

AS CREATION

INTERIM REPORT FOR THE PERIOD
ENDED SEPTEMBER 30, 2019

A.S. CRÉATION TAPETEN AG

		2015	2016	2017	2018	2019
Sales	€ '000	126,839	116,290	109,350	102,659	108,303
EBIT	€ '000	6,751	4,908	-14,131	-2,031	4,208
Earnings after income taxes	€ '000	3,445	5,503	-15,851	-4,223	4,391
Earnings per share	€/share	1.25	2.00	-5.75	-1.53	1.59
Cash-flow from operating activities	€ '000	14,960	12,250	1,913	2,762	-4,748
Capital expenditures	€ '000	3,489	3,809	7,589	6,023	4,226
Depreciation	€ '000	6,362	5,827	5,445	4,714	4,721
Number of employees		805	767	765	753	749

A.S. Création Tapeten AG, Gummersbach

Interim Management Report

on the business performance for the nine-month period ended September 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 nine months of 2019 show that growth, at 1.0%, is clearly below this forecast. Germany, the biggest output market of A.S. Création, recorded a growth rate of only 0.4% in the reporting period. 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 nine 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/€ 70.32 at the end of September 2019, which corresponds to an appreciation of the rouble against the euro of approx. 13% since the beginning of the year.

In this tight macroeconomic environment, A.S. Création showed a positive performance. Having increased by 3.9% in the first half of 2019, A.S. Création's sales revenues grew by another 9.4% in the third quarter. As a result, the Group's revenues in the first nine months of 2019 totalled € 108.3 million, up € 5.6 million or 5.5% on the previous year's € 102.7 million. On a positive note, both divisions of A.S. Création were able to grow their revenues in the current year, albeit by different percentages. At 5.9%, revenue growth in the Wallpaper Division was higher than in the Furnishing Fabrics Division, whose revenues rose by 0.5%. Following the decline in revenues recorded by A.S. Création in the previous years, this trend in Group revenues 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 nine months of 2019. Gross revenues in the EU were up by 5.9% on the previous year, with revenues in Germany and the rest of the EU moving in opposite directions. A.S. Création's domestic revenues declined by 2.7% from € 49.1 million in the previous year to € 47.8 million in the first nine months of the current fiscal year. This reduction is primarily attributable to a base effect in the previous year. In Germany, especially the first three months of 2018 were influenced by the very successful "Bude 2.0" advertising campaign. The deliveries of the wallpaper collection advertised in this

campaign led to high revenues in the first quarter of 2018. 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 has been placed in the course of 2019, which means that revenues are distributed more evenly over the year than was the case with “Bude 2.0” in 2018. This base effect is reflected in the quarterly revenue trend. While domestic gross revenues 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% and 5.2%, respectively, in the second and third quarter of 2019. As a result, domestic revenues in the first nine months of 2019 were only 2.7% below the corresponding prior year period. This gap is expected to narrow further by the end of the fiscal year.

The significantly lower revenues in Germany contrasted with clearly higher revenues in the rest of the EU, where A.S. Création was able to increase its gross revenues in all three quarters of the current fiscal year, resulting in revenue growth of 15.8% from € 42.1 million in the previous year to € 48.7 million in the first nine months of 2019. This positive trend is mainly attributable to three factors. First, A.S. Création benefited from a major product range update by an international DIY store chain in the reporting period. The first deliveries made in this context in the second quarter and the first top-up orders received in the third quarter sent the Wallpaper Division’s revenues rising. Second, the positive revenue trend in the EU countries reflects the success of the international “Metropolitan Stories” campaign. Finally, A.S. Création vigorously exploited growth opportunities arising from the ongoing market consolidation in the current fiscal year.

Gross revenues generated by A.S. Création in non-EU Eastern European countries totalled € 14.6 million in the first nine months of 2019, up 12.9% on the previous year’s € 12.9 million. This very encouraging trend is the result of two opposite effects. Profistil, the Belarusian production company, which only took up operations at the end of March 2018, made a significantly higher contribution to Group revenues than in the previous year. This is not only due to the fact that the company did not generate any revenues in the first quarter of 2018 – unlike in the fiscal year 2019 – given that production did not start before the end of March 2018 but also to the strong revenue growth achieved in the second and third quarter of 2019. The sharp rise in sales of wallpapers produced in Belarus was offset by declining export sales from Germany, both in the Wallpaper Division and in the Furnishing Fabrics Division. This shows that the installation of a dedicated production company in this region, 100% of whose revenues are consolidated, was the right decision.

By contrast, the trend in exports to Asia and the Near and Middle East has not been quite as gratifying in the current fiscal year. The political and economic crises have had a negative impact on sales revenues in these regions. As a result, A.S. Création’s gross revenues outside the EU and Eastern Europe fell by 15.1% from € 9.5 million in the previous year to € 8.1 million in the reporting period.

With sales revenues in both Western and Eastern Europe growing and revenues in the rest of the world declining, the focus of A.S. Création’s revenues has further shifted towards

Europe. In the first nine months of 2019, Western and Eastern Europe countries accounted for 93.2% (previous year: 91.6%) of the Group's revenues.

Earnings performance

The earnings position of A.S. Création has improved significantly in the current fiscal year. In the first nine months of 2019, A.S. Création posted earnings before interest and taxes of € 4.2 million (previous year: € -2.0 million), which is equivalent to an EBIT margin of 3.9% (previous year: -2.0%). Both the Wallpaper Division and the Furnishing Fabrics Division recorded a positive earnings trend.

Growing by € 4.9 million from € 49.8 million in the previous year to € 54.7 million, gross profit was a key earnings driver in the reporting period. This gratifying performance is attributable to the revenue growth achieved and the simultaneous improvement in the gross profit margin from 48.9% to 50.4%. According to the Managing Board, it is positive that both divisions of A.S. Création were able to increase average sales prices through an active product and sales policy in a very competitive environment. Besides the improved product mix, reduced spending on sample material in both divisions had a positive effect on A.S. Création's gross profit margin.

At € 28.1 million, personnel expenses in the first nine months of 2019 were up by € 0.3 million or 0.6% on the previous year's € 27.8 million. As this increase was lower than the revenue growth of 5.5%, the personnel expense ratio (personnel expenses as a percentage of total output) improved to 25.8% in the reporting period (previous year: 27.3%). At 749, the A.S. Création Group's headcount declined moderately in the reporting period (previous year 753), which is attributable to 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 107 people at this company in the reporting period, 29 more than in the first nine months of 2018 (previous year: 78 people). The other entities of the A.S. Création Group reduced their average headcount by 33 people or 4.9% from 675 in the first nine months of 2018 to 642 in the reporting period. 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 € 4.7 million, depreciation in the first nine months 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 Belarusian Group company and by depreciation for the modernised small parts warehouse.

Other operating expenses rose by € 0.5 million from € 19.8 million in the previous year to € 20.3 million in the reporting period. This increase is essentially attributable to three effects. The rise in revenues led to a corresponding increase in variable operating expenses. The higher revenues also resulted in higher trade receivables. As the default risks of these receivables are reflected in corresponding valuation allowances, the increase in receivables led to higher valuation allowances, which had an adverse effect on other operating expenses in the reporting period. Finally, the depreciation of the Russian rouble led to translation-

related exchange losses of € 1.0 million in the first nine months of the previous year, which were included in other operating expenses. By contrast, the Russian rouble appreciated in the reporting period, resulting in translation-related exchange gains of € 1.3 million, which are reported under other operating income.

Adjusted for these currency effects, earnings before interest and taxes rose by € 3.9 million from a loss of € -1.0 million in the first nine months of 2018 to a profit of € 2.9 million in the reporting period. The currency-adjusted EBIT margin improved to 2.7% (previous year: -1.1%).

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 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 nine months of 2018 has changed compared to the financial result disclosed in the interim report for the period ended September 30, 2018. Consequently, the reported consolidated financial results for the first nine months of 2018 and for the first nine months of 2019 include only regular interest income and expenses. The financial result deteriorated from € -0.5 million in the previous year to € -0.7 million in the first nine 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 € 2.4 million in the first nine months of 2019, compared to a loss of € -2.5 million 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: € -1.7 million) from the shareholder loans, which are combined as earnings after taxes from discontinued operations, A.S. Création posted earnings after taxes of € 4.4 million in the first nine months of 2019, compared to a loss of € -4.2 million in the corresponding prior year period.

This means that both A.S. Création's operating earnings and the overall earnings position improved significantly in the current fiscal year, with A.S. Création returning to profitability. The Managing Board is satisfied with this performance.

Financial and net worth position

At € -4.7 million, cash flow from operating activities in the first nine months of 2019 was € 7.5 million below the prior-year figure of € 2.8 million. The negative nine-month cash flow from operating activities is the result of a one-time effect, namely the September 2019 payment of

the € 11.9 million penalty from the completed antitrust proceedings. Adjusted for this one-time effect, cash flow from operating activities in the reporting period would have been significantly higher than the corresponding figure for the previous year and would thus have reflected the development that would have been expected due to the improved earnings situation and the improved figures relating to the funds tied up in current assets. Days of sales outstanding improved from 68 days in the first nine months of 2018 to 63 days in the reporting period, while the imputed inventory turnover improved from 3.8x per year to 4.2x per year.

Financing requirements for investments amounted to € 4.2 million in the reporting period, down € 1.8 million on the previous year's € 6.0 million. The reduction in capital expenditures is mainly attributable to the modernisation of the logistic resources in the amount of € 1.4 million included in the previous year's capital expenditure. Investments in building up the Belarusian production company amounted to € 1.8 million in the first nine months of 2019 (previous year: € 1.7 million).

Although cash flow from operating activities was insufficient to cover the financing requirements for investments in the reporting period, A.S. Création's net financial liabilities hardly changed during the first nine months of the current fiscal year. At € 3.3 million, net financial liabilities as of September 30, 2019 were roughly on a par with the € 3.4 million recorded on December 31, 2018. This is due to cash of € 10.9 million received as a result of the repayment of shareholder loans granted by A.S. Création Tapeten AG to the Russian joint venture Aspect Ru. This repayment had been agreed as part of the sale of the 50% stake in Aspect Ru and almost fully offset the cash used for the penalty payment described above.

The first-time adoption of the new IFRS 16 "Leases" as of January 1, 2019 and the resulting changes in accounting standards led to an increase in financial liabilities recognised in the reporting period. 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 57.8% (December 31, 2018: 56.1%), A.S. Création's equity ratio stood at a high level on September 30, 2019 and underlined the company's solid financial structure.

In the opinion of the Managing Board, A.S. Création also has a solid net worth position. As at September 30, 2019, the A.S. Création Group's total assets amounted to € 124.8 million (previous year: € 133.5 million), of which 86.4% (previous year: 80.4%), i.e. by far the biggest portion, was composed of property, plant and equipment, inventories, trade receivables 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 7.4% (previous year: 6.2%) of the Group's total assets and 12.7% (previous year: 11.3%) 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.

On October 12, 2017, the Düsseldorf Supreme Court announced the verdict in the ongoing antitrust proceedings and set the fines for A.S. Création Tapeten AG and the persons concerned at a total of € 13.9 million. A.S. Création Tapeten AG and the persons concerned had lodged against this verdict appeals with the Federal Court of Justice. On August 27, 2019, A.S. Création Tapeten AG was served with the decision of the Federal Court of Justice, according to which the appeals were rejected. This means that the above verdict by the Düsseldorf Supreme Court is final.

Forecast

Having grown by 5.5% in the first nine months of 2019, revenue growth in the current fiscal year exceeds the company's expectations for the full year. This includes, however, the first deliveries made in the context of a major product range update by an international DIY store chain in the reporting period. This one-time effect had a positive impact on revenues, which means that the revenue growth achieved in the year to date cannot simply be extrapolated to the full year. For the final quarter of 2019, the Managing Board expects the international campaign "Metropolitan Stories" to stimulate growth. Moreover, the taking into operation of the second production plant at Profistil, the Belarusian subsidiary, in October 2019 should generate additional revenues, even though revenues in the last two months of the year are usually lower due to seasonal factors. 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. From today's point of view, the Managing Board expects consolidated sales revenues for the full year 2019 to come in at the upper end of the planned range of € 135 million to € 140 million.

The personnel expense ratio showed the expected trend in the first nine months of 2019. By contrast, the gross profit margin has exceeded the company's plans in the fiscal year to date. In the coming months, the focus will be placed on further improving the cost structures and implementing efficiency improvements in the internal processes. Adjusted for exchange gains, A.S. Création's nine-month EBIT of € 2.9 million is currently above the plans for the full year 2019, which provide for earnings before interest and taxes, adjusted for

extraordinary factors such as exchange gains/losses or major severance payments, of between € 1 million and € 2 million. Although an operating loss cannot be ruled out in the seasonally weak fourth quarter, the Managing Board of A.S. Création currently projects earnings before interest and taxes adjusted for extraordinary effects of between € 2 million and € 3 million for the full year 2019. After the operating loss of € -1.3 million (excl. extraordinary effects) posted for 2018, this would represent a significant improvement in A.S. Création's profitability.

In the fourth quarter of 2019, the sale of the 50% stake in Aspect Ru (formerly A.S. & Palitra) will be completed, which will have a positive one-time effect on consolidated earnings after taxes. The plans and budgets for the full year 2019 therefore provided for very high consolidated earnings after taxes of between € 10 million and € 11 million. Because of the upward revision of the EBIT forecast, consolidated earnings after taxes in the fiscal year 2019 are also expected to be higher than originally assumed, at between € 11 million and € 12 million, from today's point of view.

Should the expectations for the fiscal year 2019 be confirmed, the measures taken to improve earnings would have had the expected effect and the decline in revenues and earnings seen in the past years would be halted. This would be a good basis on which to aggressively pursue the strategy we have initiated. On the one hand, 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 an 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.

On the other hand, 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. November 2019 will see A.S. Création present the new collections and marketing strategies for 2020 to its national and international customers at its headquarters in Gummersbach as part of the of the "International Partner Days". As a consequence, A.S. Création will not exhibit at the Heimtextil trade fair in Frankfurt am Main in January 2020. The trade fair expenses thus saved will be used to expand the company's own end consumer campaigns. A.S. Création is thus breaking new ground, and the Managing Board is confident that the company will continue the positive growth trend in both revenues and earnings in the fiscal year 2020.

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, November 5, 2019

A.S. Création Tapeten AG

The Managing Board

Barth

Bantel

Krämer

Suskas

A.S. Création Tapeten AG, Gummersbach

Consolidated balance sheet

as per September 30, 2019

Assets			
	Notes No.	30.09.2019 € '000	31.12.2018 € '000
Tangible fixed assets		32,979	32,165
Intangible fixed assets		9,193	8,334
Financial assets		0	5,553
Other assets		53	5,657
Deferred tax assets		2,535	793
Non-current assets		44,760	52,502
Inventories		35,155	33,588
Trade receivables		27,667	23,090
Other assets		3,164	7,119
Income tax receivables		33	461
Assets held for sale	(1)	2,039	0
Cash and cash equivalents		11,981	11,890
Current assets		80,039	76,148
Total assets		124,799	128,650
Equity and liabilities			
	Notes No.	30.09.2019 € '000	31.12.2018 € '000
Capital stock		9,000	9,000
Capital reserves		13,757	13,757
Revenue reserves		70,122	73,345
Profit / loss carried forward		-27,398	-21,421
Earnings after taxes		4,391	-5,977
Adjustment for own shares		-4,021	-4,021
Currency translation differences		6,332	7,550
Equity		72,183	72,233
Financial liabilities (interest-bearing)		11,763	12,558
Other liabilities		721	457
Provisions	(2)	16,667	12,716
Deferred tax liabilities		1	100
Non-current liabilities		29,152	25,831
Financial liabilities (interest-bearing)		3,507	2,699
Other liabilities		13,540	21,761
Trade payables		4,773	5,367
Provisions	(2)	99	116
Tax liabilities		1,545	643
Current liabilities		23,464	30,586
Total equity and liabilities		124,799	128,650

A.S. Création Tapeten AG, Gummersbach

Consolidated income statement

for the nine-month period ended September 30, 2019

	Notes No.	2019 € '000	2018 € '000
Sales	(3)	108,303	102,659
Increase or decrease in unfinished and finished goods		215	-670
Other own work capitalized		69	42
Total output		108,587	102,031
Cost of materials		53,845	52,185
Gross profit		54,742	49,846
Other income		2,517	424
		57,259	50,270
Personnel expenses		28,058	27,808
Depreciation		4,721	4,714
Other operating expenses		20,272	19,779
Operating expenses		53,051	52,301
Earnings before interest and taxes (EBIT)		4,208	-2,031
Interest and similar income		34	13
Interest and similar expenses		769	558
Financial result		-735	-545
Earnings before income taxes		3,473	-2,576
Income taxes	(4)	1,077	-54
Earnings after taxes from continued operations		2,396	-2,522
Earnings after taxes from discontinued operations	(5)	1,995	-1,701
Earnings after taxes		4,391	-4,223
Earnings per share	(6)	1.59 €	-1.53 €

A.S. Création Tapeten AG, Gummersbach

Consolidated statement of comprehensive income

for the nine-month period ended September 30, 2019

	2019 € '000	2018 € '000
Earnings after taxes	4,391	-4,223
Items, that will never be reclassified to profit or loss:		
Actuarial gains/losses from pension provisions	-3,836	413
Deferred taxes on other comprehensive income	1,179	-129
	-2,657	284
Items, that are or may be reclassified to profit or loss:		
Foreign currency translation differences for fully consolidated companies	-331	235
Foreign currency translation differences for investments accounted for at equity	-887	886
Change in fair value of an interest rate hedge	-752	213
Deferred taxes on other comprehensive income	234	-66
	-1,736	1,268
Other comprehensive income (outside profit or loss)	-4,393	1,552
Total comprehensive income	-2	-2,671

A.S. Création Tapeten AG, Gummersbach

Consolidated income statement

for the three-month period ended September 30, 2019

	Notes No.	2019 € '000	2018 € '000
Sales	(3)	32,702	29,903
Increase or decrease in unfinished and finished goods		494	-2,219
Other own work capitalized		29	1
Total output		33,225	27,685
Cost of materials		17,299	14,762
Gross profit		15,926	12,923
Other income		705	-78
		16,631	12,845
Personnel expenses		8,819	8,443
Depreciation		1,607	1,635
Other operating expenses		5,773	5,684
Operating expenses		16,199	15,762
Earnings before interest and taxes (EBIT)		432	-2,917
Interest and similar income		12	6
Interest and similar expenses		265	260
Financial result		-253	-254
Earnings before income taxes		179	-3,171
Income taxes	(4)	63	-568
Earnings after taxes from continued operations		116	-2,603
Earnings after taxes from discontinued operations	(5)	0	-546
Earnings after taxes		116	-3,149
Earnings per share	(6)	0.04 €	-1.14 €

A.S. Création Tapeten AG, Gummersbach

Consolidated statement of comprehensive income

for the three-month period ended September 30, 2019

	2019 € '000	2018 € '000
Earnings after taxes	116	-3,149
Items, that will never be reclassified to profit or loss:		
Actuarial gains/losses from pension provisions	-1,369	207
Deferred taxes on other comprehensive income	420	-65
	-949	142
Items, that are or may be reclassified to profit or loss:		
Foreign currency translation differences for fully consolidated companies	0	-53
Foreign currency translation differences for investments accounted for at equity	0	393
Change in fair value of an interest rate hedge	-1,217	161
Deferred taxes on other comprehensive income	378	-50
	-839	451
Other comprehensive income (outside profit or loss)	-1,788	593
Total comprehensive income	-1,672	-2,556

A.S. Création Tapeten AG, Gummersbach

Consolidated statement of changes in equity

for the nine-month period ended September 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
January 1, 2018	9,000	13,757	83,580	-14,604	-17,771	-4,021	5,774	75,715
First adoption of IFRS 9 and IFRS 15	0	0	123	0	0	0	0	123
Earnings after taxes 2017	0	0	0	-17,771	17,771	0	0	0
Dividend payments	0	0	0	0	0	0	0	0
Allocation to revenue reserves	0	0	-11,677	11,677	0	0	0	0
Total comprehensive income 2018	0	0	431	0	-4,223	0	1,121	-2,671
September 30, 2018	9,000	13,757	72,457	-20,698	-4,223	-4,021	6,895	73,167

	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
January 1, 2019	9,000	13,757	73,345	-21,421	-5,977	-4,021	7,550	72,233
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	-3,175	0	4,391	0	-1,218	-2
September 30, 2019	9,000	13,757	70,122	-27,398	4,391	-4,021	6,332	72,183

A.S. Création Tapeten AG, Gummersbach

Consolidated cash-flow statement

for the nine-month period ended September 30, 2019

	2019 € '000	2018 € '000
Operating activities		
Earnings after taxes	4,391	-4,223
+ Depreciation on tangible and intangible fixed assets	4,721	4,714
+/- Increase/decrease in long-term provisions	115	104
-/+ Income/expenses from investments accounted for at equity	-1,910	2,245
+ Non-cash increase in financial liabilities	57	0
-/+ Income/expenses from changes in deferred taxes	-384	-633
-/+ Profit/losses from disposal of tangible and intangible fixed assets	28	27
-/+ Increase/decrease in inventories	-1,283	1,274
-/+ Increase/decrease in trade receivables	-4,294	-916
+/- Increase/decrease in trade payables	-647	-1,848
-/+ Increase/decrease in other net working capital	-5,542	2,018
Cash-flow from operating activities	-4,748	2,762
thereof from continued operations	-4,790	2,603
Investing activities		
- Cash outflows for capital expenditures on tangible and intangible fixed assets	-4,226	-6,023
Capital expenditures	-4,226	-6,023
+ Proceeds from credits and bonds granted	10,958	310
+ Proceeds from the disposal of tangible and intangible fixed assets	166	72
Cash-flow from investing activities	6,898	-5,641
thereof from continued operations	-4,060	-5,951
Financing activities		
+/- Raising/repayment of financial liabilities (interest-bearing)	-2,175	8,412
Cash-flow from financing activities	-2,175	8,412
thereof from continued operations	-2,175	8,412
Net change in cash and cash equivalents	-25	5,533
+/- Change in cash and cash equivalents due to exchange rate fluctuations	116	-10
+ Cash and cash equivalents at January 1	11,890	8,827
Cash and cash equivalents at September 30	11,981	14,350

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 nine-month period ended September 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 nine-month period ended September 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 nine 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 0.015 million as well as an increase of total assets by 1.265 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	
	30.09.2019	31.12.2018	2019	2018
Pound Sterling (GBP/€)	0.88573	0.89710	0.88346	0.88411
Russian Rouble (RUB/€)	70.31610	79.46050	72.95891	73.49725
Belarus Rouble (BYN/€)	2.26510	2.47340	2.35820	2.39798

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	40,581	42,190	7,257	6,974	-48	-61	47,790	49,103
EU (excl. Germany)	47,217	40,487	1,528	1,594	-18	-16	48,727	42,065
European Union (EU)	87,798	82,677	8,785	8,568	-66	-77	96,517	91,168
Other Eastern Europe	14,481	12,730	100	181	0	0	14,581	12,911
Other countries	7,698	9,065	409	480	0	0	8,107	9,545
Sales (gross)	109,977	104,472	9,294	9,229	-66	-77	119,205	113,624
Reduction in revenues	-10,308	-10,390	-594	-575	0	0	-10,902	-10,965
Sales (net)	99,669	94,082	8,700	8,654	-66	-77	108,303	102,659

(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	1,459	580
Deferred income taxes	-382	-634
	1,077	-54

(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	-2,245
Interest income from shareholder loans	123	789
Financial result	2,033	-1,456
Income taxes	-38	-245
Earnings after taxes from discontinued operations	1,995	-1,701
Earnings per share from discontinued operations	0.72	-0.62

(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	€	4,391,121	-4,222,638
Earnings per share	€/share	1.59	-1.53

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	73	171
Interest paid	574	235
Income tax received	277	287
Income tax paid	448	183

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)	0	11,029
Repayment of financial liabilities (excl. financial lease)	-1,927	-2,617
Repayment of liabilities under financial lease contracts	-248	0
	-2,175	8,412

(8) Costs to fulfil a contract

In the reporting period, costs incurred for the fulfilment of contracts pursuant to IFRS 15 amounted to € 1.336 million (previous year: € 1.263 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	99,625	94,026	8,678	8,633	0	0	108,303	102,659
Intra-Group sales	44	56	22	21	-66	-77	0	0
Total sales	99,669	94,082	8,700	8,654	-66	-77	108,303	102,659
EBITDA ¹	8,683	2,605	259	78	-13	0	8,929	2,683
EBITDA-margin	8.7 %	2.8 %	3.0 %	0.9 %			8.2 %	2.6 %
EBIT ²	4,104	-1,979	96	-55	8	3	4,208	-2,031
EBIT-margin	4.1 %	-2.1 %	1.1 %	-0.6 %			3.9 %	-2.0 %
Interest income	47	27	0	0	-13	-14	34	13
Interest expenses	719	510	65	62	-15	-14	769	558
Earnings before taxes	3,432	-2,462	31	-117	10	3	3,473	-2,576
Return on sales (before taxes)	3.4 %	-4.2 %	0.4 %	-0.7 %			3.2%	-3.9 %
Income taxes	1,065	-15	9	-40	3	1	1,077	-54
Capital expenditures ³	4,172	5,958	54	65	0	0	4,226	6,023
Depreciation	4,579	4,584	163	133	-21	-3	4,721	4,714
Cash-flow ⁴								
from operating activities	-5,142	2,325	365	278	-13	0	-4,790	2,603
from investing activities	-4,046	-5,894	-14	-57	0	0	-4,060	-5,951
from financing activities	-1,753	8,723	-435	-311	13	0	-2,175	8,412
Segment assets (closing date) ⁵	104,035	111,736	6,240	6,225	-25	-40	110,250	117,921
thereof non-current assets	(40,859)	(50,075)	(1,366)	(1,185)	(0)	(0)	(42,225)	(51,260)
Segment liabilities (closing date) ⁶	17,647	28,931	1,511	1,539	-24	-40	19,134	30,430
Employees (average)	685	687	64	66	0	0	749	753

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

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

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

³ **Capital expenditures** correspond to the cash-flow statement.

⁴ **Cash flow** from continued operations.

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

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

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	
	30.09.2019 € '000	31.12.2018 € '000	30.09.2019 € '000	31.12.2018 € '000	30.09.2019 € '000	31.12.2018 € '000
Germany	74,918	76,073	53,138	47,547	21,780	28,526
EU (excl. Germany)	21,181	19,425	11,898	10,640	9,283	8,785
Other Eastern Europe	14,151	20,009	2,989	5,611	11,162	14,398
	110,250	115,507	68,025	63,798	42,225	51,709

(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	30
Purchases	750	1,350
Interest income	123	789

	30.09.2019 € '000	31.12.2018 € '000
Shareholder loans	4,681	15,638
Receivables	6,420	6,352
Liabilities	220	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. In the reporting period, A.S. Création Tapeten Stiftung received a donation in an amount of € 0.015 million (previous year: € 0.015 million). Expenses in an amount of € 0.050 million (previous year: € 0.0 million) incurred in the context of the release from the anti-trust proceedings in the reporting period.

(12) Post balance sheet events

No events that require reporting occurred.

Gummersbach, November 5, 2019

A.S. Création Tapeten AG

The Managing Board

Barth

Bantel

Krämer

Suskas

Investor Relations

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