFRS require an adjustment of the previous year's figures to facilitate a comparison, the financial result for the first quarter of 2018 has changed compared to the disclosure in the interim report for the period ended March 31, 2018. Consequently, the reported consolidated financial results for the first quarter of 2018 and for the first quarter of 2019 include only regular interest income and expenses. As a result of the increase in net financial liabilities, the financial result deteriorated from € -0.1 million in the previous year to € -0.2 million in the first three months of 2019.

A.S. Création's total earnings after taxes from continued operations amounted to € 1.4 million in Q1 2019, up € 1.0 million on the previous year's € 0.4 million.

Taking into account the pro-rated result of A.S. & Palitra and the interest income from the shareholder loans, which are combined as earnings after taxes from discontinued operations and amounted to € 2.0 million (previous year: € -0.4 million), A.S. Création posted earnings after taxes of € 3.4 million in the first quarter of 2019, compared to only a balanced result in the corresponding prior year period.

### **Financial and net worth position**

At € 1.6 million, operating cash flow in the first quarter of 2019 exceeded the previous year's € -1.0 million by € 2.6 million. A major reason for the increased internal financing strength is the result after taxes, which improved significantly even without taking into account the non-cash earnings components from the at-equity result of A.S. & Palitra. Moreover, at € 9.1 million, the typical seasonal increase in trade receivables was significantly lower in the first quarter of 2019 than the previous year's € 11.5 million. This led to a decline in days of sales outstanding from 70 days in Q1 2018 to 65 days in the reporting period. Because of a moderate increase in inventories, inventory turnover deteriorated slightly from 4.4x per year in the previous year to 4.5x per year in the first quarter of 2019.

At € 1.1 million, financing requirements for investments were down € 0.7 million on the previous year's € 1.8 million in the reporting period and were fully financed from operating cash flow. Of the company's total investments in the first quarter of 2019, € 0.5 million (previous year: € 0.6 million) related to the start-up of the Belarus production company.

Despite the improved internal financing strength, A.S. Création's net financial liabilities increased by € 0.8 million in the first three months of the current fiscal year, from € 3.4 million on December 31, 2018 to € 4.2 million as of March 31, 2019. This increase is attributable to the first-time adoption of the new IFRS 16 "Leases" as of January 1, 2019 and thus to changes in accounting standards. According to the new IFRS 16, not only future payment obligations resulting from finance leases must be recognised as financial liabilities, but also those resulting from operating leases. Until December 31, 2018, the latter had been recognised as other financial obligations below the balance sheet. These changes led to an increase in financial liabilities of € 1.1 million.

At 52.4% (December 31, 2018: 56.1%), A.S. Création's equity ratio stood at a high level on March 31, 2019 and underlined the company's solid financial structure. The slight deterioration in the course of the first quarter of 2019 is attributable to the increase in total assets, primarily as a result of the seasonal increase in trade receivables.

In the opinion of the Managing Board, A.S. Création also has a solid net worth position. As at March 31, 2019, the A.S. Création Group's total assets amounted to € 139.3 million (previous year: € 136.8 million), of which 80.1% (previous year: 80.0%), 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 6.4% (previous year: 6.1%) of the Group's total assets and 12.2% (previous year: 10.9%) of its equity capital.

## **Important events in the interim reporting period**

Mr Franz Jürgen Schneider, Chairman of the Supervisory Board, informed the company on February 18, 2019 that he will resign from office for health reasons with effect from the end of the next Annual General Meeting of Shareholders, which is scheduled for May 9, 2019.

## **Important events after the interim reporting period**

Under an agreement signed on April 2, 2019, A.S. Création Tapeten AG will sell its 50% stake in A.S. & Palitra to the co-shareholder's group of companies. The latter will acquire the 50% stake in A.S. & Palitra from A.S. Création Tapeten AG by December 31, 2019 and repay the shareholder loans. The transaction is worth a low double-digit million euro amount.

## **Forecast**

The expectations for the fiscal year 2019 communicated by the Managing Board for the key performance indicators continue to apply.

- Group sales revenues should amount to between € 135 million and € 140 million in 2019 (previous year: € 134.5 million).
- The gross profit margin should be kept at the previous year's level of 49.4%.
- The personnel expense ratio, which stood at 27.8% in 2018, should decline to between 25% and 26% – excl. severance payments – in 2019.
- Earnings before interest and taxes should come in at between € 1 million and 2 million in 2019. This figure does not include any extraordinary effects such as exchange gains/losses or major severance payments. After the operating loss of € -1.3 million (excl. extraordinary effects) posted for 2018, A.S. Création should thus be in the black again.
- The sale of the 50% stake in A.S. & Palitra will have a positive effect on consolidated earnings after taxes in the fiscal year 2019, which should amount to between € 10 million and € 11 million.

The revenue trend in the first quarter of 2019 does not yet reflect the growth projected for the fiscal year. In this context, it should be noted, however, that Profistil, the Belarus company, is expected to significantly increase its revenues, especially in the second half of the year, when the second production line is taken into operation. In addition, revenues generated in the international DIY store sector will increase sharply in the coming months, as major orders will be delivered. Moreover, the Managing Board expects the international campaign "Metropolitan Stories" to stimulate growth in the further course of the fiscal year as compared to the previous year. For the reasons stated above, the Managing Board believes that the revenue trend in the first quarter of 2019 should not be regarded as an indicator for the trend in the full year 2019, but sticks to the above-mentioned revenue target for 2019.

Uncertainties continue to arise from the high volatility of the rouble exchange rate and the unresolved political conflicts between Russia and the USA and Europe, respectively, with regard to exports to Eastern Europe.

The personnel expense ratio was in line with projections in the first quarter of 2019. On the other hand, the gross profit margin developed better. Besides the ongoing improvement in the cost structures and the implementation of efficiency improvements in the internal processes, a focus will be placed on increasing the average selling prices in the coming months, in particular by means of an active product range policy.

A.S. Création will continue to rely on its own strengths arising from the broad product range and its own sales organisations in the individual countries. These put A.S. Création in a good position to offer customers a broader range of products and better services than its competitors. This applies both to serving local customers and to customers who want to operate internationally and are looking for a reliable partner to assist them in their internationalisation strategy. This strategy is supported by the modernisation of the logistics centre in the previous year.

The Managing Board is confident that A.S. Création will achieve its revenue and earnings targets in the fiscal year 2019.

The risk and opportunity profile of A.S. Création Tapeten AG has not changed materially as compared to the presentation in the 2018 Annual Report.

#### **Statement pursuant to Article 315 paragraph 1 sentence 5 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, May 6, 2019

#### **A.S. Création Tapeten AG**

The Managing Board

Barth

Bantel

Krämer

Suskas

# A.S. Création Tapeten AG, Gummersbach

## Consolidated balance sheet

as per March 31, 2019

<b>Assets</b>			
		31.03.2019	31.12.2018
		€ '000	€ '000
Tangible fixed assets		32,350	32,165
Intangible fixed assets		8,890	8,334
Financial assets		0	5,553
Other assets		178	5,657
Deferred tax assets		1,469	793
<b>Non-current assets</b>		<b>42,887</b>	<b>52,502</b>
Inventories		34,258	33,588
Trade receivables		32,376	23,090
Other assets		4,031	7,119
Income tax receivables		306	461
Assets held for sale	(1)	12,907	0
Cash and cash equivalents		12,529	11,890
<b>Current assets</b>		<b>96,407</b>	<b>76,148</b>
<b>Total assets</b>		<b>139,294</b>	<b>128,650</b>
<b>Equity and liabilities</b>			
	Notes No.	31.03.2019 € '000	31.12.2018 € '000
Capital stock		9,000	9,000
Capital reserves		13,757	13,757
Revenue reserves		71,925	73,345
Profit / loss carried forward		-27,398	-21,421
Earnings after taxes		3,431	-5,977
Adjustment for own shares		-4,021	-4,021
Currency translation differences		6,327	7,550
<b>Equity</b>		<b>73,021</b>	<b>72,233</b>
Financial liabilities (interest-bearing)		13,157	12,558
Other liabilities		455	457
Provisions	(2)	14,132	12,716
Deferred tax liabilities		0	100
<b>Non-current liabilities</b>		<b>27,744</b>	<b>25,831</b>
Financial liabilities (interest-bearing)		3,562	2,699
Other liabilities		24,330	21,761
Trade payables		9,429	5,367
Provisions	(2)	83	116
Tax liabilities		1,125	643
<b>Current liabilities</b>		<b>38,529</b>	<b>30,586</b>
<b>Total equity and liabilities</b>		<b>139,294</b>	<b>128,650</b>



# A.S. Création Tapeten AG, Gummersbach

## Consolidated income statement

for the three-month period ended March 31, 2019

	Notes No.	2019 € '000	2018 € '000
<b>Sales</b>	(3)	<b>38,234</b>	<b>40,424</b>
Increase or decrease in unfinished and finished goods		-617	-934
Other own work capitalized		12	41
<b>Total output</b>		<b>37,629</b>	<b>39,531</b>
Cost of materials		17,537	19,482
<b>Gross profit</b>		<b>20,092</b>	<b>20,049</b>
<b>Other income</b>		<b>1,265</b>	<b>226</b>
		<b>21,357</b>	<b>20,275</b>
Personnel expenses		9,410	9,832
Depreciation		1,530	1,523
Other operating expenses		8,224	7,887
<b>Operating expenses</b>		<b>19,164</b>	<b>19,242</b>
<b>Earnings before interest and taxes (EBIT)</b>		<b>2,193</b>	<b>1,033</b>
Interest and similar income		11	1
Interest and similar expenses		242	126
<b>Financial result</b>		<b>-231</b>	<b>-125</b>
<b>Earnings before income taxes</b>		<b>1,962</b>	<b>908</b>
Income taxes	(4)	526	462
<b>Earnings after taxes from continued operations</b>		<b>1,436</b>	<b>446</b>
<b>Earnings after taxes from discontinued operations</b>	(5)	<b>1,995</b>	<b>-420</b>
<b>Earnings after taxes</b>		<b>3,431</b>	<b>26</b>
<b>Earnings per share</b>	(6)	<b>1.24 €</b>	<b>0.01 €</b>

# A.S. Création Tapeten AG, Gummersbach

## Consolidated statement of comprehensive income

for the three-month period ended March 31, 2019

	2019 € '000	2018 € '000
<b>Earnings after taxes</b>	<b>3,431</b>	<b>26</b>
Items, that will never be reclassified to profit or loss:		
Actuarial gains/losses from pension provisions	-1,370	0
Deferred taxes on other comprehensive income	421	0
	<b>-949</b>	<b>0</b>
Items, that are or may be reclassified to profit or loss:		
Foreign currency translation differences for fully consolidated companies	-336	1
Foreign currency translation differences for investments accounted for at equity	-887	205
Change in fair value of an interest rate hedge	-476	24
Deferred taxes on other comprehensive income	148	-7
	<b>-1,551</b>	<b>223</b>
<b>Other comprehensive income (outside profit or loss)</b>	<b>-2,500</b>	<b>223</b>
<b>Total comprehensive income</b>	<b>931</b>	<b>249</b>

# A.S. Création Tapeten AG, Gummersbach

## Consolidated statement of changes in equity

for the three-month period ended March 31, 2019

	Capital stock	Capital reserves	Revenue reserves	Profit/ loss carried forward	Earnings after taxes	Adjust- ment for own shares	Currency trans- lation diffe- rences	Total
	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000
<b>January 1, 2018</b>	<b>9,000</b>	<b>13,757</b>	<b>83,580</b>	<b>-14,604</b>	<b>-17,771</b>	<b>-4,021</b>	<b>5,774</b>	<b>75,715</b>
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	416	-416	0	0	0	0
Total comprehensive income 2018	0	0	17	0	26	0	206	249
<b>March 31, 2018</b>	<b>9,000</b>	<b>13,757</b>	<b>84,136</b>	<b>-32,791</b>	<b>26</b>	<b>-4,021</b>	<b>5,980</b>	<b>76,087</b>

	Capital stock	Capital reserves	Revenue reserves	Profit/ loss carried forward	Earnings after taxes	Adjust- ment for own shares	Currency trans- lation diffe- rences	Total
	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000
<b>January 1, 2019</b>	<b>9,000</b>	<b>13,757</b>	<b>73,345</b>	<b>-21,421</b>	<b>-5,977</b>	<b>-4,021</b>	<b>7,550</b>	<b>72,233</b>
First adoption of IFRS 16	0	0	-143	0	0	0	0	-143
Earnings after taxes 2018	0	0	0	-5,977	5,977	0	0	0
Dividend payments	0	0	0	0	0	0	0	0
Allocation to revenue reserves	0	0	0	0	0	0	0	0
Total comprehensive income 2019	0	0	-1,277	0	3,431	0	-1,223	931
<b>March 31, 2019</b>	<b>9,000</b>	<b>13,757</b>	<b>71,925</b>	<b>-27,398</b>	<b>3,431</b>	<b>-4,021</b>	<b>6,327</b>	<b>73,021</b>

# A.S. Création Tapeten AG, Gummersbach

## Consolidated cash-flow statement

for the three-month period ended March 31, 2019

	2019 € '000	2018 € '000
<b>Operating activities</b>		
Earnings after taxes	3,431	26
+ Depreciation on tangible and intangible fixed assets	1,530	1,523
+/- Increase/decrease in long-term provisions	46	50
-/+ Income/expenses from investments accounted for at equity	-1,910	602
-/+ Income/expenses from changes in deferred taxes	-134	-259
-/+ Profit/losses from disposal of tangible and intangible fixed assets	33	12
-/+ Increase/decrease in inventories	-505	651
-/+ Increase/decrease in trade receivables	-9,113	-11,469
+/- Increase/decrease in trade payables	4,036	2,327
-/+ Increase/decrease in other net working capital	4,162	5,565
<b>Cash-flow from operating activities</b>	<b>1,576</b>	<b>-972</b>
thereof from continued operations	(1,534)	(-996)
<b>Investing activities</b>		
- Cash outflows for capital expenditures on tangible and intangible fixed assets	-1,074	-1,826
<b>Capital expenditures</b>	<b>-1,074</b>	<b>-1,826</b>
+ Proceeds from credits and bonds granted	90	47
+ Proceeds from the disposal of tangible and intangible fixed assets	36	17
<b>Cash-flow from investing activities</b>	<b>-948</b>	<b>-1,762</b>
thereof from continued operations	(-1,038)	(-1,809)
<b>Financing activities</b>		
+/- Raising/repayment of financial liabilities (interest-bearing)	-93	-404
<b>Cash-flow from financing activities</b>	<b>-93</b>	<b>-404</b>
thereof from continued operations	(-93)	(-404)
<b>Net change in cash and cash equivalents</b>	<b>535</b>	<b>-3,138</b>
+/- Change in cash and cash equivalents due to exchange rate fluctuations	104	95
+ Cash and cash equivalents at January 1	11,890	8,827
<b>Cash and cash equivalents at March 31</b>	<b>12,529</b>	<b>5,784</b>

Further information on the cash-flow statement is presented in the notes to the consolidated financial statement (see No. 7).

# A.S. Création Tapeten AG, Gummersbach

## Notes to the consolidated financial statements

for the three-month period ended March 31, 2019

### 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 March 31, 2019 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, 2018. 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, 2018.

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 the first three months 2019 had the following effects on the assets, liabilities, financial position and earnings position of A.S. Création in the reporting period:

IFRS 16 “Leases” introduces a uniform accounting model for the recognition of leases in the balance sheet of the lessee. The lessee recognises a right-of-use asset as well as a lease liability, which represents their obligation to make future lease payments. Exemptions exist for short-term leases and for leases of low-value assets. The accounting requirements for the lessor are comparable with those of the current standard. A.S. Création has applied the modified retrospective method when first adopting IFRS 16 as of January 1, 2019. The first time adoption of the new standard IFRS 16 led to a reduction in earnings after taxes by 0.005 million as well as an increase of total assets by 0.978 million as of the balance sheet date.

The following standards and interpretations have been published but not yet become effective in or endorsed by the EU in fiscal 2019:

- Amendments to the IFRS Conceptual Framework; first-time adoption for fiscal years beginning on or after January 1, 2020.
- Amendments to IFRS 3 “Business Combinations”; first-time adoption for fiscal years beginning on or after January 1, 2020.

- Amendments to IAS 1 “Presentation of Financial Statements” and IAS 8 “Accounting Policies”; first-time adoption for fiscal years beginning on or after January 1, 2020.

The standards that are applicable in subsequent years are expected to have no material impact on the consolidated financial statements of A.S. Création from today’s point of view.

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 2019 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 2018.

### **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	
	31.03.2019	31.12.2018	2019	2018
Pound Sterling (GBP/€)	0.85830	0.89710	0.87251	0.88345
Russian Rouble (RUB/€)	72.7230	79.46050	74.68387	69.95566
Belarus Rouble (BYN/€)	2.38890	2.47340	2.43903	2.42557

## Notes to the balance sheet

### (1) Assets held for sale

Under an agreement signed on April 2, 2019, A.S. Création Tapeten AG will sell its 50% stake in A.S. & Palitra to the co-shareholder's group of companies. The latter will acquire the 50% stake in A.S. & Palitra from A.S. Création Tapeten AG by December 31, 2019 and repay the shareholder loans. In view of the planned sale, the assets relating to the investment in A.S. & Palitra were reported as assets held for sale in the consolidated balance sheet as of the balance sheet date. These are the carrying amount of the investment, the shareholder loans and the deferred interest.

### (2) 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

### (3) Sales

A breakdown of Group sales by region is provided below:

	Wallpaper Division		Fabrics Division		Consolidation		Group	
	2019	2018	2019	2018	2019	2018	2019	2018
	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000
Germany	17,319	19,827	2,637	2,458	-18	-17	19,938	22,268
EU (excl. Germany)	15,902	15,821	582	574	-5	-7	16,479	16,388
European Union (EU)	33,221	35,648	3,219	3,032	-23	-24	36,417	38,656
Other Eastern Europe	3,795	3,715	43	57	0	0	3,838	3,772
Other countries	2,174	2,780	134	168	0	1	2,308	2,949
<b>Sales (gross)</b>	<b>39,190</b>	<b>42,143</b>	<b>3,396</b>	<b>3,257</b>	<b>-23</b>	<b>-23</b>	<b>42,563</b>	<b>45,377</b>
Reduction in revenues	-4,136	-4,760	-193	-192	0	-1	-4,329	-4,953
<b>Sales (net)</b>	<b>35,054</b>	<b>37,383</b>	<b>3,203</b>	<b>3,065</b>	<b>-23</b>	<b>-24</b>	<b>38,234</b>	<b>40,424</b>

#### (4) 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:

	2019 € '000	2018 € '000
Income taxes	659	721
Deferred income taxes	-133	-259
	<b>526</b>	<b>462</b>

#### (5) Earnings after taxes from discontinued operations

In view of the planned sale, the 50% interest in A.S. & Palitra is classified as assets held for sale as of the balance sheet date. Please refer to note 1 for further details. Accordingly, the earnings components attributable to these assets are presented separately as net income from discontinued operations. These are composed as follows:

	2019 T€	2018 T€
Results from assets accounted for at equity	1,910	-602
Interest income from shareholder loans	123	265
<b>Financial result</b>	<b>2,033</b>	<b>-337</b>
Income taxes	-38	-83
<b>Earnings after taxes from discontinued operations</b>	<b>1,995</b>	<b>-420</b>
<b>Earnings per share from discontinued operations</b>	<b>0.72 €</b>	<b>-0.15 €</b>

#### (6) Earnings per share

Earnings per share are calculated as follows:

		2019	2018
Number of shares outstanding (weighted average)	shares	2,756,351	2,756,351
Net profit	€	3,430,667	25,889
<b>Earnings per share</b>	<b>€/share</b>	<b>1.24</b>	<b>0.01</b>

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

### (7) Cash-flow statement

Cash-flow from operating activities includes the following payments:

	2019 € '000	2018 € '000
Interest received	10	1
Interest paid	185	73
Income tax received	37	0
Income tax paid	97	102

Interest paid primarily relates to investment financing.

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

	2019 € '000	2018 € '000
Raising of financial liabilities (excl. financial lease)	390	235
Raising of financial liabilities under financial lease contracts	16	0
Repayment of financial liabilities (excl. financial lease)	477	-639
Repayment of liabilities under financial lease contracts	22	0
	<b>-93</b>	<b>-404</b>

### (8) Costs to fulfil a contract

In the reporting period, costs incurred for the fulfilment of contracts pursuant to IFRS 15 amounted to € 0.470 million (previous year: € 0.420 million). These costs relate to services which are provided continuously over the term of the underlying contract. As the performance for the contract fulfilment costs recorded in the contractual period has been recorded in full, these costs were recognised as contract assets in the reporting period and immediately written off in full.

### (9) 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	
	2019 € '000	2018 € '000	2019 € '000	2018 € '000	2019 € '000	2018 € '000	2019 € '000	2018 € '000
External sales	35,038	37,369	3,196	3,055	0	0	38,234	40,424
Intra-Group sales	16	14	7	10	-23	-24	0	0
Total sales	35,054	37,383	3,203	3,065	-23	-24	38,234	40,424
EBITDA <sup>1</sup>	3,614	2,576	109	-20	0	0	3,723	2,556
EBITDA-margin	10.3 %	6.9 %	3.4 %	-0.7 %			9.7 %	6.3 %
EBIT <sup>2</sup>	2,143	1,095	50	-63	0	1	2,193	1,033
EBIT-margin	6.1 %	2.9 %	1.6 %	-2.1 %			5.7 %	2.6 %
Interest income	16	6	0	0	-5	-5	11	1
Interest expenses	225	110	22	21	-5	-5	242	126
Earnings before taxes	1,934	991	28	-84	0	1	1,962	908
Return on sales (before taxes)	5.5 %	2.7 %	0.9 %	-2.7 %			5.1 %	2.2 %
Income taxes	517	490	9	-28	0	0	526	462
Capital expenditures <sup>3</sup>	1,019	1,824	6	2	0	0	1,025	1,826
Depreciation	1,471	1,481	59	43	0	-1	1,530	1,523
Cash-flow								
from operating activities	1,623	-856	-47	-116	0	0	1,576	-972
from investing activities	-920	-1,768	-28	6	0	0	-948	-1,762
from financing activities	-105	-525	12	121	0	0	-93	-404
Segment assets (closing date) <sup>4</sup>	118,528	123,022	6,488	6,595	-26	-35	124,990	129,582
thereof non-current assets	(40,058)	(50,559)	(1,360)	(1,212)	(0)	(-1)	(41,418)	(51,770)
Segment liabilities (closing date) <sup>5</sup>	32,839	37,579	1,483	1,560	-26	-34	34,296	39,105
Employees (average)	686	675	63	67	0	0	749	742

A breakdown of Group sales by geographical regions is provided in the notes on sales (see No. 3).

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

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

<sup>3</sup> **Capital expenditures** correspond to the cash-flow statement.

<sup>4</sup> **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.

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

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	
	31.03.2019 € '000	31.12.2018 € '000	31.03.2019 € '000	31.12.2018 € '000	31.03.2019 € '000	31.12.2018 € '000
Germany	79,026	76,073	56,472	47,547	22,554	28,526
EU (excl. Germany)	23,366	19,425	13,988	10,640	9,378	8,785
Other Eastern Europe	22,598	20,009	13,112	5,611	9,486	14,398
	<b>124,990</b>	<b>115,507</b>	<b>83,572</b>	<b>63,798</b>	<b>41,418</b>	<b>51,709</b>

## (10) Managing Board

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

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

## (11) Related party transactions

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

In the reporting period, A.S. Création maintained business relations with OOO A.S. & Palitra, held as available for sale. Details of the business relationship are shown below:

	2019 € '000	2018 € '000
Sales	0	13
Purchases	189	300
Interest income	123	265

	31.03.2019 € '000	31.12.2018 € '000
Shareholder loans	15,549	15,638
Receivables	6,439	6,352
Liabilities	154	107

The relationship of the company with A.S. Création Tapeten Stiftung, a charitable foundation, mentioned in the consolidated financial statement 2018, 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. No expenses incurred in the context of the release from the anti-trust proceedings in the reporting period.

## **(12) Important events after the end of the interim reporting period**

Under an agreement signed on April 2, 2019, A.S. Création Tapeten AG will sell its 50% stake in A.S. & Palitra to the co-shareholder's group of companies. The latter will acquire the 50% stake in A.S. & Palitra from A.S. Création Tapeten AG by December 31, 2019 and repay the shareholder loans. The transaction is worth a low double-digit million euro amount.

Gummersbach, May 6, 2019

### **A.S. Création Tapeten AG**

The Managing Board

Barth

Bantel

Krämer

Suskas

#### **Investor Relations**

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