

# AS CREATION

INTERIM REPORT FOR THE PERIOD  
ENDED MARCH 31, 2018

A.S. CRÉATION TAPETEN AG

		2014	2015	2016	2017	2018
Sales	€ '000	54,328	46,969	44,651	41,720	40,424
EBIT	€ '000	3,661	4,722	4,528	2,068	1,033
Earnings before income taxes	€ '000	2,208	5,730	5,506	2,651	571
Earnings after income taxes	€ '000	932	4,194	3,884	1,914	26
Earnings per share	€/share	0.34	1.52	1.41	0.69	0.01
Cash-flow from operating activities	€ '000	-794	4,497	1,982	-3,178	-972
Capital expenditures	€ '000	1,832	686	1,292	792	1,826
Depreciation	€ '000	2,360	2,176	1,947	1,857	1,523
Number of employees		828	814	770	757	742

# A.S. Création Tapeten AG, Gummersbach

## Interim Management Report

on the business performance for the three-month period ended March 31, 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 first available data for the first quarter of 2018 shows that growth, at 2.5%, is within the projected range. Germany, the biggest output market of A.S. Création, recorded a growth rate of 2.4% in the first three 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 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 latest political tensions between Russia and the USA as well as the EU, which are having an adverse impact on economic relations, 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 strongly 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 only to drop to approx. RUB/€ 76 in the second half of April. This means that the Russian rouble has lost over 10% in value since the beginning of the year. In the first quarter of 2018, it had lost 2.5%.

In this macroeconomic environment, A.S. Création's consolidated sales revenues amounted to € 40.4 million in Q1 2018, down by € 1.3 million or 3.1% on the previous year's € 41.7 million. Of this decline, € 0.2 million related to changes in exchange rates, while € 0.6 million related to the new IFRS 15 ("Revenue from Contracts with Customers"), which is applicable as of the fiscal year 2018. Adjusted for these effects, sales revenues were down by 1.7%. 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 three months of 2018 was more moderate.

The breakdown of revenues by regions shows that A.S. Création's revenues in the European Union (EU) declined slightly in the first quarter of 2018. Gross revenues in the EU were down by 1.4% on the previous year, with major differences between Germany and the other EU countries. Sales revenues in Germany rose by 8.5% from € 20.5 million in the previous year to € 22.3 million in Q1 2018. This strong increase reflects 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.

By contrast, A.S. Création's revenues in the remaining EU countries declined by 12.2%, 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. Given that top-up orders are reduced to a minimum during such tender phases to ensure that the remaining stocks in the stores are sold, A.S. Création received an unusually low number of orders in this segment in the first quarter. This means, however, that the drop in A.S. Création's revenues in this segment does not reflect reduced consumer demand for wallpapers.

A.S. Création's gross revenues in non-EU Eastern European countries were on a par with the previous year in Q1 2018; these figures do not include revenues generated by the new wallpaper production facility in Minsk. The Belarus subsidiary, OOO Profistil, started production at the end of March 2018 and sold the first wallpaper rolls in April.

The sales revenues generated in the first three months of 2018 are in line with the plans for the year. The Managing Board continues to project Group sales revenues of between € 150 million and € 155 million for the full year 2018.

### **Earnings performance**

Besides the lower revenues, the decline in the gross profit margin from 52.6% in Q1 2017 to 50.7% also weighed on the result in the reporting period, which clearly reflected the price increases for commodities and energy. This trend became apparent already in the course of the past year and is continuing in 2018 and its effects on the bottom line have not yet been offset by increases in A.S. Création's own selling prices. Compared to the prior year period, sales revenues in Q1 2018 thus led to a shortfall of € 2.0 million in gross profits. It is good to see, however, that the gross profit margin in Q1 2018 was higher than in the second half of 2017, which means that the increased share of higher-quality products in the total product range is having a positive effect on earnings.

The measures initiated to reduce personnel expenses were largely completed in the previous year and are taking full effect in the current fiscal year. The A.S. Création Group's headcount was reduced from 757 in the first quarter of 2017 to 742 in the reporting period and personnel expenses, at € 9.8 million, were down by € 0.7 million or 6.5% on the previous year's € 10.5 million. At 24.9%, however, the personnel expense ratio (personnel expenses as a percentage of total output) were only slightly below the previous year's 25.1%. This is mainly due to the fact that the 54 people employed by Profistil, Belarus, on average in the first quarter of 2018 did not generate any revenues during this period. As described above, the company took the first production line into operation at the end of March 2018 and generated the first revenues only 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%.

At € 7.9 million, other operating expenses were down by € 0.3 million or 3.5% on the previous year's € 8.2 million in Q1 2018 and were primarily affected by exchange losses of € 0.3 million (previous year: € 0.1 million). Other operating income decreased by € 0.4 million from € 0.6 million in the previous year to € 0.2 million in the reporting period, as no more exchange gains were recorded, contrary to the previous year. On balance, exchange rate effects had a positive effect of € 0.2 million on earnings before interest and taxes in Q1 2017 and a negative effect of € 0.3 million on EBIT in the reporting period.

Depreciation amounted to € 1.5 million in Q1 2018, down by € 0.4 million on the previous year's € 1.9 million, helping to improve the result in the reporting period. 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 the production facility in Belarus was taken into operation only at the end of March, it was not reflected in depreciation in the first quarter.

A.S. Création posted earnings before interest and taxes of € 1.0 million for the first three months of 2018 (previous year: € 2.1 million). Adjusted for the above-mentioned exchange rate effects, the start-up losses of the Belarus production company of € 0.3 million and the effects of the first-time adoption of IFRS 9 and IFRS 15 in the reporting year in the amount of € 0.1 million, EBIT stood at € 1.7 million, down € 0.2 million on the previous year's € 1.9 million.

At € -0.5 million, the consolidated financial result was down by € 1.1 million on the previous year (€ +0.6 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 an excellent performance in the first quarter of 2018. Revenues (in euros) increased by over 30% and the gross profit margin improved compared to the first quarter of 2017, resulting in an operating profit of € 0.4 million for the joint venture, which had posted a loss of € -0.4 million in the prior year period. As described above, however, the Russian rouble has depreciated against the euro in the current fiscal year, resulting in translation-related exchange losses in the first three months of 2018, while translation-related exchange gains were recognized in the previous year. As a result of these exchange effects and the company's financing costs, A.S. & Palitra posted a loss after taxes of € -1.2 million in spite of the improved operating result, compared to a profit after taxes of € 0.8 million in Q1 2017. Half of this result after taxes, i.e. € -0.6 million in Q1 2018 and € +0.4 million in Q1 2017, are reflected in the financial result of A.S. Création. These figures include pro-rated exchange losses of € 0.4 million (previous year: exchange gains of € 0.9 million). This means that the deterioration in A.S. Création's financial result is almost exclusively attributable to the above-mentioned effects affecting the Russian joint venture.

The decline in EBIT and in the financial result led to earnings before taxes of € 0.6 million in the first three months of 2018, down € 2.1 million or 78.4% on the previous year's € 2.7 million. Adjusted for these extraordinary effects, earnings before taxes amounted to € 1.7 million in the first quarter of 2018 (previous year: € 1.6 million).

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

As explained in the analysis of the earnings position, the reduced result after taxes in the reporting period is mainly attributable to the decline in the pro-rated result of the Russian joint venture and thus to a non-cash earnings component. Consequently, operating cash flow, at € -1.0 million, improved noticeably in Q1 2018 compared to the previous year's € -3.2 million. This cash outflow from operating activities in the first quarter results from the typical seasonal increase in trade receivables. At € 11.5 million, the latter exceeded the previous year's € 10.8 million, resulting in an increase in days of sales outstanding (DSO) from 65 days in Q1 2017 to 70 days in the reporting period. By contrast, inventory turnover remained unchanged from the previous year at 4.4x p.a.

A € 1.0 million rise in investments from € 0.8 million in the previous year to € 1.8 million in the reporting period, resulted in increased financing requirements. An amount of € 0.6 million was invested in building up the Belarus production company.

Net financial liabilities stood at € 2.2 million as at March 31, 2018, compared to a net credit position of € 0.4 million on December 31, 2017. The Group's funding requirements thus amounted to € 2.6 million in the first quarter of 2018 (previous year: € 3.8 million).

At 55.6%, the equity ratio reached a high level as at March 31, 2018 (December 31, 2017: 57.9%) and underlines A.S. Création's solid financial structure.

In the opinion of the Managing Board, A.S. Création also has a solid net worth position. As at March 31, 2018, the A.S. Création Group's total assets amounted to € 136.8 million (previous year: € 145.6 million), of which 80.0% (previous year: 79.4%), 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 6.1% (previous year: 5.5%) of the Group's total assets and 10.9% (previous year: 8.2%) of its equity capital.

### **Forecast**

The following expectations communicated by the Managing Board for the fiscal year 2018 with regard to the key performance indicators as outlined in the forecast in the 2017 consolidated financial statements continue to apply.

- 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.

The revenue trend in the first three months of 2018 does not yet reflect the revenue growth projected for the fiscal year. In this context, it should be noted, however, that the new Belarus company is expected to make a material contribution to the planned revenue growth and will not start selling wallpapers made by the new production facility before the second quarter of 2018. Moreover, the Managing Board expects sales revenues in the DIY store segment to increase noticeably in the second half of the year once the tenders are completed. There is some uncertainty with regard to exports to Eastern Europe, especially to Russia, as the high volatility of the rouble exchange rate and the depreciation of the Russian currency have led to an unexpected deterioration in the framework conditions.

The gross profit margin and personnel expenses as a percentage of total output were in line with expectations in the first quarter of 2018. However, the continued increase in commodity and energy prices and the 2.1% collective pay rise in Germany effective April 1, 2018 will lead to further burdens on earnings. Apart from a further improvement in cost structures and the implementation of efficiency increases in internal processes, another focus will be placed on increasing average selling prices, both through an active product policy and price increases.

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 being supported by the modernisation of the logistics centre.

The Managing Board is confident that A.S. Création will benefit from the strategic decisions of the previous years in the fiscal year 2018 and that the planned turnaround in revenues and earnings will be achieved.

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 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, April 26, 2018

**A.S. Création Tapeten AG**

The Managing Board

Krämer

Bantel

Suskas

# A.S. Création Tapeten AG, Gummersbach

## Consolidated balance sheet

as per March 31, 2018

<b>Assets</b>			
		31.03.2018	31.12.2017
		€ '000	€ '000
Tangible fixed assets		30,698	30,553
Intangible fixed assets		8,315	8,342
Investments accounted for at equity		0	0
Financial assets		7,502	7,959
Other assets		5,255	5,260
Deferred tax assets		824	671
<b>Non-current assets</b>		<b>52,594</b>	<b>52,785</b>
Inventories		36,149	36,853
Trade receivables		36,796	25,912
Other assets		4,867	5,672
Income tax receivables		576	665
Cash and cash equivalents		5,784	8,827
<b>Current assets</b>		<b>84,172</b>	<b>77,929</b>
<b>Total assets</b>		<b>136,766</b>	<b>130,714</b>
<b>Equity and liabilities</b>			
	Notes No.	31.03.2018 € '000	31.12.2017 € '000
Capital stock		9,000	9,000
Capital reserves		13,757	13,757
Revenue reserves		84,136	83,580
Profit carried forward		-32,791	-14,604
Earnings after taxes		26	-17,771
Adjustment for own shares		-4,021	-4,021
Currency translation differences		5,980	5,774
<b>Equity</b>		<b>76,087</b>	<b>75,715</b>
Financial liabilities (interest-bearing)		4,365	4,691
Other liabilities		492	508
Provisions	(1)	12,711	12,662
Deferred tax liabilities		162	199
<b>Non-current liabilities</b>		<b>17,730</b>	<b>18,060</b>
Financial liabilities (interest-bearing)		3,642	3,719
Other liabilities		29,401	26,202
Trade payables		9,123	6,808
Provisions	(1)	89	130
Tax liabilities		694	80
<b>Current liabilities</b>		<b>42,949</b>	<b>36,939</b>
<b>Total equity and liabilities</b>		<b>136,766</b>	<b>130,714</b>

# A.S. Création Tapeten AG, Gummersbach

## Consolidated income statement

for the three-month period ended March 31, 2018

	Notes No.	2018 € '000	2017 € '000
<b>Sales</b>	(2)	<b>40,424</b>	<b>41,720</b>
Increase or decrease in unfinished and finished goods		-934	165
Other own work capitalized		41	
<b>Total output</b>		<b>39,531</b>	<b>41,885</b>
Cost of materials		19,482	19,855
<b>Gross profit</b>		<b>20,049</b>	<b>22,030</b>
<b>Other income</b>		<b>226</b>	<b>580</b>
		<b>20,275</b>	<b>22,610</b>
Personnel expenses		9,832	10,514
Depreciation		1,523	1,857
Other operating expenses		7,887	8,171
<b>Operating expenses</b>		<b>19,242</b>	<b>20,542</b>
<b>Earnings before interest and taxes (EBIT)</b>		<b>1,033</b>	<b>2,068</b>
Interest and similar income		266	282
Results from investments accounted for at equity		-602	434
Interest and similar expenses		126	133
<b>Financial result</b>		<b>-462</b>	<b>583</b>
<b>Earnings before income taxes</b>		<b>571</b>	<b>2,651</b>
Income taxes	(3)	545	737
<b>Earnings after taxes</b>		<b>26</b>	<b>1,914</b>
<b>Earnings per share</b>	(4)	<b>0.01 €</b>	<b>0.69 €</b>

# A.S. Création Tapeten AG, Gummersbach

## Consolidated statement of comprehensive income

for the three-month period ended March 31, 2018

	2018 € '000	2017 € '000
<b>Earnings after taxes</b>	<b>26</b>	<b>1,914</b>
Items, that will never be reclassified to profit or loss:		
Actuarial gains/losses from pension provisions	0	300
Deferred taxes on other comprehensive income	0	-93
	<b>0</b>	<b>207</b>
Items, that are or may be reclassified to profit or loss:		
Foreign currency translation differences for fully consolidated companies	1	37
Foreign currency translation differences for investments accounted for at equity	205	-325
Change in fair value of an interest rate hedge	24	48
Deferred taxes on other comprehensive income	-7	-15
	<b>223</b>	<b>-255</b>
<b>Other comprehensive income (outside profit or loss)</b>	<b>223</b>	<b>-48</b>
<b>Total comprehensive income</b>	<b>249</b>	<b>1,866</b>

# A.S. Création Tapeten AG, Gummersbach

## Consolidated statement of changes in equity

for the three-month period ended March 31, 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
<b>January 1, 2017</b>	<b>9,000</b>	<b>13,757</b>	<b>83,177</b>	<b>-18,490</b>	<b>7,435</b>	<b>-4,021</b>	<b>5,644</b>	<b>96,502</b>
Earnings after taxes 2016	0	0	0	7,435	-7,435	0	0	0
Dividend payments	0	0	0	0	0	0	0	0
Allocation to revenue reserves	0	0	-2,180	2,180	0	0	0	0
Total comprehensive income 2017	0	0	240	0	1,914	0	-288	1,866
<b>March 31, 2017</b>	<b>9,000</b>	<b>13,757</b>	<b>81,237</b>	<b>-8,875</b>	<b>1,914</b>	<b>-4,021</b>	<b>5,356</b>	<b>98,368</b>

	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
<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>

# A.S. Création Tapeten AG, Gummersbach

## Consolidated cash flow statement

for the three-month period ended March 31, 2018

	2018 € '000	2017 € '000
<b>Operating activities</b>		
Earnings after taxes	26	1,914
+ Depreciation on tangible and intangible fixed assets	1,523	1,857
+/- Increase/decrease in long-term provisions	50	52
-/+ Income/expenses from investments accounted for at equity	602	-434
-/+ Increase/decrease in present value of corporate income tax credit	0	-5
-/+ Income/expenses from changes in deferred taxes	-259	-218
-/+ Profit/losses from disposal of tangible and intangible fixed assets	12	-7
/+ Increase/decrease in inventories	651	112
-/+ Increase/decrease in trade receivables	-11,469	-10,826
+/- Increase/decrease in trade payables	2,327	1,268
-/+ Increase/decrease in other net working capital	5,565	3,109
<b>Cash-flow from operating activities</b>	<b>-972</b>	<b>-3,178</b>
<b>Investing activities</b>		
- Cash outflows for capital expenditures on tangible and intangible fixed assets	-1,826	-792
<b>Capital expenditures</b>	<b>-1,826</b>	<b>-792</b>
+ Proceeds from current financial investments	47	100
+ Proceeds from the disposal of tangible and intangible fixed assets	17	23
<b>Cash-flow from investing activities</b>	<b>-1,762</b>	<b>-669</b>
<b>Financing activities</b>		
+/- Raising/repayment of financial liabilities (interest-bearing)	-404	-414
<b>Cash-flow from financing activities</b>	<b>-404</b>	<b>-414</b>
<b>Net change in cash and cash equivalents</b>	<b>-3,138</b>	<b>-4,261</b>
+/- Change in cash and cash equivalents due to exchange rate fluctuations	95	87
+ Cash and cash equivalents at January 1	8,827	20,826
<b>Cash and cash equivalents at March 31</b>	<b>5,784</b>	<b>16,652</b>

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 three-month period ended March 31, 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 March 31, 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 Q1 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 quarter of 2018, the change in these write-downs is included in earnings before taxes in the amount of € 0.456 million and in earnings after taxes in the amount of € 0.314 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 quarter of 2018, the change in this item is included in earnings before taxes in the amount of € -0.592 million and in earnings after taxes in the amount of € -0.408 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	
	31.03.2018	31.12.2017	2018	2017
Pound Sterling (GBP/€)	0.87645	0.88740	0.88345	0.86038
Russian Rouble (RUB/€)	70.56180	68.86680	69.95566	62.57571
Belarus Rouble (BYN/€)	2.40320	2.35530	2.42557	2.03576

## 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	2017	2018	2017	2018	2017	2018	2017
	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000
Germany	19,827	17,730	2,458	2,820	-17	-18	22,268	20,532
EU (excl. Germany)	15,821	18,113	574	556	-7	-11	16,388	18,658
European Union (EU)	35,648	35,843	3,032	3,376	-24	-29	38,656	39,190
Other Eastern Europe	3,715	3,687	57	84	0	0	3,772	3,771
Other countries	2,780	2,848	168	127	1	0	2,949	2,975
<b>Sales (gross)</b>	<b>42,143</b>	<b>42,378</b>	<b>3,257</b>	<b>3,587</b>	<b>-23</b>	<b>-29</b>	<b>45,377</b>	<b>45,936</b>
Reduction in revenues	-4,760	-3,933	-192	-283	-1	0	-4,953	-4,216
<b>Sales (net)</b>	<b>37,383</b>	<b>38,445</b>	<b>3,065</b>	<b>3,304</b>	<b>-24</b>	<b>-29</b>	<b>40,424</b>	<b>41,720</b>

As a result of the first-time adoption of IFRS 15 “Revenue”, revenues recognised for the first quarter of 2018 in the Wallpaper Division were down to € 0.592 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	804	955
Deferred taxes	-259	-218
	<b>545</b>	<b>737</b>

### (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	€	25,889	1,913,512
<b>Earnings per share</b>	<b>€/share</b>	<b>0.01</b>	<b>0.69</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.

As a result of the first-time adoption of IFRS 15 “Revenue” and IFRS 9 “Financial Instruments” in the first quarter 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	25	4
Interest paid	73	72
Income tax paid	102	979

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)	235	475
Repayment of financial liabilities (excl. financial lease)	-639	-860
Repayment of liabilities under financial lease contracts	0	-29
	<b>-404</b>	<b>-414</b>

#### **(6) Costs to fulfil a contract**

In the reporting period, costs incurred for the fulfilment of contracts pursuant to IFRS 15 amounted to € 0.420 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	37,369	38,429	3,055	3,291	0	0	40,424	41,720
Intra-Group sales	14	16	10	13	-24	-29	0	0
Total sales	37,383	38,445	3,065	3,304	-24	-29	40,424	41,720
EBITDA <sup>1</sup>	2,576	3,911	-20	14	0	0	2,556	3,925
EBITDA-margin	6.9 %	10.2 %	-0.7 %	0.4 %			6.3 %	9.4 %
EBIT <sup>2</sup>	1,095	2,098	-63	-35	1	5	1,033	2,068
EBIT-margin	2.9 %	5.5 %	-2.1 %	-1.1 %			2.6 %	5.0 %
Interest income	271	305	0	0	-5	-23	266	282
Results from investments accounted for at equity	-602	434	0	0	0	0	-602	434
Interest expenses	110	127	21	29	-5	-23	126	133
Earnings before taxes	654	2,710	-84	-64	1	5	571	2,651
Return on sales (before taxes)	1.7 %	7.0 %	-2.7 %	-1.9 %			1.4 %	6.4 %
Income taxes	573	756	-28	-21	0	2	545	737
Capital expenditures <sup>3</sup>	1,824	734	2	58	0	0	1,826	792
Depreciation	1,481	1,813	43	49	-1	-5	1,523	1,857
Cash-flow <sup>4</sup>	-856	-2,838	-116	-340	0	0	-972	-3,178
Segment assets (31.03) <sup>5</sup>	123,022	120,068	6,595	7,299	-35	-75	129,582	127,292
thereof non-current assets	(50,559)	(47,716)	(1,212)	(1,343)	(-1)	(-11)	(51,770)	(49,048)
Segment liabilities (31.03) <sup>6</sup>	37,579	20,122	1,560	1,811	-34	-63	39,105	21,870
Employees (average)	675	687	67	70	0	0	742	757

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

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

<sup>5</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>6</sup> **Segment liabilities** are the business segment's total liabilities less shareholders' equity, long-term provisions, tax liabilities, deferred tax liabilities and financial liabilities.

Of the total non-current Group assets of € 51.770 million (previous year: € 49.048 million), an amount of € 26.708 million (previous year: € 28.235 million) relates to Germany, an amount of € 9.229 million (previous year: € 10.160 million) to other EU countries and an amount of € 15.833 million (previous year: € 10.653 million) to non-EU Eastern European countries.

## (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 € '000	2017 € '000
Sales	13	74
Purchases	300	730
Interest income	265	280

  

	31.03.2018 € '000	31.12.2017 € '000
Shareholder loans	16,224	16,285
Receivables	5,830	5,580
Liabilities	283	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.

## **(10) Post balance sheet events**

On October 12, 2017, the Düsseldorf Supreme Court sentenced A.S. Création Tapeten AG as well as directors of the company to penalties in the total amount of € 13.9 million. The reasons for the verdict were briefly explained by the court on October 12, 2017. As a precaution, an appeal was filed with the Federal Court of Justice after the verbal verdict was issued. Reasons for the appeal must be given within one month from receipt of the written verdict. The latter was received by A.S. Création on April 17, 2018. A.S. Création and its legal counsel are currently examining whether the appeal should be maintained and reasons be given by May 17, 2018.

Gummersbach, April 26, 2017

### **A.S. Création Tapeten AG**

The Managing Board

Krämer

Bantel

Suskas

#### **Investor Relations**

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