

# AS CREATION

INTERIM REPORT FOR THE PERIOD  
ENDED JUNE 30, 2019

A.S. CRÉATION TAPETEN AG

		2015	2016	2017	2018	2019
Sales	€ '000	87,160	81,725	75,732	72,756	75,601
EBIT	€ '000	7,466	5,362	-317	886	3,776
Earnings after income taxes	€ '000	7,288	5,615	-2,238	-1,074	4,275
Earnings per share	€/share	2.64	2.04	-0.81	-0.39	1.55
Cash-flow from operating activities	€ '000	8,774	7,422	-2,679	-1,894	3,956
Capital expenditures	€ '000	1,926	2,640	2,949	3,872	2,539
Depreciation	€ '000	4,344	3,882	3,676	3,079	3,114
Number of employees		807	767	768	747	746

# A.S. Création Tapeten AG, Gummersbach

## Interim Management Report

on the business performance for the six-month period ended June 30, 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 six months of 2019 show that growth, at 0.9%, is clearly below this forecast. Germany, the biggest output market of A.S. Création, recorded a growth rate of only 0.4% in the first six months of 2019. This means that the economic conditions in the eurozone have deteriorated noticeably.

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. The available data on the economic trend in Russia in the first six months of 2019 confirm the expected poor state of the Russian economy in 2019. In spite of the weak economic growth, 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/€ 71.82 at the end of June 2019, which corresponds to an appreciation of the rouble against the euro of a good 10% since the beginning of the year.

In this macroeconomic environment, A.S. Création showed a positive performance. Strong revenue growth of 15.6% in the second quarter of 2019 more than offset the 5.4% decline in revenues suffered in the first quarter. At € 75.6 million, the Group's first-half revenues were thus up by € 2.8 million or 3.9% on the previous year's € 72.8 million. Both divisions were able to grow their revenues. The Wallpaper Division increased revenues by 4.0% and the Furnishing Fabrics Division by 2.6%. Following the decline in revenues recorded by A.S. Création in the previous years, this is encouraging for the current fiscal year.

The breakdown of revenues by regions shows that A.S. Création's revenues in the European Union (EU) increased strongly in the first half of 2019. Gross revenues in the EU were up by 4.0% on the previous year, with revenues in Germany and the rest of the EU moving in opposite directions. In Germany, A.S. Création reported a 5.5% decline in sales revenues from € 36.0 million in the previous year to € 34.1 million in the first six months of the current fiscal year. 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 half 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 it was the case with “Bude 2.0” in 2018. This base effect is reflected in the quarterly revenue trend. While gross revenues in Germany in the first quarter of 2019 were still 10.5% below the prior-year level, A.S. Création was already able to increase revenues by 2.4% in the second quarter of 2019, which led to the aforementioned 5.5% decline in sales in the first six months of the year.

The lower revenues in Germany contrasted with clearly higher revenues in the rest of the EU, where A.S. Création increased its gross revenues by 15.4% from € 30.0 million in the previous year to € 34.6 million in the first half of 2019. This improvement is mainly due to deliveries in the DIY store segment, which were made as expected in the second quarter of 2019, as a large international DIY store chain implemented a major product range update that benefited A.S. Création. As a result of these initial stocking orders, second-quarter revenues in the remaining EU countries were 33.2% higher than in the previous year.

Gross revenues generated by A.S. Création in non-EU Eastern European countries totalled € 9.3 million in the first half of 2019, up 14.3% on the previous year’s € 8.2 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 contributed only to the Group’s second-quarter revenues in the previous year. On the other hand, exports from Germany to this region declined, partially offsetting the increase in sales of Belarus-made wallpapers. In particular, exports to Russia and Ukraine contracted, reflecting the deteriorating economic situation and declining consumer spending in these countries. This shows that the installation of a dedicated production company in this region, 100% of whose revenues are consolidated, was the right decision.

While consolidated sales revenues in the first quarter of 2019 were still down by 5.4% on the previous year, they increased by 15.6% from € 32.3 million in the previous year to € 37.4 million in the reporting period. At € 75.6 million, revenues generated in the first half of 2019 were up by 3.9% on the previous year’s € 72.8 million. As outlined above, this performance was positively influenced in particular by the initial deliveries in the international DIY store segment and the continued increase in revenues of the Belarusian production company. In the following months, the international “Metropolitan Stories” advertising campaign and the taking into operation of a further production plant at Profistil, the Group’s Belarusian subsidiary, will make additional contributions to revenues.

## **Earnings performance**

The earnings position of A.S. Création has improved significantly in the current fiscal year. In the first half of 2019, A.S. Création posted earnings before interest and taxes of € 3.8 million (previous year: € 0.9 million), which is equivalent to an EBIT margin of 5.0% (previous year:

1.2%). Both the Wallpaper Division and the Furnishing Fabrics Division recorded a positive earnings trend.

Growing by € 1.9 million from € 36.9 million in the previous year to € 38.8 million, gross profit was a key earnings driver in the reporting period. Higher revenues and the increase in the gross profit margin from 49.7% to 51.5% contributed to this gratifying performance. 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 Wallpaper Division in the second half of 2018 but also by reduced spending on sample material in both divisions.

At € 19.2 million, personnel expenses in the first half of 2019 were down by € 0.2 million or 0.6% on the previous year's € 19.4 million. At 25.5%, the personnel expense ratio (personnel expenses as a percentage of total output) in the reporting period improved on the previous year's 26.0%. The number of employees in the A.S. Création Group remained essentially unchanged at 746 in the reporting period (previous year 747). This is nevertheless the result of two opposite effects. On the one hand, the new Belarus production company Profistil has hired new people since mid-2018, resulting in an average headcount of 102 people at this company in the reporting period, 33 more than in the first half of 2018 (previous year: 69 people). The other entities of the A.S. Création Group reduced their average headcount by 34 people or 5.0% from 679 in the first half of 2018 to 645 in the first half 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. 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 the previous year's 27.8% to between 25% and 26%.

At € 3.1 million, depreciation in the first half of 2019 was exactly on a par with the previous year. Lower depreciation resulting from reduced capital expenditures in printing and embossing rollers and rotary screens was offset by higher write-downs at the Belarusian Group company and by depreciation for the modernized small parts warehouse.

Other operating expenses rose by € 0.4 million from € 14.1 million in the previous year to € 14.5 million in the reporting period. Accordingly, the ratio of other operating expenses to total operating output deteriorated slightly from 19.0% in the previous year to 19.2% in the current fiscal year. This is primarily attributable to the measurement of trade receivables in accordance with IFRS 9 "Financial Instruments". Due to the strong revenue growth in the second quarter of 2019, trade receivables increased as of the balance sheet date. This in turn led to an increase in valuation allowances, which had an adverse effect on other operating expenses in the reporting period. This offset the savings achieved in the first half of 2019 as a result of the reorganisation measures implemented in the previous year.

The aforementioned appreciation of the Russian rouble against the euro led to exchange gains of € 1.0 million in the first half of 2019, compared to exchange losses of € 0.3 million in the corresponding prior-year period. Adjusted for these currency effects, earnings before interest and taxes rose by € 1.6 million from € 1.2 million in the first half of 2018 to € 2.8 million in the reporting period. The adjusted EBIT margin improved to 3.7% (previous year: 1.6%).

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. The company has meanwhile been renamed as OOO Aspect Ru. Due to the imminent disposal, the earnings contribution made by Aspect Ru 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 half of 2018 has changed compared to the disclosure in the interim report for the period ended June 30, 2018. Consequently, the reported consolidated financial results for the first half of 2018 and for the first half of 2019 include only regular interest income and expenses. The financial result deteriorated from € -0.3 million in the previous year to € -0.5 million in the first six months of 2019. This is due to the additional long-term loan agreements concluded in the second quarter of 2018 to cover the long-term financing requirements.

At the bottom line, A.S. Création generated earnings after taxes from continued operations of € 2.3 million in the first half of 2019, compared to what was only a nearly balanced result in the prior-year period.

Taking into account the pro-rated result of Aspect Ru in Q1 2019 and the interest income of € 2.0 million (previous year: € -1.2 million) from the shareholder loans, which are combined as earnings after taxes from discontinued operations, A.S. Création posted earnings after taxes of € 4.3 million in the first half of 2019, compared to a loss of € -1.1 million in the corresponding prior year period.

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

At € 4.0 million, operating cash flow in the first half of 2019 exceeded the previous year's € -1.9 million by € 5.9 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 Aspect Ru. Moreover, the additional funds tied up in net current assets in the first half of 2019 were significantly lower than in the corresponding prior-year period – despite the higher sales revenues. Consequently, days of sales outstanding improved from 68 days in the first half of 2018 to 64 days in the reporting period, while the imputed inventory turnover improved from 3.8x per year to 4.4x per year.

At € 2.5 million, financing requirements for capital expenditures were down € 1.4 million on the previous year's € 3.9 million in the reporting period and were fully financed from operating cash flow. The reduction in capital expenditures is mainly attributable to the modernisation of the logistic capacities included in the previous year's capital expenditure. As in the first half of 2018, investments in building up the Belarusian production company amounted to € 1.3 million.

While net financial liabilities amounted to € 3.4 million on December 31, 2018, A.S. Création had a net credit position of € 6.6 million on June 30, 2019. This € 10.0 million improvement is

mainly due to the April 2019 repayment of shareholder loans granted by A.S. Création Tapeten AG to the Russian joint venture Aspect Ru. The repayment had been agreed as part of the sale of the 50% stake in Aspect Ru. The higher internal financing strength resulting from the improved earnings position ultimately did not lead to an increased net credit position in the first half of 2019, as these positive effects were offset by the first-time application of the new IFRS 16 “Leases” as of January 1, 2019 and the associated 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 € 1.3 million as of the balance sheet date.

At 52.7% (December 31, 2018: 56.1%), A.S. Création’s equity ratio stood at a high level on June 30, 2019 and underlined the company’s solid financial structure. The slight deterioration in the course of the first half of 2019 is attributable to the increase in total assets, primarily as a result of the seasonal rise in trade receivables and increased cash and cash equivalents.

In the opinion of the Managing Board, A.S. Création also has a solid net worth position. As at June 30, 2019, the A.S. Création Group’s total assets amounted to € 140.1 million (previous year: € 139.9 million), of which 86.2% (previous year: 80.4%), 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 6.6% (previous year: 5.9%) of the Group’s total assets and 12.5% (previous year: 10.9%) of its equity capital.

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

Under an agreement signed on April 2, 2019, A.S. Création Tapeten AG will sell its 50% stake in OOO A.S. & Palitra to the co-shareholder’s group of companies. The latter will acquire the 50% stake in OOO A.S. & Palitra, which has meanwhile been renamed OOO Aspect Ru, 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.

Franz Jürgen Schneider, long-serving Chairman of the Supervisory Board, resigned from the Supervisory Board for health reasons on May 9, 2019 at the end of the Annual General Meeting of Shareholders. At the Supervisory Board meeting held after the Annual General Meeting of Shareholders, Mr Jochen Müller was elected new Chairman of the Supervisory Board. Mr Müller has served on the Supervisory Board of A.S. Création since May 15, 2014.

### **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 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 in the fiscal year 2019, which should amount to between € 10 million and € 11 million.

Having grown by 3.9% in the first half of 2019, revenues are in line with expectations. The deliveries to the international DIY store chains were made in the first half of 2019. Profistil, the Belarus company, is expected to further increase its revenues in the second half of the year, when the second production line will be taken into operation. 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. 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 latter are still unsatisfactory.

While the personnel expense ratio showed the expected trend in the first quarter of 2019, the gross profit margin has so far exceeded the company's plans. 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.

Moreover, the Managing Board is convinced that it is necessary to address end consumers directly to raise their awareness of wallpapers and furnishing fabrics. The end consumer campaigns initiated on the occasion of the market launch of the “Bude 2.0” and “Metropolitan Stories” collections and the “Designschungel” collections realised in cooperation with blogger Laura N. were only the beginning.

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, August 1, 2019

**A.S. Création Tapeten AG**

The Managing Board

Barth

Bantel

Krämer

Suskas

# A.S. Création Tapeten AG, Gummersbach

## Consolidated balance sheet

as per June 30, 2019

<b>Assets</b>			
		30.06.2019	31.12.2018
		€ '000	€ '000
Tangible fixed assets		32,594	32,165
Intangible fixed assets		9,204	8,334
Financial assets		0	5,553
Other assets		1,016	5,657
Deferred tax assets		1,647	793
<b>Non-current assets</b>		<b>44,461</b>	<b>52,502</b>
Inventories		35,033	33,588
Trade receivables		30,540	23,090
Other assets		4,883	7,119
Income tax receivables		28	461
Assets held for sale	(1)	2,494	0
Cash and cash equivalents		22,647	11,890
<b>Current assets</b>		<b>95,625</b>	<b>76,148</b>
<b>Total assets</b>		<b>140,086</b>	<b>128,650</b>
<b>Equity and liabilities</b>			
	Notes No.	30.06.2019 € '000	31.12.2018 € '000
Capital stock		9,000	9,000
Capital reserves		13,757	13,757
Revenue reserves		71,910	73,345
Profit / loss carried forward		-27,398	-21,421
Earnings after taxes		4,275	-5,977
Adjustment for own shares		-4,021	-4,021
Currency translation differences		6,332	7,550
<b>Equity</b>		<b>73,855</b>	<b>72,233</b>
Financial liabilities (interest-bearing)		12,441	12,558
Other liabilities		455	457
Provisions	(2)	15,246	12,716
Deferred tax liabilities		1	100
<b>Non-current liabilities</b>		<b>28,143</b>	<b>25,831</b>
Financial liabilities (interest-bearing)		3,640	2,699
Other liabilities		25,217	21,761
Trade payables		7,612	5,367
Provisions	(2)	99	116
Tax liabilities		1,520	643
<b>Current liabilities</b>		<b>38,088</b>	<b>30,586</b>
<b>Total equity and liabilities</b>		<b>140,086</b>	<b>128,650</b>

# A.S. Création Tapeten AG, Gummersbach

## Consolidated income statement

for the six-month period ended June 30, 2019

	Notes No.	2019 € '000	2018 € '000
<b>Sales</b>	(3)	<b>75,601</b>	<b>72,756</b>
Increase or decrease in unfinished and finished goods		-279	1,549
Other own work capitalized		40	41
<b>Total output</b>		<b>75,362</b>	<b>74,346</b>
Cost of materials		36,546	37,423
<b>Gross profit</b>		<b>38,816</b>	<b>36,923</b>
<b>Other income</b>		<b>1,812</b>	<b>502</b>
		<b>40,628</b>	<b>37,425</b>
Personnel expenses		19,239	19,365
Depreciation		3,114	3,079
Other operating expenses		14,499	14,095
<b>Operating expenses</b>		<b>36,852</b>	<b>36,539</b>
<b>Earnings before interest and taxes (EBIT)</b>		<b>3,776</b>	<b>886</b>
Interest and similar income		23	7
Interest and similar expenses		505	298
<b>Financial result</b>		<b>-482</b>	<b>-291</b>
<b>Earnings before income taxes</b>		<b>3,294</b>	<b>595</b>
Income taxes	(4)	1,014	514
<b>Earnings after taxes from continued operations</b>		<b>2,280</b>	<b>81</b>
<b>Earnings after taxes from discontinued operations</b>	(5)	<b>1,995</b>	<b>-1,155</b>
<b>Earnings after taxes</b>		<b>4,275</b>	<b>-1,074</b>
<b>Earnings per share</b>	(6)	<b>1.55 €</b>	<b>-0.39 €</b>

# A.S. Création Tapeten AG, Gummersbach

## Consolidated statement of comprehensive income

for the six-month period ended June 30, 2019

	2019 € '000	2018 € '000
<b>Earnings after taxes</b>	<b>4,275</b>	<b>-1,074</b>
Items, that will never be reclassified to profit or loss:		
Actuarial gains/losses from pension provisions	-2,467	206
Deferred taxes on other comprehensive income	759	-64
	<b>-1,708</b>	<b>142</b>
Items, that are or may be reclassified to profit or loss:		
Foreign currency translation differences for fully consolidated companies	-331	288
Foreign currency translation differences for investments accounted for at equity	-887	493
Change in fair value of an interest rate hedge	465	52
Deferred taxes on other comprehensive income	-144	-16
	<b>-897</b>	<b>817</b>
<b>Other comprehensive income (outside profit or loss)</b>	<b>-2,605</b>	<b>959</b>
<b>Total comprehensive income</b>	<b>1,670</b>	<b>-115</b>

# A.S. Création Tapeten AG, Gummersbach

## Consolidated income statement

for the three-month period ended June 30, 2019

	Notes No.	2019 € '000	2018 € '000
<b>Sales</b>	(3)	<b>37,367</b>	<b>32,332</b>
Increase or decrease in unfinished and finished goods		338	2,483
Other own work capitalized		28	0
<b>Total output</b>		<b>37,733</b>	<b>34,815</b>
Cost of materials		19,009	17,941
<b>Gross profit</b>		<b>18,724</b>	<b>16,874</b>
<b>Other income</b>		<b>547</b>	<b>276</b>
		<b>19,271</b>	<b>17,150</b>
Personnel expenses		9,829	9,533
Depreciation		1,585	1,556
Other operating expenses		6,274	6,208
<b>Operating expenses</b>		<b>17,688</b>	<b>17,297</b>
<b>Earnings before interest and taxes (EBIT)</b>		<b>1,583</b>	<b>-147</b>
Interest and similar income		11	6
Interest and similar expenses		262	172
<b>Financial result</b>		<b>-251</b>	<b>-166</b>
<b>Earnings before income taxes</b>		<b>1,332</b>	<b>-313</b>
Income taxes	(4)	488	52
<b>Earnings after taxes from continued operations</b>		<b>844</b>	<b>-365</b>
<b>Earnings after taxes from discontinued operations</b>	(5)	<b>0</b>	<b>-735</b>
<b>Earnings after taxes</b>		<b>844</b>	<b>-1,100</b>
<b>Earnings per share</b>	(6)	<b>0.31 €</b>	<b>-0.40 €</b>

# A.S. Création Tapeten AG, Gummersbach

## Consolidated statement of comprehensive income

for the three-month period ended June 30, 2019

	2019 € '000	2018 € '000
<b>Earnings after taxes</b>	<b>844</b>	<b>-1,100</b>
Items, that will never be reclassified to profit or loss:		
Actuarial gains/losses from pension provisions	-1,097	206
Deferred taxes on other comprehensive income	338	-64
	<b>-759</b>	<b>142</b>
Items, that are or may be reclassified to profit or loss:		
Foreign currency translation differences for fully consolidated companies	5	287
Foreign currency translation differences for investments accounted for at equity	0	288
Change in fair value of an interest rate hedge	941	28
Deferred taxes on other comprehensive income	-292	-9
	<b>654</b>	<b>594</b>
<b>Other comprehensive income (outside profit or loss)</b>	<b>-105</b>	<b>736</b>
<b>Total comprehensive income</b>	<b>739</b>	<b>-364</b>

# A.S. Création Tapeten AG, Gummersbach

## Consolidated statement of changes in equity

for the six-month period ended June 30, 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	-11,677	11,677	0	0	0	0
Total comprehensive income 2018	0	0	178	0	-1,074	0	781	-115
<b>June 30, 2018</b>	<b>9,000</b>	<b>13,757</b>	<b>72,204</b>	<b>-20,698</b>	<b>-1,074</b>	<b>-4,021</b>	<b>6,555</b>	<b>75,723</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	-48	0	0	0	0	-48
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	-1,387	0	4,275	0	-1,218	1,670
<b>June 30, 2019</b>	<b>9,000</b>	<b>13,757</b>	<b>71,910</b>	<b>-27,398</b>	<b>4,275</b>	<b>-4,021</b>	<b>6,332</b>	<b>73,855</b>

# A.S. Création Tapeten AG, Gummersbach

## Consolidated cash-flow statement

for the six-month period ended June 30, 2019

	2019 € '000	2018 € '000
<b>Operating activities</b>		
Earnings after taxes	4,275	-1,074
+ Depreciation on tangible and intangible fixed assets	3,114	3,079
+/- Increase/decrease in long-term provisions	64	57
-/+ Income/expenses from investments accounted for at equity	-1,910	1,519
+ Non-cash increase in financial liabilities	26	0
-/+ Income/expenses from changes in deferred taxes	-301	-336
-/+ Profit/losses from disposal of tangible and intangible fixed assets	23	17
-/+ Increase/decrease in inventories	-1,228	-2,123
-/+ Increase/decrease in trade receivables	-7,260	-3,927
+/- Increase/decrease in trade payables	2,209	-513
-/+ Increase/decrease in other net working capital	4,944	1,407
<b>Cash-flow from operating activities</b>	<b>3,956</b>	<b>-1,894</b>
thereof from continued operations	3,914	-1,918
<b>Investing activities</b>		
- Cash outflows for capital expenditures on tangible and intangible fixed assets	-2,539	-3,872
<b>Capital expenditures</b>	<b>-2,539</b>	<b>-3,872</b>
+ Proceeds from credits and bonds granted	10,504	47
+ Proceeds from the disposal of tangible and intangible fixed assets	92	37
<b>Cash-flow from investing activities</b>	<b>8,057</b>	<b>-3,788</b>
thereof from continued operations	-2,447	-3,835
<b>Financing activities</b>		
+/- Raising/repayment of financial liabilities (interest-bearing)	-1,139	9,649
<b>Cash-flow from financing activities</b>	<b>-1,139</b>	<b>9,649</b>
thereof from continued operations	-1,139	9,649
<b>Net change in cash and cash equivalents</b>	<b>10,874</b>	<b>3,967</b>
+/- Change in cash and cash equivalents due to exchange rate fluctuations	-117	78
+ Cash and cash equivalents at January 1	11,890	8,827
<b>Cash and cash equivalents at June 30</b>	<b>22,647</b>	<b>12,872</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 six-month period ended June 30, 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 six-month period ended June 30, 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 six 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 0.007 million as well as an increase of total assets by 1.264 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**

In addition to A.S. Création Tapeten AG, nine subsidiaries were fully consolidated as of the balance sheet date. The investment in OOO A.S. & Palitra, Dzershinsk/Russia, which was accounted for using the equity method in the first quarter of 2019, has no longer been included in the basis of consolidation since April 2, 2019. Otherwise, the scope of consolidation has not changed compared to the 2018 consolidated financial statements.

Under an agreement signed on April 2, 2019, A.S. Création Tapeten AG will sell its 50% stake in OOO A.S. & Palitra to the co-shareholder’s group of companies. The latter will acquire the 50% stake in OOO A.S. & Palitra, which has meanwhile been renamed OOO Aspect Ru, from A.S. Création Tapeten AG by December 31, 2019 and repay the shareholder loans. The contractually agreed purchase price and the agreed repayment amounts are independent of the further economic performance of Aspect Ru, which means that all economic risks and opportunities lie with the co-shareholder as of April 2, 2019. Accordingly, A.S. Création Tapeten AG no longer has any influence on the operational management of the company as of this date, even if the legal transfer of ownership of the 50% stake will not take place before December 2019. Since April 2, 2019, the 50% stake in Aspect Ru has therefore no longer been accounted for using the equity method (in accordance with IFRS 11 and IAS 28) but as a financial instrument in accordance with IFRS 9 in the consolidated financial statements of A.S. Création.

## 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	
	30.06.2019	31.12.2018	2019	2018
Pound Sterling (GBP/€)	0.89655	0.89710	0.87363	0.87986
Russian Rouble (RUB/€)	71.81790	79.46050	73.57660	71.95963
Belarus Rouble (BYN/€)	2.32510	2.47340	2.39476	2.40793

## 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 Aspect Ru (formerly A.S. & Palitra) to the co-shareholder's group of companies by December 31, 2019. 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 € '000	2018 € '000	2019 € '000	2018 € '000	2019 € '000	2018 € '000	2019 € '000	2018 € '000
Germany	28,977	31,292	5,110	4,790	-33	-34	34,054	36,048
EU (excl. Germany)	33,525	28,883	1,109	1,133	-13	-11	34,621	30,005
European Union (EU)	62,502	60,175	6,219	5,923	-46	-45	68,675	66,053
Other Eastern Europe	9,272	8,058	69	115	0	0	9,341	8,173
Other countries	5,000	6,102	256	339	0	0	5,256	6,441
<b>Sales (gross)</b>	<b>76,774</b>	<b>74,335</b>	<b>6,544</b>	<b>6,377</b>	<b>-46</b>	<b>-45</b>	<b>83,272</b>	<b>80,667</b>
Reduction in revenues	-7,262	-7,513	-409	-398	0	0	-7,671	-7,911
<b>Sales (net)</b>	<b>69,512</b>	<b>66,822</b>	<b>6,135</b>	<b>5,979</b>	<b>-46</b>	<b>-45</b>	<b>75,601</b>	<b>72,756</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	1,315	850
Deferred income taxes	-301	-336
	<b>1,014</b>	<b>514</b>

## (5) Earnings after taxes from discontinued operations

In view of the planned sale, the 50% interest in Aspect Ru 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	-1,519
Interest income from shareholder loans	123	528
<b>Financial result</b>	<b>2,033</b>	<b>-991</b>
Income taxes	-38	-164
<b>Earnings after taxes from discontinued operations</b>	<b>1,995</b>	<b>-1,155</b>
<b>Earnings per share from discontinued operations</b>	<b>0.72</b>	<b>-0.42</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	€	4,274,541	-1,073,823
<b>Earnings per share</b>	<b>€/share</b>	<b>1.55</b>	<b>-0.39</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	62	30
Interest paid	377	166
Income tax received	280	390
Income tax paid	324	96

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)	102	11,194
Raising of financial liabilities under financial lease contracts	0	0
Repayment of financial liabilities (excl. financial lease)	-1,093	-1,545
Repayment of liabilities under financial lease contracts	-148	0
	<b>-1,139</b>	<b>9,649</b>

### (8) Costs to fulfil a contract

In the reporting period, costs incurred for the fulfilment of contracts pursuant to IFRS 15 amounted to € 0.890 million (previous year: € 0.835 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	69,482	66,792	6,119	5,964	0	0	75,601	72,756
Intra-Group sales	30	30	16	15	-46	-45	0	0
Total sales	69,512	66,822	6,135	5,979	-46	-45	75,601	72,756
EBITDA <sup>1</sup>	6,667	3,884	231	81	-8	0	6,890	3,965
EBITDA-margin	9.6 %	5.8 %	3.8 %	1.4 %			9.1 %	5.4 %
EBIT <sup>2</sup>	3,649	886	121	-3	6	3	3,776	886
EBIT-margin	5.2 %	1.3 %	2.0 %	-0.1 %			5.0 %	1.2 %
Interest income	32	17	0	0	-9	-10	23	7
Interest expenses	470	267	44	41	-9	-10	505	298
Earnings before taxes	3,211	636	77	-44	6	3	3,294	595
Return on sales (before taxes)	4.6 %	1.0 %	1.3 %	-0.7 %			4.4%	0.8 %
Income taxes	987	528	25	-15	2	1	1,014	514
Capital expenditures <sup>3</sup>	2,527	3,869	12	3	0	0	2,539	3,872
Depreciation	3,018	2,998	110	84	-14	-3	3,114	3,079
Cash-flow								
from operating activities	3,662	-2,002	260	84	-8		3,914	-1,918
from investing activities	-2,450	-3,840	3	5			-2,447	-3,835
from financing activities	-741	9,736	-398	-87			-1,139	9,649
Segment assets (closing date) <sup>4</sup>	109,488	119,890	6,308	6,280	-32	-22	115,764	126,148
thereof non-current assets	(41,473)	(50,793)	(1,348)	(1,172)	(-6)	(0)	(42,815)	(51,965)
Segment liabilities (closing date) <sup>5</sup>	31,905	31,333	1,501	1,361	-26	-22	33,380	32,672
Employees (average)	682	681	64	66	0	0	746	747

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	
	30.06.2019 € '000	31.12.2018 € '000	30.06.2019 € '000	31.12.2018 € '000	30.06.2019 € '000	31.12.2018 € '000
Germany	76,550	76,073	53,702	47,547	22,848	28,526
EU (excl. Germany)	24,828	19,425	15,459	10,640	9,369	8,785
Other Eastern Europe	14,386	20,009	3,788	5,611	10,598	14,398
	<b>115,764</b>	<b>115,507</b>	<b>72,949</b>	<b>63,798</b>	<b>42,815</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 Aspect Ru, held as available for sale. Details of the business relationship are shown below:

	2019 € '000	2018 € '000
Sales	0	23
Purchases	452	707
Interest income	123	528

	30.06.2019 € '000	31.12.2018 € '000
Shareholder loans	5,135	15,638
Receivables	6,422	6,352
Liabilities	198	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.

Gummersbach, August 1, 2019

### **A.S. Création Tapeten AG**

The Managing Board

Barth

Bantel

Krämer

Suskas

#### **Investor Relations**

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