



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

A.S. CRÉATION TAPETEN AG

		2012	2013	2014	2015	2016
Sales	€ '000	151,930	153,094	145,240	126,839	116,290
EBIT	€ '000	11,558	11,713	8,606	6,751	4,908
Earnings before income taxes	€ '000	10,193	8,550	6,107	5,566	7,600
Earnings after taxes	€ '000	6,811	4,852	3,176	3,445	5,503
Earnings per share	€/share	2.47	1.76	1.15	1.25	2.00
Cash-flow	€ '000	13,866	13,789	11,886	10,181	11,378
Capital expenditures	€ '000	10,258	7,292	4,297	3,489	3,809
Depreciation	€ '000	7,362	7,045	7,096	6,362	5,827
Number of employees		828	836	823	805	767

A.S. Création Tapeten AG, Gummersbach

Management Report

on the business performance for the nine-month period ended September 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 three quarters of 2016 was in line with projections. The German economy no longer steamed ahead, with growth also settling at a low level of 1.6% in 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. While the RUB exchange rate improved somewhat in the current fiscal year, the average exchange rate in the first three quarters of 2016, at RUB/€ 76.13, still exceeded the average of the first three quarters of 2013 of RUB/€ 41.71 by 83%; 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 the forecast for 2016 is still very high at 7%. It is therefore not surprising that private consumption, a pillar of the Russian economy in the past, is declining.

The overall macroeconomic environment had an adverse impact on A.S. Création's sales revenues in the first nine months of 2016. At € 116.3 million, Group revenues were down by € 10.5 million or 8.3% on the previous year's € 126.8 million in the reporting period. While this was a more moderate reduction than the 12.0% drop recorded in the fiscal year 2015, the decline in revenues accelerated in the course of the year and reached 12.9% in the third quarter of 2016. In view of customers' positive response to A.S. Création's current product range, this is a disappointing trend in the opinion of the Managing Board.

The breakdown of revenues by regions shows that A.S. Création's revenues declined across all regions in the first three quarters of 2016. Sales revenues in the European Union (EU) were down by 5.9% on the previous year. Even revenues in France, which were still on a par with the previous year at the six-month stage, declined in the third quarter. Besides France, A.S. Création recorded a notable reduction in revenues 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 nine 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 fiscal year 2016. In the UK, A.S. Création's sales to DIY stores showed a negative trend in the current fiscal year. As stores reduced their own stocks, manufacturers received 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 19.8% in the first nine months of 2016. Besides the unfavourable exchange rate of the Russian rouble against the euro, which is making exports to the region extremely difficult, in 2016 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.

The overall revenue trend in the current fiscal year is not satisfying, although it is in line with the projections for the fiscal year 2016, according to which the Managing Board expects still Group sales revenues of between € 150 million and €160 million.

Earnings performance

At € 4.9 million, A.S. Création's earnings before interest and taxes (EBIT) in the first three quarters of 2016 were down by € 1.9 million or 27.3% on the previous year's € 6.8 million. The EBIT margin fell from 5.3% in the previous year to 4.2% in the reporting period. Earnings before interest and taxes were affected by material extraordinary factors both in the current fiscal year and in the previous year:

- 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 / losses
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. Exchange gains of € 0.3 million were recognised in other operating income in the first nine months of 2016. By contrast, exchange losses of € 1.2 million were recorded in the same period of the previous year and recognised in other operating expenses.
- Valuation allowances on receivables
The negative economic developments in 2015, especially in Eastern Europe, caused financial bottlenecks at some customers. 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 fiscal year 2015. No further adjustment of the parameters has been required in the current fiscal year.

- Concentration of the German 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. € 1.2 million in the first nine months of 2016 and weighed on other operating expenses. Provisions for severance payments in the amount of € 0.9 million were established in the previous year, compared to expenses for severance payments of only € 0.1 million in the reporting period.

In the first nine months of 2016, the above extraordinary factors had a negative impact in the amount of € 1.0 million on EBIT (previous year: € 1.1 million), which means that the effects of the extraordinary factors were almost identical in both years. The change in EBIT thus ultimately reflects the poorer earnings position of A.S. Création, which is primarily attributable to the € 10.5 million decline in sales revenues in the reporting period. The fact that A.S. Création was able to limit the reduction in EBIT to € 1.9 million shows that the company has taken the right measures to protect its profitability.

The positive gross profit margin trend of the first six months of 2016 did not continue in the third quarter, when the gross profit margin dropped to 50.7% (previous year: 54.1%). On a nine-month basis, the margin deteriorated moderately from 53.5% in the previous year to 53.0% in the current fiscal year. This was due to the generally lower sales revenues resulting from lower sales prices in Q3 2016 in conjunction with slightly higher commodity prices.

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 805 in the first three quarters of 2015 to 767 in the reporting period, and personnel expenses, at € 31.0 million, were down by 6.1% on the previous year's € 33.0 million. The Managing Board's objective for the full fiscal year 2016 to reduce personnel expenses as a percentage of total output below the high level of the previous year has not been reached, however. At 26.7%, personnel expenses as a percentage of total output were more or less on a par with the previous year's 26.6%. An improvement in personnel expenses as a percentage of total output was prevented by the collective pay rise of 2.6% that became effective in November 2015 for most of the company's domestic employees as well as by the lower sales revenues.

Besides personnel expenses, depreciation and other operating expenses were also below the prior year levels in the current fiscal year 2016 and helped to reduce the shortfall in earnings resulting from the lower sales revenues.

At € 2.7 million, the consolidated financial result improved notably in the first three quarters of 2016 (previous year: € -1.2 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. While a pro-rated loss of € -1.3 million was posted in the previous year, the joint venture generated a pro-rated profit of € 2.4 million in the current fiscal year. 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 in the reporting period. These exchange gains of € 2.0 million are included in the pro-rated result after taxes. In the previous year, the pro-rated result after taxes was adversely affected by exchange losses of € -1.4 million. This means that A.S. Création's share in profit after taxes adjusted for exchange gains/losses amounted to € 0.4 million (previous year: € 0.1 million). 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 was 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 € 7.6 million in the first three quarters of 2016, up € 2.0 million or 36.5% on the previous year's € 5.6 million. Adjusted for the above extraordinary factors, A.S. Création's earnings before taxes declined from € 8.1 million in the first nine months of 2015 to € 6.6 million in the reporting period.

Earnings after taxes amounted to € 5.5 million (previous year: € 3.4 million) or € 2.00 per share (previous year: € 1.25) in the first nine months of 2016.

Financial and net worth position

At € 12.3 million, operating cash flow was down by € 2.7 million in the first three quarters of 2016 on the previous year's € 15.0 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 € 3.8 million, capital expenditures exceeded the previous year's € 3.5 million by € 0.3 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 three quarters of 2016 saw a reduction in interest-bearing financial liabilities from € 16.2 million on December 31, 2015 by € 4.3 million to € 11.9 million on September 30, 2016. As of the balance sheet date, these financial liabilities contrasted with cash and cash equivalents as well as current financial assets of € 19.5 million, leaving A.S. Création with a net credit position of € 7.6 million on September 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 € 0.3 million. The equity ratio of 64.4% as of September 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 September 30, 2016, the Group's total assets amounted to € 146.5 million (previous year: € 147.8 million), of which 79.9% (previous year: 82.7%), 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 5.5% (previous year: 5.5%) of total assets and 8.5% (previous year: 8.8%) of the equity capital.

Forecast

With sales revenues down by 12.9%, the third quarter of 2016 was disappointing. The company's hopes of further slowing down the drop in revenues were not fulfilled. At this stage, the Managing Board nevertheless assumes that consolidated sales revenues will reach the projected range of € 150 million to € 160 million in the full fiscal year 2016, as announced.

Against the background of the business trend, the Managing Board considers the most important task on stabilising its revenues and returning to growth. At the same time, the cost structures need to be further improved. While the concentration of the German production facilities at a single location was right and necessary, the earnings trend shows that it was not sufficient.

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. It will be important to raise retailers' and consumers' awareness of the many design options offered by wallpaper.

With regard to the revenue trend in non-EU Eastern European countries, the Managing Board expects demand to continue to shift towards locally produced wallpaper. This trend is being intensified by the additional production capacity that has been built up in this region. Moreover, the continued unfavourable exchange rate relation between the Russian rouble and the euro is having an adverse effect on exports to Eastern Europe. While the Managing Board therefore expects sales of German-produced wallpaper in this region to settle at a low level, opportunities for growth will arise for the Russian distribution company, A.S. Création (RUS), and for the joint venture, A.S. & Palitra. However, the growing revenues of the joint venture will not be reflected in A.S. Création's consolidated sales revenues as the company is accounted for using the equity method. The Managing Board's strategy is aimed at expanding the local production capacity and increasing sales revenues via the Group companies.

Finally, the Managing Board will intensify distribution activities in the wallpaper markets outside Western and Eastern Europe, although no short-term successes are expected here.

With regard to the operating performance, the sales trend 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 by increasing sales revenues and reducing personnel expenses. 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 full fiscal year 2015, A.S. Création generated earnings before and after taxes of only € 5.6 million and € 3.3 million, respectively. At €7.6 million and € 5.5 million, earnings before and after taxes generated in the first nine months of the current fiscal year already exceed the results of the full year 2015. From today's point of view, the Managing Board assumes that A.S. Création is thus well on track to reach its earnings projections and anticipates reporting a significantly improved result compared to the previous year.

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, October 31, 2016

A.S. Création Tapeten AG

The Managing Board

Krämer

Bantel

Suskas

A.S. Création Tapeten AG, Gummersbach

Consolidated balance sheet

as per September 30, 2016

Assets			
		30.09.2016	31.12.2015
		€ '000	€ '000
Tangible fixed assets		27,032	29,146
Intangible fixed assets		8,037	8,057
Investments accounted for at equity		0	0
Financial assets		9,799	8,510
Other assets		4,594	3,690
Income tax receivables		293	295
Deferred tax assets		650	512
Non-current assets		50,405	50,210
Inventories		38,659	38,859
Trade receivables		31,806	28,240
Other assets		4,542	14,223
Income tax receivables		2,144	1,955
Cash and cash equivalents		18,980	6,918
Current assets		96,131	90,195
Total assets		146,536	140,405
Equity and liabilities			
	Notes	30.09.2016	31.12.2015
	No.	€ '000	€ '000
Capital stock		9,000	9,000
Capital reserves		13,757	13,757
Revenue reserves		82,482	81,133
Profit carried forward		-18,670	-17,216
Earnings after taxes		5,503	3,287
Adjustment for own shares		-4,021	-4,021
Currency translation differences		6,285	7,248
Equity		94,336	93,188
Financial liabilities (interest-bearing)		6,625	10,005
Other liabilities		689	781
Provisions	(1)	16,809	11,124
Deferred tax liabilities		777	2,037
Non-current liabilities		24,900	23,947
Financial liabilities (interest-bearing)		5,293	6,172
Other liabilities		15,099	10,585
Trade payables		6,719	6,070
Provisions		77	131
Tax liabilities		112	312
Current liabilities		27,300	23,270
Total equity and liabilities		146,536	140,405

A.S. Création Tapeten AG, Gummersbach

Consolidated income statement

for the nine-month period ended September 30, 2016

	Notes No.	2016 € '000	2015 € '000
Sales	(2)	116,290	126,839
Increase or decrease in unfinished and finished goods		-288	-2,727
Total output		116,002	124,112
Cost of materials		54,560	57,683
Gross profit		61,442	66,429
Other income		1,013	2,849
		62,455	69,278
Personnel expenses		30,965	32,978
Depreciation		5,827	6,362
Operating taxes		331	388
Other operating expenses		20,424	22,799
Operating expenses		57,547	62,527
Earnings before interest and taxes (EBIT)		4,908	6,751
Interest and similar income		880	840
Results from investments accounted for at equity		2,417	-1,346
Interest and similar expenses		605	679
Financial result		2,692	-1,185
Earnings before income taxes		7,600	5,566
Income taxes	(3)	2,097	2,121
Earnings after taxes		5,503	3,445
Earnings per share	(4)	2.00 €	1.25 €

A.S. Création Tapeten AG, Gummersbach

Consolidated statement of comprehensive income

for the nine-month period ended September 30, 2016

	2016	2015
	€ '000	€ '000
Earnings after taxes	5,503	3,445
Items, that will never be reclassified to profit or loss:		
Actuarial gains/losses from pension provisions	-2,634	1,074
Deferred taxes on other comprehensive income	823	-335
	-1,811	739
Items, that are or may be reclassified to profit or loss:		
Foreign currency translation differences for fully consolidated companies	-63	763
Foreign currency translation differences for investments accounted for at equity	-900	786
Change in fair value of interest rate hedges	106	163
Deferred taxes on other comprehensive income	-33	-51
	-890	1,661
Other comprehensive income (outside profit or loss)	-2,701	2,400
Total comprehensive income	2,802	5,845

A.S. Création Tapeten AG, Gummersbach

Consolidated income statement

for the three-month period ended September 30, 2016 (3rd quarter)

	Notes No.	2016 € '000	2015 € '000
Sales	(2)	34,565	39,679
Increase or decrease in unfinished and finished goods		-1,623	-2,404
Total output		32,942	37,275
Cost of materials		16,240	17,104
Gross profit		16,702	20,171
Other income		242	-973
		16,944	19,198
Personnel expenses		9,559	10,241
Depreciation		1,945	2,018
Operating taxes		120	134
Other operating expenses		5,774	7,520
Operating expenses		17,398	19,913
Earnings before interest and taxes (EBIT)		-454	-715
Interest and similar income		288	292
Results from investments accounted for at equity		258	-2,874
Interest and similar expenses		192	218
Financial result		354	-2,800
Earnings before income taxes		-100	-3,515
Income taxes	(3)	12	328
Earnings after taxes		-112	-3,843
Earnings per share	(4)	-0.04 €	-1.39 €

A.S. Création Tapeten AG, Gummersbach

Consolidated statement of comprehensive income

for the three-month period ended September 30, 2016 (3rd quarter)

	2016	2015
	€ '000	€ '000
Earnings after taxes	-112	-3,843
Items, that will never be reclassified to profit or loss:		
Actuarial gains/losses from pension provisions	-478	0
Deferred taxes on other comprehensive income	149	0
	-329	0
Items, that are or may be reclassified to profit or loss:		
Foreign currency translation differences for fully consolidated companies	-11	1,398
Foreign currency translation differences for investments accounted for at equity	-84	1,564
Change in fair value of interest rate hedges	52	25
Deferred taxes on other comprehensive income	-16	-8
	-59	2,979
Other comprehensive income (outside profit or loss)	-388	2,979
Total comprehensive income	-500	-864

A.S. Création Tapeten AG, Gummersbach

Consolidated statement of changes in equity

for the nine-month period ended September 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	851	0	3,445	0	1,549	5,845
September 30, 2015	9,000	13,757	79,172	-15,746	3,445	-4,021	7,129	92,736

	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	-1,738	0	5,503	0	-963	2,802
September 30, 2016	9,000	13,757	82,482	-18,670	5,503	-4,021	6,285	94,336

A.S. Création Tapeten AG, Gummersbach

Consolidated cash flow statement

for the nine-month period ended September 30, 2016

	2016 € '000	2015 € '000
Operating activities		
Earnings after taxes	5,503	3,445
+ Depreciation on tangible and intangible fixed assets	5,827	6,362
+/- Increase/decrease in long-term provisions	3,051	189
-/+ Income/expenses from investments accounted for at equity	-2,417	1,346
-/+ Increase/decrease in present value of corporate income tax credit	-10	-19
-/+ Income/expenses from changes in deferred taxes	-576	-1,142
Cash-flow	11,378	10,181
-/+ Profit/losses from disposal of tangible and intangible fixed assets	-60	-43
-/+ Increase/decrease in inventories	440	1,967
-/+ Increase/decrease in trade receivables	-3,422	278
+/- Increase/decrease in trade payables	536	717
-/+ Increase/decrease in other net working capital	3,378	1,860
Cash-flow from operating activities	12,250	14,960
Investing activities		
- Cash outflows for capital expenditures on tangible and intangible fixed assets	-3,809	-3,247
- Cash outflows for credits and bonds granted	0	-242
Capital expenditures	-3,809	-3,489
-/+ Cash outflows / proceeds from current financial investments	9,000	0
+ Repayments of credits and bonds granted	330	0
+ Proceeds from the disposal of tangible and intangible fixed assets	177	146
Cash-flow from investing activities	5,698	-3,343
Financing activities		
- Dividends paid to shareholders of A.S. Création Tapeten AG	-1,654	0
+/- Raising/repayment of financial liabilities (interest-bearing)	-4,260	-4,001
Cash-flow from financing activities	-5,914	-4,001
Net change in cash and cash equivalents	12,034	7,616
+/- Change in cash and cash equivalents due to exchange rate fluctuations	28	-17
+ Cash and cash equivalents at January 1	6,918	5,775
Cash and cash equivalents at September 30	18,980	13,374

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 nine-month period ended September 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 nine-month period ended September 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, ten subsidiaries are consolidated, thereof nine companies are fully consolidated and one company is accounted for using the equity method. Compared to the consolidated financial statements for 2015, consolidated entity has increased by one company.

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 £ 0.80313/€ (2015: £ 0.72714/€) and a closing rate of £ 0.86135/€ (2015: £ 0.73800/€) were used for the pound sterling, while an average annual rate of RUB 76.12693/€ (2015: RUB 66.42453/€) and a closing rate of RUB 70.88230/€ (2015: RUB 74.58250/€) were applied for the Russian rouble.

Notes to the income statement

(1) Provisions

Non-current provisions break down as follows:

	30.09.2016	30.09.2015
	€ '000	€ '000
Pension provisions	13,920	11,742
Other provisions	2,889	0
	16,809	11,742

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	2015	2016	2015	2016	2015	2016	2015
	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000
Germany	48,464	51,416	7,924	7,851	-81	-118	56,307	59,149
EU (excl. Germany)	52,191	56,257	1,717	1,760	-39	-39	53,869	57,978
European Union (EU)	100,655	107,673	9,641	9,611	-120	-157	110,176	117,127
Other Eastern Europe	11,776	14,766	348	355	0	0	12,124	15,121
Other countries	9,396	10,955	385	433	0	0	9,781	11,388
Sales (gross)	121,827	133,394	10,374	10,399	-120	-157	132,081	143,636
Reduction in revenues	-15,047	-16,109	-745	-689	1	1	-15,791	-16,797
Sales (net)	106,780	117,285	9,629	9,710	-119	-156	116,290	126,839

(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	2015
	€ '000	€ '000
Current income tax expenses	2,673	3,263
Deferred taxes	-576	-1,142
	2,097	2,121

(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
Net profit	€	5,503,290	3,444,594
Earnings per share	€/share	2.00	1.25

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	15	19
Interest paid	370	474
Income tax paid	3,059	3,879
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	1,246
Raising of liabilities under financial lease contracts	0	0
Repayment of financial liabilities (excl. financial lease)	-3,923	-4,894
Repayment of liabilities under financial lease contracts	-337	-353
	-4,260	-4,001

(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	106,712	117,183	9,578	9,656	0	0	116,290	126,839
Intra-Group sales	68	102	51	54	-119	-156	0	0
Total sales	106,780	117,285	9,629	9,710	-119	-156	116,290	126,839
EBITDA ¹	10,533	12,807	202	301	0	5	10,735	13,113
EBITDA-margin	9.9 %	10.9 %	2.1 %	3.1 %			9.2 %	10.3 %
EBIT ²	4,825	6,560	63	169	20	22	4,908	6,751
EBIT-margin	4.5 %	5.6 %	0.7 %	1.7 %			4.2 %	5.3 %
Interest income	948	907	1	1	-69	-68	880	840
Results from investments accounted for at equity	2,417	-1,346	0	0	0	0	2,417	-1,346
Interest expenses	578	656	96	91	-69	-68	605	679
Earnings before taxes	7,612	5,465	-32	79	20	22	7,600	5,566
Return on sales (before taxes)	7.1 %	4.7 %	-0.3 %	0.8 %			6.5 %	4.4 %
Income taxes	2,099	2,080	-8	35	6	6	2,097	2,121
Capital expenditures ³	3,714	3,347	95	142	0	0	3,809	3,489
Depreciation	5,708	6,247	139	132	-20	-17	5,827	6,362
Cash-flow ³	11,279	10,001	99	175	0	5	11,378	10,181
Segment assets 30.09 ⁴	116,970	122,341	7,015	7,139	-67	-198	123,918	129,282
thereof non-current assets	(48,176)	(48,893)	(1,306)	(1,290)	(-20)	(-45)	(49,462)	(50,138)
Segment liabilities 30.09. ⁵	20,878	22,786	1,754	1,624	-47	-140	22,585	24,270
Employees (average)	695	733	72	72	0	0	767	805

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 income 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 € 49.462 million (previous year: € 50.138 million), an amount of € 29.018 million (previous year: € 30.172 million) relates to Germany, an amount of € 10.494 million (previous year: € 11.390 million) to other EU countries and an amount of € 9.950 million (previous year: € 8.576 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	299	253
Purchases	3,458	3,936
Interest income	864	821

	30.09.2016	30.09.2015
	€ '000	€ '000
Shareholder loans	16,942	16,672
Receivables	4,426	3,193
Liabilities	1,035	653

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, October 31, 2016

A.S. Création Tapeten AG

The Managing Board

Krämer

Bantel

Suskas

Investor Relations

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