



**INTERIM REPORT FOR THE PERIOD
ENDED JUNE 30, 2017**

A.S. CRÉATION TAPETEN AG

| | | 2013 | 2014 | 2015 | 2016 | 2017 |
|-------------------------------------|---------|---------|--------|--------|--------|--------|
| Sales | € '000 | 104,756 | 99,501 | 87,160 | 81,725 | 75,732 |
| EBIT | € '000 | 9,498 | 6,516 | 7,466 | 5,362 | -317 |
| Earnings before income taxes | € '000 | 7,152 | 4,894 | 9,081 | 7,700 | -1,768 |
| Earnings after taxes | € '000 | 4,183 | 2,658 | 7,288 | 5,615 | -2,238 |
| Earnings per share | €/share | 1.52 | 0.96 | 2.64 | 2.04 | -0.81 |
| Cash-flow | € '000 | 10,415 | 8,507 | 9,357 | 9,963 | 2,791 |
| Capital expenditures | € '000 | 5,774 | 3,191 | 1,926 | 2,640 | 2,949 |
| Depreciation | € '000 | 4,630 | 4,728 | 4,344 | 3,882 | 3,676 |
| Number of employees | | 833 | 825 | 807 | 767 | 768 |

A.S. Création Tapeten AG, Gummersbach

Interim Management Report

on the business performance for the six-month period ended June 30, 2017

Sales performance

Having experienced 1.7% growth for the full year 2016, the eurozone economy was forecast to expand at a moderate rate of 1.8% in 2017 in view of declining demand from China and other emerging countries. The available data for the first half of 2017 have confirmed this expectation. In the past years, the German economy grew more strongly than the average of the other eurozone countries. But Germany is no longer experiencing a special trend of economic activity. Accordingly, only moderate economic growth of 1.6% is projected for 2017. 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 tight, as the Russian economy is suffering particularly strongly from the low oil price. 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. However, all the signs are now pointing towards a stabilisation in Russia. While the Russian economy contracted by 3.7% and 0.5% in 2015 and 2016, respectively, an increase by 1.3% is projected for 2017 due to the slight pick-up in the oil price and the stabilisation of the rouble. Russia's inflation rate will probably be more moderate in 2017 than in the previous years. In Russia, too, the data for the half of 2017 confirm the forecasts for the full year.

The continued difficult macroeconomic environment had an adverse impact on A.S. Création's sales revenues in the first six months of 2017. At € 75.7 million, consolidated sales revenues were down by € 6.0 million or 7.3% on the previous year's € 81.7 million. The sales performance in the second quarter of 2017 was disappointing. While first-quarter sales revenues had been expected to decline, the company's projections for the second quarter provided for a moderate rise in revenues, which was not achieved, however. Right on the contrary, Group revenues dropped by another 8.3% in Q2 2017.

The breakdown of revenues by regions shows that A.S. Création's revenues in the European Union (EU) dropped sharply in the first six months of 2017. Gross revenues in the European Union (EU) were down by 12.5% on the previous year. The strongest declines in revenues were recorded in Germany and France, where overall demand for wallpapers and furnishing fabrics was lower in the reporting period. Retailers also reported declining sales of other interior design products such as wall paints in the first half of 2017. Customer footfalls are generally on the decline across the retail sector. As A.S. Création's product range has met with a very good response from our retail partners, this "footfall problem" is particularly disappointing in the eyes of the Managing Board. On the upside, A.S. Création was able to increase its UK revenues – denominated in pound sterling – in the first half of 2017. Due to the depreciation of the pound sterling resulting from the Brexit vote, these revenues – denominated in euros – were lower than in the previous year, however. The translation effects resulting from the depreciation of the pound sterling reduced Group revenues by € 0.2

million in the first half of 2017. This figure does not include the effects of the reduced competitiveness resulting from the fact that products made in Germany have become more expensive for British consumers.

Gross revenues generated by A.S. Création in non-EU Eastern European countries in the first half of 2017 were up by a gratifying 11% on the previous year, marking the first half-year increase since Q2 2013. However, much of this increase is attributable to the higher value of the Russian rouble against the euro in the first half of 2017 compared to the average of the first six months of the previous year. This positive translation effect accounts for € 0.6 million of the € 0.9 million increase in gross revenues from € 7.9 million to € 8.8 million in this region.

Even so, these minor positive effects cannot conceal the fact that A.S. Création lost some € 3 million in revenues in each the first and the second quarter of 2017 compared to the previous year and that sales revenues of € 75.7 million (previous year: € 81.7 million) for the first six months of 2017 fall short of the expectations for the fiscal year 2017. The sales performance in the year to date is therefore disappointing in the eyes of the Managing Board.

Earnings performance

A.S. Création's earnings clearly deteriorated in the current fiscal year. Besides the low revenues, the declining gross profit margin, high exchange losses and the still not ideal cost structure resulted in a loss after taxes of € -2.2 million in the first half of 2017, compared to a profit after taxes of € 5.6 million in the same period of the previous year.

The € 6.0 million drop in revenues, together with the decline in the gross profit margin from 53.9% in the previous year to 50.4% in the reporting period, sent gross profits falling by € 6.1 million from € 44.7 million in the previous year to € 38.6 million in the reporting period. The reduced revenues account for € 3.4 million of this decline, while the lower gross profit margin accounts for € 2.7 million. The latter is attributable to higher commodity prices, which could not be offset by adjusting the company's own selling prices. Right on the contrary, selling prices came under further pressure as a result of the existing overcapacities and the more intense competition ensuing from this situation.

The measures to reduce personnel expenses launched in the context of the merger of the two German production facilities were continued in the first half of 2017. The ongoing start-up of production in Belarus meant that staff was hired already in the first half of 2017. As a result, the headcount increased by one person from 767 in the previous year to 768 in H1 2017. At € 20.8 million, personnel expenses were down by € 0.6 million or 3.0% on the previous year's € 21.4 million in the first six months of 2017. The Managing Board's objective for the full fiscal year 2017 to reduce personnel expenses as a percentage of total output below the high level of the previous year has not been reached yet. At 27.1%, personnel expenses as a percentage of total output exceeded the previous year's 25.8%. This is primarily due to the fact that the savings resulting from the headcount reduction were offset by the collective pay rises of 2.1% which became effective in January 2017 for most of the domestic employees. Moreover, as already reported, sales revenues in H1 2017 were much

lower than planned, which meant that we were unable to improve personnel expenses as a percentage of total output through higher revenues.

At € 15.0 million, other operating expenses in the first six months of 2017 were more or less on a par with the previous year's € 14.9 million, as higher exchange losses and increased valuation allowances on receivables contrasted with reduced maintenance and freight expenses in the reporting period. Earnings before interest and taxes in the first half of 2017 were adversely affected by exchange losses of € 0.4 million, compared to exchange gains of € 0.4 million in the same period of the previous year.

As a result of the above effects, the A.S. Création Group reported an operating loss of € -0.3 million in the first six months of 2017, compared to a profit of € 5.4 million in the previous year. Even if adjusted for the above-mentioned exchange rate effects, earnings before interest and taxes declined from € 5.0 million in H1 2016 to € 0.1 million in the reporting period.

The Group's financial result declined by € 3.8 million to -1.5 million (previous year: € 2.3 million). The earnings situation of the Russian joint venture, 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. While a pro-rated profit of € 2.2 million was reported for the first half of 2016, a pro-rated loss of € -1.7 million was posted for the reporting period. It should be noted that the prior-year figure includes translation-related exchange gains of € 1.9 million, whereas the at-equity result was reduced by exchange losses of € 1.0 million in the reporting period. Adjusted for the exchange rate effects, the pro-rated result of A.S. & Palitra deteriorated from € 0.3 million in the previous year to € -0.7 million. This mainly reflects the fact that the joint venture was unable to fully utilise its production capacity in the reporting period due to reduced wallpaper consumption in Russia. Increased commodity prices additionally weighed on the company's gross profit margin.

The decline in EBIT and in the financial result led to earnings before taxes of € -1.8 million in H1 2017, down € 9.5 million on the previous year's € 7.7 million. Earnings after taxes stood at € -2.2 million in H1 2017 (previous year: € 5.6 million). Adjusted for the exchange rate effects, earnings after taxes declined from € 3.4 million in the previous year to € -0.8 million in the first half of 2017.

Financial and net worth position

At € 2.8 million, cash flow was down by € 7.2 million on the previous year's € 10.0 million in the first half of 2017. Apart from the poorer earnings position in the current fiscal year, this decline is also attributable to a one-time boost of € 2.9 million to the previous year's cash flow, namely the partial refund of the penalty by the French competition authorities, which had lost the appeal proceedings in 2016.

In the first half of 2017, the typical seasonal increases in trade receivables and inventories were lower than in the previous year. Days of sales outstanding (DSO) improved from 69 days in the first half of 2016 to 64 days in the reporting period. At 4.0, average annual inventory turnover remained almost unchanged from the previous year's 4.1. The lower cash flow was, however, insufficient to fully finance the increase in net current assets. As a result, operating cash flow for the first six months of 2017 was negative at € -2.7 million.

Investments totalled € 2.9 million in the reporting period (previous year: € 2.6 million), of which € 1.3 million related to the start-up of wallpaper production in Belarus. In 2016, investments included construction measures as well as technical replacement investments and investments in capacity expansion resulting from the concentration of A.S. Création's German wallpaper production activities in Wiehl-Bomig. As a result, investments in the first half of 2017 were only slightly higher than in the previous year, in spite of the investment project in Belarus.

By contrast, a higher need for cash resulted from the dividend payment in the reporting period. Because of the high profit generated in the fiscal year 2016, a dividend of € 3.4 million was distributed to the shareholders in Q2 2017 (previous year: € 1.7 million), resulting in a corresponding outflow of cash.

In the first half of 2017, A.S. Création reduced its interest-bearing financial liabilities by € 1.1 million from € 9.6 million on December 31, 2016 to € 8.5 million on June 30, 2017. As of the balance sheet date, these financial liabilities contrasted with cash and cash equivalents as well as current financial assets of € 10.5 million (December 31, 2016: € 21.2 million), leaving A.S. Création with a net credit position of € 2.0 million on June 30, 2017 (December 31, 2016: € 11.7 million). The equity ratio of 67.5% as of June 30, 2017 underlines A.S. Création's 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, 2017, the Group's total assets amounted to € 135.9 million (previous year: € 149.8 million), of which 77.2% (previous year: 79.9%), 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 6.1% (previous year: 5.4%) of total assets and 9.1% (previous year: 8.5%) of the equity capital.

Forecast

The original projections for the full fiscal year 2017 provided for sales revenues of between € 155 million and € 160 million. Based on these revenues and the additional assumption that the gross profit margin would decline only moderately, earnings before interest and taxes (excl. exchange rate effects and additional charges from the antitrust proceedings) were expected to come in at between € 3 million and € 4 million in fiscal 2017. These full-year projections contrast with earnings before interest and taxes of € 0.1 million in the first six months of 2017. Full-year projections for earnings after taxes were based on the additional

assumption that the Russian joint venture would generate increased revenues and would clearly break even (excl. exchange rate effects). As a result, Group earnings after taxes were expected to reach between € 4 million and € 5 million. These full-year projections contrast with earnings after taxes of € -0.8 million in the first half of 2017.

In view of the business performance in the second quarter of 2017, the Managing Board currently assumes that this full-year projections for 2017 will probably not be achieved.

With regard to sales revenues, the second half of 2017 will probably be marked by continued fierce competition for market share. The Managing Board of A.S. Création does not expect a general turnaround that could lead to a significant increase in wallpaper consumption in the Western and Eastern European wallpaper markets until the end of the year.

The Managing Board remains convinced that A.S. Création 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 in terms of both width and diversity. It will be important to raise retailers' and consumers' awareness of the many design options offered by wallpaper. The respective projects have already been initiated. While the data compiled by the Association of German Wallpaper Manufacturers for the second quarter of 2017 show that A.S. Création expanded its market shares slightly both domestically and in the export arena compared to the prior-year period, these gains were not sufficient for A.S. Création to increase its sales revenues amidst a contracting market during the first half of 2017. However, some hope arises from the fact that incoming orders in the current month of July have so far been much higher than in July 2016, although these incoming orders do not allow a conclusion to be drawn for sales revenues in the second half of 2017, as the business model of A.S. Création is essentially based on the immediate fulfilment of orders with the wallpapers and furnishing fabrics that are in stock. This means that there are no order backlogs which would secure sales revenues in the coming months.

The start-up of wallpaper production in Belarus is proceeding according to plan. Production is scheduled to start in November/December 2017, which means that no relevant contribution will be made to Group revenues for the fiscal year 2017. The Belarus company is expected to contribute more than € 10 million to Group revenues starting 2018.

As a result of the unexpectedly strong decline in the gross profit margin in H1 2017, which resulted from increased commodity costs and fiercer price competition, the € 6.0 million drop in sales revenues contrasts with a decline in gross profits in the same amount. Against this background, the improvements to A.S. Création's cost structure achieved to date are clearly not sufficient, which is clearly reflected in earnings for the first six months. The coming months will therefore be marked by cost cutting in all areas. Apart from the reduction in personnel expenses, the optimisation of the logistic and production processes as well as the administrative processes will have a high priority.

In view of the great uncertainty currently surrounding the factors that will influence A.S. Création's earnings until the end of the fiscal year 2017, the Managing Board will not present revised projections for the full year 2017 before the end of the third quarter.

The risk and opportunity profile of A.S. Création Tapeten AG has not changed materially as compared to the presentation in the 2016 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 25, 2017

A.S. Création Tapeten AG

The Managing Board

Krämer

Bantel

Suskas

A.S. Création Tapeten AG, Gummersbach

Consolidated balance sheet

as per June 30, 2017

| Assets | | | |
|--|--------------|----------------------|----------------------|
| | | 30.06.2017 | 31.12.2016 |
| | | € '000 | € '000 |
| Tangible fixed assets | | 26,467 | 26,240 |
| Intangible fixed assets | | 8,314 | 8,106 |
| Investments accounted for at equity | | 0 | 0 |
| Financial assets | | 9,146 | 10,548 |
| Other assets | | 5,410 | 4,895 |
| Deferred tax assets | | 518 | 481 |
| Non-current assets | | 49,855 | 50,270 |
| Inventories | | 38,621 | 37,681 |
| Trade receivables | | 29,367 | 24,830 |
| Other assets | | 6,227 | 5,819 |
| Income tax receivables | | 1,616 | 847 |
| Cash and cash equivalents | | 10,223 | 20,826 |
| Current assets | | 86,054 | 90,003 |
| Total assets | | 135,909 | 140,273 |
| Equity and liabilities | | | |
| | Notes No. | 30.06.2017 € '000 | 31.12.2016 € '000 |
| Capital stock | | 9,000 | 9,000 |
| Capital reserves | | 13,757 | 13,757 |
| Revenue reserves | | 82,097 | 83,177 |
| Profit carried forward | | -12,774 | -18,490 |
| Earnings after taxes | | -2,238 | 7,435 |
| Adjustment for own shares | | -4,021 | -4,021 |
| Currency translation differences | | 5,959 | 5,644 |
| Equity | | 91,780 | 96,502 |
| Financial liabilities (interest-bearing) | | 4,087 | 5,777 |
| Other liabilities | | 570 | 638 |
| Provisions | (1) | 14,898 | 15,645 |
| Deferred tax liabilities | | 707 | 891 |
| Non-current liabilities | | 20,262 | 22,951 |
| Financial liabilities (interest-bearing) | | 4,385 | 3,798 |
| Other liabilities | | 11,987 | 9,663 |
| Trade payables | | 7,312 | 7,119 |
| Provisions | | 75 | 117 |
| Tax liabilities | | 108 | 123 |
| Current liabilities | | 23,867 | 20,820 |
| Total equity and liabilities | | 135,909 | 140,273 |

A.S. Création Tapeten AG, Gummersbach

Consolidated income statement

for the six-month period ended June 30, 2017

| | Notes No. | 2017 € '000 | 2016 € '000 |
|---|--------------|----------------|----------------|
| Sales | (2) | 75,732 | 81,725 |
| Increase or decrease in unfinished and finished goods | | 941 | 1,335 |
| Total output | | 76,673 | 83,060 |
| Cost of materials | | 38,027 | 38,320 |
| Gross profit | | 38,646 | 44,740 |
| Other income | | 529 | 771 |
| | | 39,175 | 45,511 |
| Personnel expenses | | 20,767 | 21,406 |
| Depreciation | | 3,676 | 3,882 |
| Other operating expenses | | 15,049 | 14,861 |
| Operating expenses | | 39,492 | 40,149 |
| Earnings before interest and taxes (EBIT) | | -317 | 5,362 |
| Interest and similar income | | 569 | 592 |
| Results from investments accounted for at equity | | -1,718 | 2,159 |
| Interest and similar expenses | | 302 | 413 |
| Financial result | | -1,451 | 2,338 |
| Earnings before income taxes | | -1,768 | 7,700 |
| Income taxes | (3) | 470 | 2,085 |
| Earnings after taxes | | -2,238 | 5,615 |
| Earnings per share | (4) | -0.81 € | 2.04 € |

A.S. Création Tapeten AG, Gummersbach

Consolidated statement of comprehensive income

for the six-month period ended June 30, 2017

| | 2017 € '000 | 2016 € '000 |
|--|----------------|----------------|
| Earnings after taxes | -2,238 | 5,615 |
| Items, that will never be reclassified to profit or loss: | | |
| Actuarial gains/losses from pension provisions | 851 | -2,156 |
| Deferred taxes on other comprehensive income | -266 | 674 |
| | 585 | -1,482 |
| Items, that are or may be reclassified to profit or loss: | | |
| Foreign currency translation differences for fully consolidated companies | -156 | -52 |
| Foreign currency translation differences for investments accounted for at equity | 471 | -816 |
| Change in fair value of an interest rate hedge | 88 | 54 |
| Deferred taxes on other comprehensive income | -27 | -17 |
| | 376 | -831 |
| Other comprehensive income (outside profit or loss) | 961 | -2,313 |
| Total comprehensive income | -1,277 | 3,302 |

A.S. Création Tapeten AG, Gummersbach

Consolidated income statement

for the three-month period ended June 30, 2017

| | Notes No. | 2017 € '000 | 2016 € '000 |
|---|--------------|----------------|----------------|
| Sales | (2) | 34,012 | 37,074 |
| Increase or decrease in unfinished and finished goods | | 776 | 2,407 |
| Total output | | 34,788 | 39,481 |
| Cost of materials | | 18,172 | 19,457 |
| Gross profit | | 16,616 | 20,024 |
| Other income | | -51 | 375 |
| | | 16,565 | 20,399 |
| Personnel expenses | | 10,253 | 10,542 |
| Depreciation | | 1,819 | 1,935 |
| Other operating expenses | | 6,878 | 7,088 |
| Operating expenses | | 18,950 | 19,565 |
| Earnings before interest and taxes (EBIT) | | -2,385 | 834 |
| Interest and similar income | | 287 | 299 |
| Results from investments accounted for at equity | | -2,152 | 1,261 |
| Interest and similar expenses | | 169 | 200 |
| Financial result | | -2,034 | 1,360 |
| Earnings before income taxes | | -4,419 | 2,194 |
| Income taxes | (3) | -267 | 463 |
| Earnings after taxes | | -4,152 | 1,731 |
| Earnings per share | (4) | -1.51 € | 0.63 € |

A.S. Création Tapeten AG, Gummersbach

Consolidated statement of comprehensive income

for the three-month period ended June 30, 2017

| | 2017 € '000 | 2016 € '000 |
|--|----------------|----------------|
| Earnings after taxes | -4,152 | 1,731 |
| Items, that will never be reclassified to profit or loss: | | |
| Actuarial gains/losses from pension provisions | 551 | -720 |
| Deferred taxes on other comprehensive income | -173 | 225 |
| | 378 | -495 |
| Items, that are or may be reclassified to profit or loss: | | |
| Foreign currency translation differences for fully consolidated companies | -193 | -23 |
| Foreign currency translation differences for investments accounted for at equity | 796 | -530 |
| Change in fair value of an interest rate hedge | 40 | 37 |
| Deferred taxes on other comprehensive income | -12 | -12 |
| | 631 | -528 |
| Other comprehensive income (outside profit or loss) | 1,009 | -1,023 |
| Total comprehensive income | -3,143 | 708 |

A.S. Création Tapeten AG, Gummersbach

Consolidated statement of changes in equity

for the six-month period ended June 30, 2017

| | 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 |

| | 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, 2017 | 9,000 | 13,757 | 83,177 | -18,490 | 7,435 | -4,021 | 5,644 | 96,502 |
| Earnings after taxes 2016 | 0 | 0 | 0 | 7,435 | -7,435 | 0 | 0 | 0 |
| Dividend payments | 0 | 0 | 0 | -3,445 | 0 | 0 | 0 | -3,445 |
| Allocation to revenue reserves | 0 | 0 | -1,726 | 1,726 | 0 | 0 | 0 | 0 |
| Total comprehensive income 2017 | 0 | 0 | 646 | 0 | -2,238 | 0 | 315 | -1,277 |
| June 30, 2017 | 9,000 | 13,757 | 82,097 | -12,774 | -2,238 | -4,021 | 5,959 | 91,780 |

A.S. Création Tapeten AG, Gummersbach

Consolidated cash flow statement

for the six-month period ended June 30, 2017

| | 2017 € '000 | 2016 € '000 |
|--|----------------|----------------|
| Operating activities | | |
| Earnings after taxes | -2,238 | 5,615 |
| + Depreciation on tangible and intangible fixed assets | 3,676 | 3,882 |
| +/- Increase/decrease in long-term provisions | 104 | 3,007 |
| -/+ Income/expenses from investments accounted for at equity | 1,718 | -2,159 |
| -/+ Increase/decrease in present value of corporate income tax credit | -5 | -6 |
| -/+ Income/expenses from changes in deferred taxes | -464 | -376 |
| Cash-flow | 2,791 | 9,963 |
| -/+ Profit/losses from disposal of tangible and intangible fixed assets | 71 | -55 |
| -/+ Increase/decrease in inventories | -1,094 | -1,883 |
| -/+ Increase/decrease in trade receivables | -4,609 | -5,824 |
| +/- Increase/decrease in trade payables | 230 | 2,913 |
| -/+ Increase/decrease in other net working capital | -68 | 2,308 |
| Cash-flow from operating activities | -2,679 | 7,422 |
| Investing activities | | |
| - Cash outflows for capital expenditures on tangible and intangible fixed assets | -2,949 | -2,640 |
| Capital expenditures | -2,949 | -2,640 |
| + Proceeds from current financial investments | 150 | 9,000 |
| + Proceeds from credits and bonds granted | 100 | 165 |
| + Proceeds from the disposal of tangible and intangible fixed assets | 109 | 131 |
| Cash-flow from investing activities | -2,590 | 6,656 |
| Financing activities | | |
| - Dividends paid to shareholders of A.S. Création Tapeten AG | -3,445 | -1,654 |
| +/- Raising/repayment of financial liabilities (interest-bearing) | -1,701 | -3,233 |
| Cash-flow from financing activities | -5,146 | -4,887 |
| Net change in cash and cash equivalents | -10,415 | 9,191 |
| +/- Change in cash and cash equivalents due to exchange rate fluctuations | -188 | -3 |
| + Cash and cash equivalents at January 1 | 20,826 | 6,918 |
| Cash and cash equivalents at June 30 | 10,223 | 16,106 |

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

A.S. Création Tapeten AG, Gummersbach

Notes to the consolidated financial statements

for the six-month period ended June 30, 2017

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, 2017 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, 2016. 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, 2016.

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 9 "Financial Instruments" includes new regulations regarding the classification and measurement of financial instruments and the impairment of financial instruments. As financial instruments are of minor importance for A.S. Création, no material impact on the consolidated financial statements is expected.

IFRS 15 "Revenue from Contracts with Customers" in particular includes regulations to the question how and when revenue is to be recognised. An initial detailed analysis conducted by A.S. Création on the basis of existing contractual obligations has identified certain accounting aspects which should be qualified as a separate performance obligation influencing the recognition of revenue over time. According to the current state of the analysis, however, these accounting aspects are only of little importance at A.S. Création in relation to the consolidated revenues generated. The costs of obtaining a contract, which generally should be recognised and amortised over the term of the contract, are qualified as immaterial as they are very low. No impact on the consolidated financial statements is expected. A.S. Création intends to adopt IFRS 15 as of January 1, 2018 and to use the option of the modified retrospective first-time adoption based on the current state of the analysis. The full analysis and any potential adjustments of systems and processes that may be required will be completed by the end of 2017.

According to IFRS 16 “Leases”, lessees should recognise all leases and the associated rights and obligations in the balance sheet. This will lead to a moderate increase in assets and equity 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 2017 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, eleven subsidiaries are consolidated, thereof ten companies are fully consolidated and one company is accounted for using the equity method. By the acquisition of the shares in OOO Profistil, the basis of consolidation increased by one company compared to the consolidated financial statements for 2016.

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 | |
|---------------------------|----------------------------|------------|----------------------------|----------|
| | 30.06.2017 | 31.12.2016 | 2017 | 2016 |
| Pound Sterling (GBP/€) | 0.87865 | 0.85860 | 0.86060 | 0.77891 |
| Russian Rouble (RUB/€) | 67.49930 | 63.81110 | 62.68678 | 78.38830 |
| Belarusian Rouble (BYN/€) | 2.20880 | 2.06860 | 2.05199 | 2.26175 |

Notes to the balance sheet

(1) Long-term provisions

Long-term provisions divide as follows:

| | 30.06.2017 | 31.12.2016 |
|--------------------|---------------|---------------|
| | € '000 | € '000 |
| Pension provisions | 12,009 | 12,756 |
| Other provisions | 2,889 | 2,889 |
| | 14,898 | 15,645 |

Other provisions concern risks from the anti-trust proceeding in France.

Notes to the income statement

(2) Sales

A breakdown of Group sales by region is provided below:

| | Wallpaper Division | | Fabrics Division | | Consolidation | | Group | |
|-----------------------|--------------------|---------------|------------------|--------------|---------------|------------|---------------|---------------|
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| | € '000 | € '000 | € '000 | € '000 | € '000 | € '000 | € '000 | € '000 |
| Germany | 29,439 | 35,032 | 5,240 | 5,614 | -36 | -46 | 34,643 | 40,600 |
| EU (excl. Germany) | 33,043 | 36,777 | 1,076 | 1,212 | -23 | -30 | 34,096 | 37,959 |
| European Union (EU) | 62,482 | 71,809 | 6,316 | 6,826 | -59 | -76 | 68,739 | 78,559 |
| Other Eastern Europe | 8,633 | 7,699 | 176 | 237 | 0 | 0 | 8,809 | 7,936 |
| Other countries | 6,074 | 6,120 | 310 | 282 | 0 | 0 | 6,384 | 6,402 |
| Sales (gross) | 77,189 | 85,628 | 6,802 | 7,345 | -59 | -76 | 83,932 | 92,897 |
| Reduction in revenues | -7,701 | -10,622 | -500 | -551 | 1 | 1 | -8,200 | -11,172 |
| Sales (net) | 69,488 | 75,006 | 6,302 | 6,794 | -58 | -75 | 75,732 | 81,725 |

(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:

| | 2017 | 2016 |
|-----------------------------|------------|--------------|
| | € '000 | € '000 |
| Current income tax expenses | 934 | 2,461 |
| Deferred taxes | -464 | -376 |
| | 470 | 2,085 |

(4) Earnings per share

Earnings per share are calculated as follows:

| | | 2017 | 2016 |
|---|----------------|--------------|-------------|
| Number of shares outstanding (weighted average) | shares | 2,756,351 | 2,756,351 |
| Net profit | € | -2,237,689 | 5,615,300 |
| Earnings per share | €/share | -0.81 | 2.04 |

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:

| | 2017 | 2016 |
|-------------------|--------|--------|
| | € '000 | € '000 |
| Interest received | 7 | 12 |
| Interest paid | 176 | 253 |
| Income tax paid | 1,716 | 2,971 |

Interest paid primarily relates to investment financing.

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

| | 2017 | 2016 |
|--|---------------|---------------|
| | € '000 | € '000 |
| Raising of financial liabilities (excl. financial lease) | 668 | 0 |
| Repayment of financial liabilities (excl. financial lease) | -2,312 | -2,997 |
| Repayment of liabilities under financial lease contracts | -57 | -236 |
| | -1,701 | -3,233 |

(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 | |
|--|--------------------|----------------|------------------|----------------|----------------|----------------|----------------|----------------|
| | 2017 € '000 | 2016 € '000 | 2017 € '000 | 2016 € '000 | 2017 € '000 | 2016 € '000 | 2017 € '000 | 2016 € '000 |
| External sales | 69,457 | 74,969 | 6,275 | 6,756 | 0 | 0 | 75,732 | 81,725 |
| Intra-Group sales | 31 | 37 | 27 | 38 | -58 | -75 | 0 | 0 |
| Total sales | 69,488 | 75,006 | 6,302 | 6,794 | -58 | -75 | 75,732 | 81,725 |
| EBITDA ¹ | 3,267 | 9,005 | 92 | 239 | 0 | 0 | 3,359 | 9,244 |
| EBITDA-margin | 4.7 % | 12.0 % | 1.5 % | 3.5 % | | | 4.4 % | 11.3 % |
| EBIT ² | -320 | 5,205 | -9 | 146 | 12 | 11 | -317 | 5,362 |
| EBIT-margin | -0.5 % | 6.9 % | -0.1 % | 2.1 % | | | -0.4 % | 6.6 % |
| Interest income | 615 | 638 | 0 | 1 | -46 | -47 | 569 | 592 |
| Results from investments accounted for at equity | -1,718 | 2,159 | 0 | 0 | 0 | 0 | -1,718 | 2,159 |
| Interest expenses | 290 | 395 | 58 | 65 | -46 | -47 | 302 | 413 |
| Earnings before taxes | -1,713 | 7,607 | -67 | 82 | 12 | 11 | -1,768 | 7,700 |
| Return on sales (before taxes) | -2.5 % | 10.1 % | -1.1 % | 1.2 % | | | -2.3 % | 9.4 % |
| Income taxes | 488 | 2,052 | -23 | 30 | 5 | 3 | 470 | 2,085 |
| Capital expenditures ³ | 2,817 | 2,617 | 132 | 23 | 0 | 0 | 2,949 | 2,640 |
| Depreciation | 3,587 | 3,800 | 101 | 93 | -12 | -11 | 3,676 | 3,882 |
| Cash-flow ³ | 2,769 | 9,817 | 22 | 146 | 0 | 0 | 2,791 | 9,963 |
| Segment assets ⁴ | 116,382 | 123,173 | 6,993 | 6,935 | -74 | -77 | 123,301 | 130,031 |
| thereof non-current assets | (47,985) | (48,641) | (1,358) | (1,291) | (-6) | (-28) | (49,337) | (49,904) |
| Segment liabilities ⁵ | 18,496 | 23,205 | 1,515 | 1,446 | -68 | -49 | 19,943 | 24,602 |
| Employees (average) | 698 | 695 | 70 | 72 | 0 | 0 | 768 | 767 |

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 equity and liabilities less shareholders' equity, long-term provisions, tax liabilities, deferred tax liabilities and financial liabilities.

Of the total non-current Group assets of € 49.337 million (previous year: € 49.904 million), an amount of € 27.617 million (previous year: € 29.326 million) relates to Germany, an amount of € 9.913 million (previous year: € 10.711 million) to other EU countries and an amount of € 11.807 million (previous year: € 9.867 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

(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:

| | 2017 € '000 | 2016 € '000 |
|-----------------|----------------|----------------|
| Sales | 84 | 154 |
| Purchases | 1,818 | 2,181 |
| Interest income | 562 | 578 |

| | 30.06.2017 € '000 | 31.12.2016 € '000 |
|-------------------|----------------------|----------------------|
| Shareholder loans | 16,763 | 16,919 |
| Receivables | 5,168 | 4,641 |
| Liabilities | 638 | 1,361 |

The relationship of the company with A.S. Création Tapeten Stiftung, a charitable foundation, mentioned in the consolidated financial statement 2016, as well as the agreements with Franz Jürgen Schneider and Jörn Kämper relating the release from the anti-trust proceedings continued to exist in the period under review.

(9) Post balance sheet events

No events that require reporting have occurred.

Gummersbach, July 25, 2017

A.S. Création Tapeten AG

The Managing Board

Krämer

Bantel

Suskas

Investor Relations

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