



**INTERIM REPORT FOR THE PERIOD
ENDED JUNE 30, 2016**

A.S. CRÉATION TAPETEN AG

		2012	2013	2014	2015	2016
Sales	€ '000	103,552	104,756	99,501	87,160	81,725
EBIT	€ '000	9,194	9,498	6,516	7,466	5,362
Earnings before income taxes	€ '000	8,175	7,152	4,894	9,081	7,700
Earnings after income taxes	€ '000	5,461	4,183	2,658	7,288	5,615
Earnings per share	€/share	1.98	1.52	0.96	2.64	2.04
Cash-flow	€ '000	10,061	10,415	8,507	9,357	9,963
Capital expenditures	€ '000	7,965	5,774	3,191	1,926	2,640
Depreciation	€ '000	4,800	4,630	4,728	4,344	3,882
Number of employees		809	833	825	807	767

A.S. Création Tapeten AG, Gummersbach

Management Report

on the business performance for the six-month period ended June 30, 2016

Sales performance

With economic growth in the eurozone having slowed down towards the end of 2015 and a growth rate of 1.5% recorded for the full year 2015, only a moderate 1.3% increase in the gross domestic product has been projected for 2016 in view of declining demand from China and other emerging countries. The subdued economic growth of 1.5% posted in the eurozone in the first half of 2016 was in line with projections. The German economy no longer steamed ahead, with growth also settling at a low level of 1.5% in the first half of 2016. Private consumption remains the main driver of the economy, both in Germany and in the eurozone as a whole.

The economic situation in Russia remains very tight. Having contracted by 3.7% in 2015, the Russian economy is expected to decline again in 2016 in spite of a moderate pick-up in the oil price. The Russian economy is primarily suffering from the sharp drop in the oil price, as commodity and energy-driven enterprises are of special importance for the country. The economy is also being adversely affected by the sanctions imposed in the context of the Ukraine crisis and by the sharp depreciation of the Russian rouble against the euro. At RUB/€ 78.39, the average exchange rate in the first half of 2016 exceeded the average of the first half of 2013 of RUB/€ 40.76 by 92%; consequently, the prices of imported products almost doubled within only three years. Accordingly, Russia's inflation rate reached a high level in the past years and stood at a very high 8% at the beginning of 2016. It is therefore not surprising that private consumption, a pillar of the Russian economy in the past, is declining.

As had been expected, the overall macroeconomic environment had an adverse impact on A.S. Création's sales revenues in the first half of 2016. At € 81.7 million, Group revenues were down by € 5.5 million or 6.2% on the previous year's € 87.2 million. Compared to the fiscal year 2015, however, which saw A.S. Création record a 12.0% drop in revenues, the decline in H1 2016 was much more moderate. It is disappointing, however, that the drop in sales revenues in Q2 2016, at 7.8%, was higher than in Q1 2016, when revenues declined by 4.9%. In view of customers' positive response to A.S. Création's current product range, the Managing Board had expected a different trend.

The breakdown of revenues by regions shows that A.S. Création's revenues declined across all regions in the first six months of 2016. Sales revenues in the European Union (EU) were down by 4.4% on the previous year. It was gratifying to see that sales revenues in France, the largest market in Western Europe behind Germany, more or less stayed at the prior year level. By contrast, A.S. Création's revenues declined primarily in Germany, the Baltic states and the UK. While the drop in revenues in Germany is essentially attributable to lower overall demand for wallpapers and furnishing fabrics in the first six months of the current fiscal year, the downward trend in the Baltic states reflects the loss of larger customers. As a result of the traditionally close economic relations with Russia, the Baltic economies were adversely

affected by the Russian crisis. The ensuing insolvencies among A.S. Création's Baltic customers in the course of 2015 reduced the company's exports to the Baltic states in the first half of 2016. In the UK, A.S. Création's sales to DIY stores showed a negative trend, as retailers used the first six months of the year to reduce their own inventories, resulting in manufacturers receiving fewer top-up orders.

Having dropped by as much as 43.5% in the fiscal year 2015, gross revenues generated by A.S. Création in non-EU Eastern European countries fell by another 16.3% in the first six months of 2016. Besides the unfavourable exchange rate of the Russian rouble against the euro, which is making exports to the region extremely difficult, this is also attributable to the fact that no more revenues were generated with customers who became insolvent in 2015 or who are struggling with financing problems because of the economic crisis in Russia. In addition, exports to Turkey were adversely affected by the poorer economic and political situation as well as by import duties imposed on wallpapers by the Turkish government. On the upside, the decline in sales revenues in non-EU Eastern Europe countries has slowed down notably.

As a result of the disappointing sales performance in the second quarter, A.S. Création's sales revenues for the first six months of 2016 fell short of the Managing Board's expectations. The projections for the full year 2016 provide for Group revenues of between € 160 million and € 170 million. To reach the lower end of this range, A.S. Création will have to generate revenues of € 78.3 million in the second half of 2016, which would be more or less in line with the revenues generated in the second half of 2015 (€ 79.3 million). This makes the revenue projections appear very ambitious from today's point of view. While the Managing Board believes that sales revenues of € 160 million may still be reached in the full year 2016, this would require signs of a turnaround in the third quarter of 2016. It is therefore more realistic to assume that sales revenues in 2016 will remain slightly below € 160 million.

Earnings performance

At € 5.4 million, A.S. Création's earnings before interest and taxes (EBIT) in the first half of 2016 were down by € 2.1 million or 28.2% on the previous year's € 7.5 million. When analysing this drop in earnings, however, the effects of four material extraordinary factors on the bottom line should be taken into consideration:

- Other income
In June 2015, A.S. Création and the former owners of the two French companies acquired in late 2008 agreed that the latter would bear part of the penalty imposed in conjunction with the French antitrust proceedings. The income of € 2.1 million resulting from this agreement was included in the previous year's other income.
- Foreign exchange gains
As the Russian Group companies are primarily financed with shareholder loans denominated in euros, changes in exchange rates lead to translation-related exchange gains or losses. At € 0.4 million, foreign exchange gains in the first half of 2016, which

are recognised in other operating income, were € 0.8 million lower than the previous year's € 1.2 million.

– Valuation allowances on receivables

The negative economic developments in 2015, especially in Eastern Europe, caused financial bottlenecks at some customers, forcing us to grant them longer payment terms. Against this background, the parameters for the risk assessment of trade receivables were reviewed and adjusted. This led to a € 1.1 million increase in valuation allowances. This one-time effect was reflected in other operating expenses in the second quarter of 2015. No further adjustment of the parameters has been required in the current fiscal year.

– Concentration of the production activities at a single location

In conjunction with the concentration of the German production activities in Wiehl-Bomig, one-time expenses for the relocation and adjustment of plant and machinery were incurred especially in the second quarter of 2016. As a result, the respective expense items exceeded the prior year level by approx. € 1.0 million in the first half of 2016 and weighed on other operating expenses in the reporting period.

Adjusted for these extraordinary effects, EBIT in the first half of 2016 amounted to € 6.0 million, up € 0.7 million or 13.2% on the previous year's € 5.3 million. The adjusted EBIT margin stood at 7.3% (previous year: 6.1%). Against the background of the € 5.5 million decline in sales revenues described above, the Managing Board is very satisfied with the increase in adjusted earnings before interest and taxes, as it demonstrates that the measures initiated and implemented were effective in securing the company's earnings.

This positive trend is primarily attributable to the gross profit margin climbing from 53.3% in the previous year to 53.9% in the reporting period. This enabled A.S. Création to contain the decline in gross profit to € 1.5 million although sales revenues contracted by € 5.5 million. Besides the successful product policy, the efficiency gains in production and the slightly lower commodity and energy prices also contributed to the increase in this important performance indicator.

The measures initiated and implemented in the course of 2015 to reduce personnel expenses, especially the merger of the two German production facilities, are showing up in the figures for the current fiscal year. The A.S. Création Group's headcount declined from 807 in the first half of 2015 to 767 in the reporting period, and personnel expenses, at € 21.4 million, were down by 5.9% on the previous year's € 22.7 million. The Managing Board's objective to reduce personnel expenses as a percentage of total output below the high level of the previous year has been reached only just, however. At 25.8%, personnel expenses as a percentage of total output were down only by a moderate 0.4 percentage points on the previous year's 26.2%. This is mainly due to the fact that the savings resulting from the reduced headcount were partly offset by the 2.6% collective wage increase in November 2015 for most of the domestic employees.

Besides personnel expenses, other operating expenses and depreciation were also below the prior year levels in H1 2016 and helped to almost entirely offset the shortfall in earnings resulting from the reduced sales revenues.

Other operating expenses were down by € 0.6 million or 4.1% on the previous year.

At € 2.3 million, the consolidated financial result improved notably in the first half of 2016 (previous year: € 1.6 million). The earnings situation of the Russian production company, A.S. & Palitra, has the biggest influence on the consolidated financial result of A.S. Création. Given that A.S. Création Tapeten AG and the second shareholder, Kof Palitra, each own 50% of this company, the Russian production company is accounted for using the equity method, which means that the share in net result after taxes that is attributable to A.S. Création is recognised in the Group's financial result. The pro-rated profit of € 1.5 million in the first half of 2015 improved to € 2.2 million in the reporting period. As the joint venture is largely financed with euro loans, A.S. & Palitra recorded translation-related exchange gains due to the appreciation of the Russian rouble against the euro. These exchange gains of € 1.9 million (previous year: € 1.7 million) are included in the pro-rated result after taxes for the reporting period. This means that A.S. Création's share in profit after taxes adjusted for exchange gains amounted to € 0.3 million, compared to a pro-rated loss of € -0.2 million in the first half of 2015. This positive earnings trend is primarily attributable to higher sales volumes and the resulting better utilisation of the production capacities. Against the background of the good order situation and the growing demand for Russian-made wallpapers, the two shareholders of the joint venture had decided to install another local production line already at the end of 2015. The latter will probably be taken into operation in autumn 2016. The Managing Board is very satisfied with the development of the joint venture and expects a further improvement in earnings.

The decline in EBIT and the improved financial result led to earnings before taxes of € 7.7 million in H1 2016, down € 1.4 million or 15.2% on the previous year's € 9.1 million. Adjusted for the above extraordinary effects, A.S. Création's earnings position improved in the reporting period, and earnings before taxes climbed from € 5.2 million in H1 2015 to € 6.4 million in the reporting period.

Earnings after taxes amounted to € 5.6 million (previous year: € 7.3 million) or € 2.04 per share (previous year: € 2.64) in the first six months of 2016.

Against the background of the difficult environment, the Managing Board is satisfied with the results achieved in the first half of 2016.

Financial and net worth position

At € 7.4 million, operating cash flow was down by € 1.4 million in H1 2016 on the previous year's € 8.8 million and was influenced by opposite effects in the reporting period.

Cash flow was adversely affected by the decline in EBIT on reduced depreciation. By contrast, the outcome of the French antitrust proceedings had a positive effect. In April 2016, the French court of appeal ("*Cour d'appel*") decided on A.S. Création's appeal in the French appeal proceedings in April 2016 and reduced the penalty imposed by the French antitrust authorities by € 2.9 million. Following the Court of Appeal's verdict, the amount of € 2.9 million was refunded by the French competition authorities and improved the company's

operating cash flow. The refund has not (yet) had a positive effect on A.S. Création's bottom line, however, as the French competition authorities have lodged an appeal with the French supreme court ("*Cour de cassation*"). The verdict of the court of appeal has consequently not become final yet. A.S. Création will therefore post the income of € 2.9 million resulting from the verdict of the court of appeal only once it has been confirmed by the French supreme court. The supreme court is unlikely, however, to hand down its decision before the end of 2016.

Operating cash flow contrasted with increased financing requirements for investments and the dividend payment in the reporting period.

At € 2.6 million, capital expenditures exceeded the previous year's € 1.9 million by € 0.7 million in the reporting period, as the concentration of A.S. Création's wallpaper production facilities in Wiehl-Bomig entailed construction measures as well as technical replacement investments and investments in capacity expansion.

Due to the profit generated in the fiscal year 2015, a dividend of € 1.7 million was distributed to the shareholders in Q2 2016, whereas no dividend was paid out in the previous year because of the loss incurred in the fiscal year 2014.

In spite of the increased financing requirements, the first quarter of 2016 saw a reduction in interest-bearing financial liabilities from € 16.2 million on December 31, 2015 by € 3.3 million to € 12.9 million on June 30, 2016. As of the balance sheet date, these financial liabilities contrasted with cash and cash equivalents as well as current financial assets of € 16.6 million, leaving A.S. Création with a net credit position of € 3.7 million on June 30, 2016. On the same day of the previous year, the company still had net financial liabilities (difference between interest-bearing financial liabilities and cash and cash equivalents as well as current financial assets) of € 4.9 million. The equity ratio of 63.3% as of June 30, 2016 underlines A.S. Création's very solid financial structure.

In the estimation of the Managing Board, the net assets position of A.S. Création is also very solid. As of June 30, 2016, the Group's total assets amounted to € 149.8 million (previous year: € 149.8 million), of which 79.9% (previous year: 82.1%), i.e. by far the biggest portion, related to property, plant and equipment, inventories, trade receivables, current financial assets as well as cash and cash equivalents. By contrast, intangible assets recognised in the consolidated balance sheet as of the balance sheet date (including goodwill) played only a minor role and represented only 5.4% (previous year: 5.4%) of total assets and 8.5% (previous year: 8.7%) of the equity capital.

Forecast

With sales revenues declining by 6.2% in the first half of 2016, the start to the new fiscal year was as difficult as had been expected. In the coming months, the company will focus on stabilising sales revenues and on achieving a turnaround by the end of the year. The existing overcapacities in Western Europe will probably lead to intense competition for market share. A.S. Création believes it is well positioned for this competition. On the one hand,

A.S. Création's closely knit sales network in Western Europe will underpin the implementation of a more aggressive marketing strategy. On the other hand, the Managing Board considers the company's product range to be very competitive on account of its width and diversity. Moreover, A.S. Création has already adjusted its production capacities to the lower volumes resulting from the reduced exports to Eastern Europe, which are expected to be of a permanent nature. The initial problems associated with the concentration of the production activities at a single location have largely been eliminated in the meantime, so that A.S. Création will face the competition with an efficient production base operating at high capacity.

With regard to the sales trend in the non-EU Eastern European countries, the Managing Board expects demand for locally produced wallpapers to pick up further. This should benefit both the Russian distribution company, A.S. Création (RUS), and the joint venture, A.S. & Palitra. The Managing Board therefore pursues a strategy of increasing sales of locally produced goods and expanding the local production capacities. Sales of German-made wallpapers will probably drop below the prior year levels in the coming months, as the exchange rate between the Russian rouble and the euro will remain unfavourable and the above-mentioned loss of some large customers cannot be offset in the short term.

As discussed above, the revenue projections for the full year 2016 appear very ambitious in view of the sales revenues generated in the first half of 2016 and the expectations for the coming months. Realistically, sales revenues are expected to remain slightly below the originally projected range of € 160 million to € 170 million and to come in at between € 150 million and € 160 million.

With regard to the operating performance, the sales trend in the coming months will play a critical role. As no leap in sales revenues is expected, as outlined above, the focus will remain on the ongoing adjustment of the cost structures. This also includes personnel expenses as a percentage of total output, which must be reduced to a lower level. A.S. Création Tapeten AG in Germany will additionally focus on the ongoing optimisation of its production and logistic processes.

With regard to the earnings position of A.S. Création in the remaining course of the fiscal year, the Managing Board stands by its full-year 2016 guidance as detailed in the forecast report of the 2015 Annual Report. Provided that no significant burdens exceeding the amount of € 4.9 million already recognised as an expense arise from the antitrust proceedings and that the Russian rouble does not depreciate extremely against the euro by the end of 2016, earnings before and after taxes should improve notably.

In the fiscal year 2015, A.S. Création's bottom line was significantly affected by exchange losses and severance payments in conjunction with the concentration of the German production sites. A.S. Création therefore generated earnings before taxes of only € 5.6 million and earnings after taxes of € 3.3 million in the full year 2015. At € 7.7 million and € 5.6 million, respectively, earnings before and after taxes exceeded the level of the full previous year already at the half-year stage 2016. From today's point of view, it is safe to assume that A.S. Création will be able to generate profits also in the remaining six months of the fiscal year 2016. This means that A.S. Création is well on track to reach its earnings projections and to post a significantly improved result for the full year 2016.

The risk and opportunity profile of A.S. Création Tapeten AG has not changed materially as compared to the presentation in the 2015 Annual Report.

Statement pursuant to Article 315 paragraph 1 sentence 6 of the German Commercial Code (Handelsgesetzbuch HGB)

To the best of our knowledge, and in accordance with the applicable reporting principles for interim financial reporting, the interim consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the interim management report of the Group includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group for the remaining months of the financial year.

Gummersbach, July 29, 2016

A.S. Création Tapeten AG

The Managing Board

Krämer

Bantel

Suskas

A.S. Création Tapeten AG, Gummersbach

Consolidated balance sheet

as per June 30, 2016

Assets		
	30.06.2016	31.12.2015
	€ '000	€ '000
Tangible fixed assets	27,870	29,146
Intangible fixed assets	8,017	8,057
Investments accounted for at equity	0	0
Financial assets	9,785	8,510
Other assets	4,231	3,690
Income tax receivables	292	295
Deferred tax assets	541	512
Non-current assets	50,736	50,210
Inventories	40,982	38,859
Trade receivables	34,145	28,240
Other assets	5,551	14,223
Income tax receivables	2,301	1,955
Cash and cash equivalents	16,106	6,918
Current assets	99,085	90,195
Total assets	149,821	140,405
Equity and liabilities		
	30.06.2016	31.12.2015
	€ '000	€ '000
Capital stock	9,000	9,000
Capital reserves	13,757	13,757
Revenue reserves	82,775	81,133
Profit carried forward	-18,670	-17,216
Earnings after taxes	5,615	3,287
Adjustment for own shares	-4,021	-4,021
Currency translation differences	6,380	7,248
Equity	94,836	93,188
Financial liabilities (interest-bearing)	7,500	10,005
Other liabilities	740	781
Provisions (1)	16,286	11,124
Deferred tax liabilities	1,010	2,037
Non-current liabilities	25,536	23,947
Financial liabilities (interest-bearing)	5,445	6,172
Other liabilities	14,715	10,585
Trade payables	9,069	6,070
Provisions	77	131
Tax liabilities	143	312
Current liabilities	29,449	23,270
Total equity and liabilities	149,821	140,405

A.S. Création Tapeten AG, Gummersbach

Consolidated income statement

for the six-month period ended June 30, 2016

	Notes No.	2016 € '000	2015 € '000
Sales	(2)	81,725	87,160
Increase or decrease in unfinished and finished goods		1,335	-323
Total output		83,060	86,837
Cost of materials		38,320	40,579
Gross profit		44,740	46,258
Other income		771	3,822
		45,511	50,080
Personnel expenses		21,406	22,737
Depreciation		3,882	4,344
Operating taxes		211	254
Other operating expenses		14,650	15,279
Operating expenses		40,149	42,614
Earnings before interest and taxes (EBIT)		5,362	7,466
Interest and similar income		592	548
Results from investments accounted for at equity		2,159	1,528
Interest and similar expenses		413	461
Financial result		2,338	1,615
Earnings before income taxes		7,700	9,081
Income taxes	(3)	2,085	1,793
Earnings after taxes		5,615	7,288
Earnings per share	(4)	2.04 €	2.64 €

A.S. Création Tapeten AG, Gummersbach

Consolidated statement of comprehensive income

for the six-month period ended June 30, 2016

	2016	2015
	€ '000	€ '000
Earnings after taxes	5,615	7,288
Items, that will never be reclassified to profit or loss:		
Actuarial gains/losses from pension provisions	-2,156	1,074
Deferred taxes on other comprehensive income	674	-335
	-1,482	739
Items, that are or may be reclassified to profit or loss:		
Foreign currency translation differences for fully consolidated companies	-52	-635
Foreign currency translation differences for investments accounted for at equity	-816	-778
Change in fair value of an interest rate hedge	54	138
Deferred taxes on other comprehensive income	-17	-43
	-831	-1,318
Other comprehensive income (outside profit or loss)	-2,313	-579
Total comprehensive income	3,302	6,709

A.S. Création Tapeten AG, Gummersbach

Consolidated income statement

for the three-month period ended June 30, 2016 (2nd quarter)

	Notes No.	2016 € '000	2015 € '000
Sales	(2)	37,074	40,191
Increase or decrease in unfinished and finished goods		2,407	654
Total output		39,481	40,845
Cost of materials		19,457	19,808
Gross profit		20,024	21,037
Other income		375	2,753
		20,399	23,790
Personnel expenses		10,542	11,375
Depreciation		1,935	2,168
Operating taxes		108	137
Other operating expenses		6,980	7,366
Operating expenses		19,565	21,046
Earnings before interest and taxes (EBIT)		834	2,744
Interest and similar income		299	282
Results from investments accounted for at equity		1,261	546
Interest and similar expenses		200	221
Financial result		1,360	607
Earnings before income taxes		2,194	3,351
Income taxes	(3)	463	257
Earnings after taxes		1,731	3,094
Earnings per share	(4)	0.63 €	1.12 €

A.S. Création Tapeten AG, Gummersbach

Consolidated statement of comprehensive income

for the three-month period ended June 30, 2016 (2nd quarter)

	2016	2015
	€ '000	€ '000
Earnings after taxes	1,731	3,094
Items, that will never be reclassified to profit or loss:		
Actuarial gains/losses from pension provisions	-720	2,228
Deferred taxes on other comprehensive income	225	-695
	-495	1,533
Items, that are or may be reclassified to profit or loss:		
Foreign currency translation differences for fully consolidated companies	-23	-212
Foreign currency translation differences for investments accounted for at equity	-530	-297
Change in fair value of an interest rate hedge	37	98
Deferred taxes on other comprehensive income	-12	-31
	-528	-442
Other comprehensive income (outside profit or loss)	-1,023	1,091
Total comprehensive income	708	4,185

Consolidated statement of changes in equity

for the six-month period ended June 30, 2016

	Capital stock	Capital reserves	Revenue reserves	Profit 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, 2015	9,000	13,757	70,939	974	-9,338	-4,021	5,580	86,891
Earnings after taxes 2014	0	0	0	-9,338	9,338	0	0	0
Dividend payments	0	0	0	0	0	0	0	0
Allocation to revenue reserves	0	0	7,382	-7,382	0	0	0	0
Total comprehensive income 2015	0	0	834	0	7,288	0	-1,413	6,709
June 30, 2015	9,000	13,757	79,155	-15,746	7,288	-4,021	4,167	93,600

	Capital stock	Capital reserves	Revenue reserves	Profit 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, 2016	9,000	13,757	81,133	-17,216	3,287	-4,021	7,248	93,188
Earnings after taxes 2015	0	0	0	3,287	-3,287	0	0	0
Dividend payments	0	0	0	-1,654	0	0	0	-1,654
Allocation to revenue reserves	0	0	3,087	-3,087	0	0	0	0
Total comprehensive income 2016	0	0	-1,445	0	5,615	0	-868	3,302
June 30, 2016	9,000	13,757	82,775	-18,670	5,615	-4,021	6,380	94,836

A.S. Création Tapeten AG, Gummersbach

Consolidated cash flow statement

for the six-month period ended June 30, 2016

	2016 € '000	2015 € '000
Operating activities		
Earnings after taxes	5,615	7,288
+ Depreciation on tangible and intangible fixed assets	3,882	4,344
+/- Increase/decrease in long-term provisions	3,007	121
-/+ Income/expenses from investments accounted for at equity	-2,159	-1,528
-/+ Increase/decrease in present value of corporate income tax credit	-6	-13
-/+ Income/expenses from changes in deferred taxes	-376	-855
Cash-flow	9,963	9,357
-/+ Profit/losses from disposal of tangible and intangible fixed assets	-55	-49
-/+ Increase/decrease in inventories	-1,883	-1,059
-/+ Increase/decrease in trade receivables	-5,824	-711
+/- Increase/decrease in trade payables	2,913	3,142
-/+ Increase/decrease in other net working capital	2,308	-1,906
Cash-flow from operating activities	7,422	8,774
Investing activities		
- Cash outflows for capital expenditures on tangible and intangible fixed assets	-2,640	-1,926
- Cash outflows for credits and bonds granted	0	0
Capital expenditures	-2,640	-1,926
-/+ Cash outflows / proceeds from current financial investments	9,000	0
+ Repayment of credits and bonds granted	165	0
+ Proceeds from the disposal of tangible and intangible fixed assets	131	99
Cash-flow from investing activities	6,656	-1,827
Financing activities		
- Dividends paid to shareholders of A.S. Création Tapeten AG	-1,654	0
+/- Raising/repayment of financial liabilities (interest-bearing)	-3,233	-4,068
Cash-flow from financing activities	-4,887	-4,068
Net change in cash and cash equivalents	9,191	2,879
+/- Change in cash and cash equivalents due to exchange rate fluctuations	-3	56
+ Cash and cash equivalents at January 1	6,918	5,775
Cash and cash equivalents at June 30	16,106	8,710

Further information on the cash flow statement are presented in the notes to the consolidated financial statement (see No. 5).

A.S. Création Tapeten AG, Gummersbach

Notes to the consolidated financial statements

for the six-month period ended June 30, 2016

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, 2016 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, 2015. 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 315a (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, 2015.

A.S. Création Tapeten AG has a policy of applying new IFRS as soon as they become effective. The newly published IFRS had no material effect on the assets, liabilities, financial position and earnings position of A.S. Création in the reporting period.

IFRS 15 introduces comprehensive new regulations regarding the recognition of revenue. In an initial analysis, only minor adjustment requirements have been identified, namely a possible minor shift in the time at which revenue is realised as well as the identification of additional performance obligations. In addition, the disclosures in the notes will become more extensive.

The application of IFRS 16 will lead to a moderate increase in assets and liabilities, as operating leases play only a minor role at A.S. Création. In addition, the disclosures in the notes will become more extensive.

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 2016 to date do not necessarily provide an indication of the performance in the further course of the year.

The present interim report has neither been audited nor reviewed by a certified public accountant. This English translation of the interim report is merely a convenience translation. The German version is the prevailing one.

Notes on the basis of consolidation

Next to A.S. Création Tapeten AG, nine subsidiaries are consolidated, thereof eight companies are fully consolidated and one company is accounted for using the equity method. The basis of consolidation has not changed compared to the consolidated financial statements of 2015.

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.

An average annual rate of £ 0.77891/€ (2015: £ 0.73230/€) and a closing rate of £ 0.82615/€ (2015: £ 0.71153/€) were used for the pound sterling, while an average annual rate of RUB 78.38830/€ (2015: RUB 64.31053/€) and a closing rate of RUB 71.21020/€ (2015: RUB 61.52060/€) were applied for the Russian rouble.

Notes to the balance sheet

(1) Provisions

Non-current provisions break down as follows:

	30.06.2016	30.06.2015
	€ '000	€ '000
Pension provisions	13,397	11,673
Other provisions	2,889	0
	16,286	11,673

In December 2014, the French competition authorities ("Autorité de la concurrence") issued a penalty notice against SCE - Société de conception et d'édition SAS ("SCE") and MCF Investissement SAS ("MCF"), the two French member companies of the A.S. Création Group, and imposed penalties totalling € 5.0 million. An appeal was filed against the penalty notice in February 2015. On April 14, 2016, the court of appeal ("Cour d'appel") in Paris announced the verdict in the antitrust proceedings and reduced the penalties payable by SCE and MCF to a total of € 2.1 million. The penalty of € 5 million originally imposed by the French competition authorities was fully recognised as an expense in the 2014 consolidated financial statements. Under French law, the penalty had to be paid in full in 2015. Following the Court of Appeal's verdict, the amount of € 2.9 million was refunded by the French competition authorities in April 2016. As the French competition authorities have lodged an appeal with the French supreme court ("Cour de cassation"), the refund has not been recognised as other income but as a non-current provision.

Notes to the income statement

(2) Sales

A breakdown of Group sales by region is provided below:

	Wallpaper Division		Fabrics Division		Consolidation		Group	
	2016 € '000	2015 € '000	2016 € '000	2015 € '000	2016 € '000	2015 € '000	2016 € '000	2015 € '000
Germany	35,032	36,241	5,614	5,569	-46	-95	40,600	41,715
EU (excl. Germany)	36,777	39,210	1,212	1,250	-30	-29	37,959	40,431
European Union (EU)	71,809	75,451	6,826	6,819	-76	-124	78,559	82,146
Other Eastern Europe	7,699	9,225	237	256	0	0	7,936	9,481
Other countries	6,120	6,690	282	329	0	0	6,402	7,019
Sales (gross)	85,628	91,366	7,345	7,404	-76	-124	92,897	98,646
Reduction in revenues	-10,622	-10,989	-551	-498	1	1	-11,172	-11,486
Sales (net)	75,006	80,377	6,794	6,906	-75	-123	81,725	87,160

(3) Income taxes

Income taxes in the reporting period were calculated using country-specific tax rates anticipated for the full fiscal year. Income taxes break down as follows:

	2016 € '000	2015 € '000
Current income tax expenses	2,460	2,648
Deferred taxes	-375	-855
	2,085	1,793

(4) Earnings per share

Earnings per share are calculated as follows:

		2016	2015
Number of shares outstanding (weighted average)	shares	2,756,351	2,756,351
Earnings after taxes	€	5,615,300	7,287,943
Earnings per share	€/share	2.04	2.64

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

(5) Cash flow statement

Cash flow from operating activities includes the following payments:

	2016	2015
	€ '000	€ '000
Interest received	12	14
Interest paid	253	323
Income tax paid	2,971	2,577
Dividends received	0	0

Interest paid primarily relates to investment financing.

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

	2016	2015
	€ '000	€ '000
Raising of financial liabilities (excl. financial lease)	0	205
Raising of liabilities under financial lease contracts	0	0
Repayment of financial liabilities (excl. financial lease)	-2,997	-4,038
Repayment of liabilities under financial lease contracts	-236	-235
	-3,233	-4,068

(6) 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	
	2016	2015	2016	2015	2016	2015	2016	2015
	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000
External sales	74,969	80,295	6,756	6,865	0	0	81,725	87,160
Intra-Group sales	37	82	38	41	-75	-123	0	0
Total sales	75,006	80,377	6,794	6,906	-75	-123	81,725	87,160
EBITDA ¹	9,005	11,454	239	351	0	5	9,244	11,810
EBITDA-margin	12.0 %	14.3 %	3.5 %	5.1 %			11.3 %	13.5 %
EBIT ²	5,205	7,187	146	263	11	16	5,362	7,466
EBIT-margin	6.9 %	8.9 %	2.1 %	3.8 %			6.6 %	8.6 %
Interest income	638	594	1	0	-47	-46	592	548
Results from investments accounted for at equity	2,159	1,528	0	0	0	0	2,159	1,528
Interest expenses	395	447	65	60	-47	-46	413	461
Earnings before taxes	7,607	8,862	82	203	11	16	7,700	9,081
Return on sales (before taxes)	10.1 %	11.0 %	1.2 %	2.9 %			9.4 %	10.4 %
Income taxes	2,052	1,722	30	66	3	5	2,085	1,793
Capital expenditures ³	2,617	1,866	23	60	0	0	2,640	1,926
Depreciation	3,800	4,267	93	88	-11	-11	3,882	4,344
Cash-flow ³	9,817	9,135	146	217	0	5	9,963	9,357
Segment assets 30.06. ⁴	123,173	129,427	6,935	7,400	-77	-351	130,031	136,476
thereof non-current assets	(48,641)	(50,895)	(1,291)	(1,259)	(-28)	(-51)	(49,904)	(52,103)
Segment liabilities 30.06. ⁵	23,205	23,716	1,446	1,726	-49	-286	24,602	25,156
Employees (average)	695	736	72	71	0	0	767	807

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

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 and cash flow** correspond with the item which is shown in the consolidated cash flow statement.

⁴ **Segment assets** are the total assets of the segment less interest-bearing intercompany loans, cash and cash equivalents, deferred tax assets and other tax receivables.

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

Of the total non-current Group assets of € 49.904 million (previous year: € 52.103 million), an amount of € 29.326 million (previous year: € 30.635 million) relates to Germany, an amount of € 10.711 million (previous year: € 11.634 million) to other EU countries and an amount of € 9.867 million (previous year: € 9.834 million) to non-EU Eastern European countries.

(7) Managing Board

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

- Maik Holger Krämer, Chairman, Finance and Controlling
- Roland Werner Bantel, Sales and Marketing
- Antonios Suskas, Production and Logistics
- Jörn Kämper, Chairman, Sales and Marketing (until March 31, 2016)

(8) Related party transactions

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

In the fiscal year, A.S. Création maintained business relations with OOO A.S. & Palitra, which is accounted for using the equity method. Details of the business relationship are shown below:

	2016	2015
	€ '000	€ '000
Sales	154	216
Purchases	2,181	2,897
Interest income	578	534

	30.06.2016	30.06.2015
	€ '000	€ '000
Shareholder loans	17,103	16,613
Receivables	4,139	3,119
Liabilities	730	908

The relationship of the company with A.S. Création Tapeten Stiftung, a charitable foundation, as well as the agreements with Franz Jürgen Schneider and Jörn Kämper relating the release from the anti-trust proceedings as reported in the consolidated financial statements for 2015 continued to exist in the period under review.

(9) Post balance sheet events

No events that require reporting have occurred.

Gummersbach, July 29, 2016

A.S. Création Tapeten AG

The Managing Board

Krämer

Bantel

Suskas

Investor Relations

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