

AS CREATION

INTERIM REPORT FOR THE PERIOD
ENDED JUNE 30, 2020

A.S. CRÉATION TAPETEN AG

		2016	2017	2018	2019	2020
Sales	€ '000	81,725	75,732	72,756	75,601	68,570
EBIT	€ '000	5,362	-317	886	3,776	710
Earnings after income taxes	€ '000	5,615	-2,238	-1,074	4,275	-347
Earnings per share	€/share	2.04	-0.81	-0.39	1.55	-0.13
Cash-flow from operating activities	€ '000	7,422	-2,679	-1,894	3,956	6,830
Capital expenditures	€ '000	2,640	2,949	3,872	2,539	2,016
Depreciation	€ '000	3,882	3,676	3,079	3,114	3,071
Number of employees		767	768	747	746	743

A.S. Création Tapeten AG, Gummersbach

Interim Management Report

on the business performance for the six-month period ended June 30, 2020

Sales performance

While the eurozone economy grew by 1.2% in the full year 2019, a growth rate of only 0.9% was projected for 2020 in view of the decline in exports. Because of the coronavirus crisis, very far-reaching measures were taken in many EU countries from mid-March onwards to contain the spread of the virus. These lockdowns led to a collapse of the economies in the respective countries and of international trade. Although there has been a slight recovery in the meantime, the forecasts of the European Commission for 2020 assume a noticeable 8.3% decline in economic output in the EU. A decline by 6.3% is projected for Germany, which is the largest output market of A.S. Création. This means that the economic conditions in the eurozone have deteriorated dramatically. At this stage, it is impossible to reliably assess whether these forecasts for the full year will actually materialise. Should the infection come back in a second wave and lead to a renewed lockdown, the gross domestic product will decline even more strongly.

Growth in the Russian economy had already slowed to 1.3% in 2019. Besides the unresolved political tensions between Russia and the USA and the European Union, this is mainly attributable to the VAT hike from 18% to 20% as of January 1, 2019 and the lower crude oil price. These problems have continued in the current year and have been exacerbated by the COVID-19 crisis and the imposed lockdown. On balance, Russia's gross domestic product is projected to drop by 5.5% in the full year 2020. As a result of these many adverse factors, the exchange rate of the Russian rouble against the euro has collapsed. In the course of the first three months of 2020, the Russian currency depreciated by a strong 23.6% from RUB 69.34/€ at the beginning of the year to RUB 85.74/€ at the end of March 2020. The rouble exchange rate recovered somewhat in the second quarter and stood at RUB 78.68/€ at the end of June 2020. This means that the Russian rouble depreciated by 13.5% against the euro in the first half of 2020. The Belarusian rouble followed a similar trend, losing 14.9% against the euro in the first six months of 2020.

The macroeconomic environment has changed dramatically since March 2020 and is having an adverse impact on A.S. Création. While A.S. Création still recorded strong revenue growth of 8.5% in the first two months of the fiscal year, the company clearly lost revenues as of March, which resulted in a 1.1% drop in the Group's total first-quarter revenues. As a result of the drastic measures imposed in connection with the coronavirus pandemic, revenues dropped sharply in April and May 2020. The strong 15.3% increase in revenues in the month of June, which came about as a result of the relaxation of the restrictions in many countries, failed to offset these slumps in revenues, leaving A.S. Création with a marked 17.7% drop in revenues to € 30.8 million in the second quarter of 2020 (Q2 2019: € 37.4 million). Total consolidated revenues for the first six months of 2020 amounted to € 68.6 million, which was € 7.0 million or 9.3% below the previous year's € 75.6 million. While

revenues in the Wallpaper Division declined by 8.9%, the Furnishing Fabrics Division lost 13.4% in revenues.

The breakdown of revenues by region shows that A.S. Création recorded declining revenues in all regions except Germany in the first half of 2020. A.S. Création's domestic revenues in the first six months of the current fiscal year increased by a noticeable 5.4% from € 34.1 million in the previous year to € 35.9 million. This reflects the success of the company's two campaigns "New Walls" and "Neue Bude 2.0", which were presented at the International Partner Days in autumn 2019 and for which deliveries started in early 2020. Moreover, the lockdown initiated in Germany in March did not cover all distribution channels and thus not all domestic customers of A.S. Création, which means that sales of wallpaper and furnishing fabrics not only continued in the following months but were also expanded significantly, especially in the distribution channels of the DIY stores and the online segment.

The higher revenues in Germany contrasted with declining revenues in the rest of the EU, where A.S. Création suffered a noticeable decline in gross revenues, which dropped by 16.1% from € 34.6 million in the previous year to € 29.1 million in the first six months of 2020. This reduction is primarily attributable to the situation in France, the second largest wallpaper market in the EU behind Germany. As a result of the lockdown, sales of wallpaper and furnishing fabrics in France came to an almost complete standstill in the second half of March and in April. In contrast to Germany, all sales channels were affected by the lockdown in France. Revenues also declined noticeably in Great Britain and Poland.

While consolidated revenues in non-EU Eastern European countries still increased by a strong 5.2% in the first three months of 2020, the company suffered a 43.3% drop in revenues in the second quarter of 2020. This slump must be seen in connection with the lockdown imposed in some countries in this region in response to the COVID-19 crisis. Far-reaching measures to contain the virus were taken particularly in Russia. This affected both A.S. Création (RUS), the Russian distribution company, and Profistil, the Belarusian Group company, whose main output market is Russia. Export sales from Germany to third-party customers in this region also declined in both the Wallpaper Division and the Furnishing Fabrics Division. As a result of the slump in Q2 revenues, Group revenues in non-EU Eastern European countries declined by a total of € 2.1 million or 23.4% from € 9.3 million in the previous year to € 7.2 million in the first half of 2020.

The political and economic crises and the effects of the coronavirus pandemic also prevented an increase in revenues in the remaining countries outside Western and Eastern Europe. In this region, A.S. Création generated gross revenues of € 4.3 million in the first six months of 2020, down by 18.9% on the previous year's € 5.3 million.

The consolidated revenues generated in the first half of 2020 are no longer in line with the Group's plans, which provide for full-year revenues of between € 143 million and € 153 million and six-month revenues of between € 72 million and € 77 million. Although there are initial signs of recovery, it is uncertain whether it will be possible to make up for the decline in second-quarter revenues in the following months.

Earnings performance

For the first half of 2020, A.S. Création reports earnings before interest and taxes of € 0.7 million, down by € 3.1 million on the previous year's € 3.8 million. The EBIT decline in the reporting period is exclusively due to exchange losses resulting from the strong depreciation of the Russian and Belarusian rouble against the euro in the course of the first six months of 2020. As the Eastern European subsidiaries are largely financed in euros, this depreciation resulted in a translation-related exchange loss of € 2.0 million, whereas a translation-related exchange gain of € 1.0 million was generated in the first six months of the previous year. Adjusted for these currency effects, earnings before interest and taxes amounted to € 2.7 million in the first half of 2020 (previous year: € 2.8 million) and thus reached roughly the previous year's level in both the Wallpaper Division and the Furnishing Fabrics Division. Due to the lower level of sales, the adjusted EBIT margin improved slightly from the previous year's 3.7% to 4.0% in the first half of 2020.

The fact that it was possible to maintain earnings before interest and taxes adjusted for currency effects roughly on the previous year's level despite a decline in sales of € 7.0 million or 9.3% is seen as a great success by the Managing Board.

The gross profit margin, which improved significantly by 2.5 percentage points from 51.5% in the previous year to 54.0% in the reporting period, had a major effect. In addition to a significant reduction in inventories, the consistent increase of the share of higher-value and higher-priced products in the overall product range and, hence, the success of the product policy of the past years as well as the increased share of low-volume business in total sales have a positive effect on the gross profit margin. A.S. Création moreover benefited from lower purchase prices for raw materials and supplies. At € 35.9 million, gross profit in the first half of 2020 was only down by € 2.9 million on the previous year's € 38.8 million. This decline in gross profit from the sales process was offset by savings in personnel expenses and other operating expenses.

At € 18.5 million, personnel expenses in the first six months of 2020 were down by € 0.7 million or 4.1% on the previous year's € 19.2 million. As this reduction did not keep pace with the 11.8% decline in total output, the personnel expense ratio (personnel expenses as a percentage of total output) deteriorated to 27.8% in the reporting period (previous year: 25.5%). This means that, in the first half of 2020, the company has been unable to improve this performance indicator as planned for the fiscal year 2020, which is attributable to the sharp drop in revenues which started in mid-March as a result of the coronavirus pandemic. A.S. Création responded to this slump in sales by reducing working hours from mid-March onwards. This was primarily implemented by reducing the overtime accumulated in the working time accounts in the past. In addition, the labour market policy instrument of short-time working was used in some areas. The structural changes within the A.S. Création Group already decided and initiated before the coronavirus pandemic took effect in the first half of 2020. Against the background of the commissioning of the second production line at the Belarusian company Profistil in October 2019, additional employees were hired in the course of the second half of 2019. As a result, this company employed an average of 112 people in the reporting period, ten more than in the first six months of 2019 (previous year: 102 people). By contrast, the average headcount of the other entities of the A.S. Création Group declined by 13 people from 644 in the first half of 2019 to 631 in the reporting period.

Other operating expenses were reduced slightly by € 0.1 million or 0.6% from € 14.5 million in the previous year to € 14.4 million in the first half of 2020. However, other operating expenses in the reporting period include translation-related exchange losses in the amount of € 2.0 million. Adjusted for the exchange losses, other operating expenses amounted to € 12.4 million, € 2.1 million below the previous year's € 14.5 million, while the ratio of other operating expenses to total output improved to 18.6% (previous year: 19.2%). This improvement is essentially attributable to cost savings.

Despite the lower level of sales, earnings before interest and taxes (excluding currency effects) of € 2.7 million achieved in the first six months of 2020 are in line with the plans for 2020, which project EBIT (excluding currency effects) of between € 4 million and € 5 million for the full year and between € 2.5 million and € 3.0 million for the first half of the year.

Due to the lower financial liabilities, the financial result improved slightly to € -0.4 million in the first half of 2020 (previous year: € -0.5 million).

Earnings before interest and taxes and the financial result lead to earnings before taxes of € 0.3 million in the reporting period, down by € 3.0 million on the € 3.3 million in the first half of 2019. The currency effects already explained in connection with the operating result also affected earnings before taxes. Adjusted for these currency effects, earnings before taxes of € 2.3 million were exactly at the previous year's level.

Given that only part of the translation-related exchange losses in the reporting period have a tax-reducing effect, income taxes of € 0.7 million were incurred in the first half of 2020 on a profit before taxes of € 0.3 million. This resulted in a loss after taxes from continuing operations of € -0.4 million, compared to a profit of € 2.3 million in the previous year. Adjusted for the currency effects explained above, earnings after taxes from continuing operations amounted to € 1.5 million (previous year: € 1.4 million). This slightly improved result after taxes from continuing operations (excl. currency effects) is in line with the plans for 2020, which projected between € 2.5 million and € 3.5 million for the full year and between € 1.3 million and € 1.8 million for the first half of the year.

In the course of 2019, the 50% stake in A.S. & Palitra, the Russian joint venture, was sold, which means this company was no longer included in the basis of consolidation in the reporting period – in contrast to the previous year. Accordingly, the consolidated result of the first half of 2020 does not include any earnings contributions from this company, while earnings after taxes of the first half of 2019 still included an earnings contribution of € 2.0 million from these discontinued operations.

All in all, the decline in sales in connection with the coronavirus crisis as well as the resulting depreciation of the Russian and Belarusian rouble against the euro, lead to the posting of a small loss by A.S. Création in the first half of 2020. If the currency effects are disregarded, A.S. Création has clearly mastered the challenges of the coronavirus pandemic successfully so far and its business model has remained intact. Despite the lower Group sales revenues, the results in the first half of 2020 are in line with the plans for 2020. The Managing Board considers this fact a great success.

Financial and net assets position

Despite the deterioration in earnings, operating cash flow of € 6.8 million in the first half of 2020 exceeded the previous year's € 4.0 million by € 2.8 million. This improvement is due to the significantly stronger reduction in net current assets compared to the previous year. On the one hand, inventories were reduced by € 2.7 million, while an increase by € 1.2 million was reported in the previous year. The funds tied up in other net current assets were also reduced compared to the previous year. At € 6.2 million, the increase in trade receivables in the first half of 2020 was, on the other hand, lower than the previous year's € 7.3 million.

Days of sales outstanding deteriorated slightly from 64 days in the first half of 2019 to 67 days in the reporting period due to the lower level of sales. Despite the reduction in inventories, inventory turnover deteriorated from 4.4x per year in the previous year to 4.1x per year in the first half of 2020. This development is also due to the lower level of sales.

Financing requirements for investments amounted to € 2.0 million in the reporting period, down € 0.5 million on the previous year's € 2.5 million. This decline is due to two opposing effects. On the one hand, investments in the new wallpaper production facility in Belarus declined by € 1.0 million, as the first expansion phase has meanwhile been completed. On the other hand, capital expenditures at A.S. Création Tapeten AG in the first half of 2020 were up by € 0.5 million on the previous year due to modernisation investments. In addition to these modernisation investments, capital expenditures in the first half of 2020 primarily comprised investments in printing tools for new wallpaper collections.

Due to the high cash flow from operating activities, both the investments and the dividend payment of € 2.5 million as well as the scheduled repayment of financial liabilities in the amount of € 1.6 million could be financed from the cash flow from operating activities in the reporting period. The net credit position (difference between cash and cash equivalents as well as current financial assets and interest-bearing financial liabilities) increased by € 2.8 million in the first six months from € 6.1 million as of December 31, 2019 to € 8.9 million as of June 30, 2020. It is composed of cash and cash equivalents in the amount of € 21.4 million and interest-bearing financial liabilities of € 12.5 million, which means that liquidity is still very high. Besides this net credit position, the high equity ratio of 60.5% on the balance sheet date (June 30, 2019: 52.7%) also underlines the very solid and robust financial structure of A.S. Création.

In the opinion of the Managing Board, A.S. Création also has a solid net worth position. As at June 30, 2020, the A.S. Création Group's total assets amounted to € 127.0 million (June 30, 2019: € 140.1 million), of which 88.7% (June 30, 2019: 86.2%), i.e. by far the biggest portion, was composed of property, plant and equipment, inventories, trade receivables as well as cash and cash equivalents. By contrast, intangible assets (including goodwill) carried in the consolidated balance sheet as of the reporting date played a minor role and represented only 6.7% (June 30, 2019: 6.8%) of the Group's total assets and 11.1% (June 30, 2019: 12.5%) of its equity capital.

Important events in the interim reporting period

Roland Bantel, who was appointed member of the Managing Board of A.S. Création on April 1, 2015, left the Managing Board by mutual agreement with effect from March 31, 2020. Mr Bantel's responsibilities were assumed by CEO Daniel Barth.

In the context of the restructuring of the distribution network in France, the former distribution companies A.S. Création (France) S.A.S., SCE – Société de conception et d'édition S.A.S. and MCF Investissement S.A.S. were merged and the remaining company was renamed CREALIS S.A.S. as of June 1, 2020. The objective of this restructuring is to improve the market positioning of the "A.S. Création", "Lutèce" and "Montecolino" brands in the French wallpaper market and to make them more attractive for the different distribution channels by clearly distinguishing them. In addition, the merger and the related standardisation of internal processes will lead to a more efficient organisation in the interest of the French customers.

Forecast

In the 2019 Annual Report, the Managing Board published the following forecasts regarding the key performance indicators for the fiscal year 2020:

- Group sales revenues should amount to between € 143 million and € 153 million in 2020, compared to € 141 million in the past fiscal year.
- The gross profit margin is expected to be slightly lower than the previous year's 50.5%.
- The personnel expense ratio, which stood at 26.5% in 2019, should decline to around 25% – excl. severance payments – in 2020.
- Earnings before interest and taxes should come in at between € 4 million and € 5 million in 2020. This figure does not include any extraordinary effects such as exchange gains or losses. This means that A.S. Création's operating performance should improve noticeably compared to the previous year's EBIT of € 3.4 million (excl. currency effects).
- Earnings after taxes from continuing operations – excluding extraordinary factors such as currency effects – could reach between € 2.5 million and € 3.5 million in 2020, compared to € 1.4 million in 2019.

As described above, in the first half of 2020 all of the above-mentioned KPIs were in line with the plans and budgets for the full year, with the exception of the Group sales revenues and the personnel expense ratio. Because of the coronavirus crisis, however, major uncertainties still exist with regard to the further development until the end of the year.

In the course of May, the first easing of restrictions on private, public and economic life imposed as a result of the coronavirus pandemic occurred in Germany, England, France and Russia and thus in the largest wallpaper markets in Europe. The governments' aim is to get back to normality step by step.

In the month of June 2020, A.S. Création reported a considerable increase in Group sales revenues by a good 15% over the same month of the previous year, and in the months of July 2020, A.S. Création is also expected to increase Group sales revenues significantly over the previous year. Whether this development can be continued until the end of 2020 and the plans for the full year 2020 can thus be achieved, is, however, open. The Managing Board considers two basic scenarios to be possible in the remaining months of 2020.

In a positive scenario, demand for wallpapers and furnishing fabrics will increase sustainably as the contact bans and stay-at-home orders imposed in the context of the coronavirus crisis and the corresponding concerns of the population have caused people to rediscover the pleasures of their own homes, which will lead to a wave of renovation. This effect will be reinforced by the fact that holiday travel is expected to be severely restricted in 2020, so that large parts of the population will spend their holidays at home and thus the financial resources normally used for holiday travel will be available for renovation purposes, among other things.

In a negative scenario, however, demand for wallpaper and furnishing fabrics will decline. The negative economic consequences of the coronavirus pandemic and the first lockdown in the affected countries are so substantial that they will lead to a deep recession with numerous insolvencies and a sharp rise in unemployment in the second half of the year. This development could be aggravated by a renewed sharp increase in the number of infections that leads to a second lockdown phase. As a result of spreading concern about the future and financial worries, private households will severely restrict their consumer spending. Given that wallpaper and furnishing fabrics are not essential goods and that renovations can easily be postponed, this consumer restraint will lead to a noticeable decline in A.S. Création's sales revenues.

At this point in time, it is impossible for the Managing Board to seriously assess which scenario is likely to materialise. Therefore, the Managing Board is also unable to make a well-founded statement as to whether and, if so, to what extent the plans and budgets for the full year 2020 should be downgraded. The Managing Board therefore intends to decide at a later date – probably after the end of the third quarter – on a possible adjustment of the plans and budgets for the full year 2020.

The debate on the personal, social, economic and political consequences of the coronavirus pandemic is very much in the media and public perception, which is undoubtedly justified in view of the dangerousness of the COVID-19 virus and the scale of the measures taken. However, in the opinion of the Managing Board, one should not forget that there will be a time after 2020 and after the pandemic. The Managing Board considers A.S. Création very well positioned for this time.

- With wallpaper and furnishing fabrics, A.S. Création's product portfolio comprises products that are likely to benefit from (mega)trends such as individualisation, the return to the home (cocooning), changes in the world of work (working from home) and urbanisation.
- A.S. Création has already pushed ahead with its own internationalisation, both with respect to its product portfolio and its organisation. With an innovative product range, a

strong license brand portfolio as well as convincing marketing concepts, A.S. Création can provide its customers with an attractive product offering. In combination with its own distribution companies in the large wallpaper markets and its growth-oriented production facility in Belarus, A.S. Création has a good basis for a successful future development.

- A.S. Création is established in all distribution channels and is therefore able to respond to market changes. Its own innovative strength provides the basis for rapid adaptation to such changes.
- A.S. Création has a robust financial structure, high internal financial resources and sufficient liquidity to realise the modernisation investments in logistics, production and IT that are required for the Group's further development.

The Managing Board therefore considers A.S. Création's future prospects to be positive.

Except for the potential consequences of the coronavirus crisis described above, the risk and opportunity profile of A.S. Création Tapeten AG has not changed materially as compared to the presentation in the 2019 Annual Report.

Statement pursuant to Article 315 paragraph 1 sentence 5 of the German Commercial Code (Handelsgesetzbuch – HGB)

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

Gummersbach, July 31, 2020

A.S. Création Tapeten AG

The Managing Board

Barth

Krämer

Suskas

A.S. Création Tapeten AG, Gummersbach

Consolidated balance sheet

as per June 30, 2020

Assets			
	Notes No.	30.06.2020 € '000	31.12.2019 € '000
Tangible fixed assets		31,201	33,884
Intangible fixed assets		8,541	8,399
Other assets		255	245
Deferred tax assets		2,447	1,968
Non-current assets		42,444	44,496
Inventories		31,718	34,788
Trade receivables		28,356	22,543
Other assets		2,967	5,272
Income tax receivables		160	252
Cash and cash equivalents		21,373	20,649
Current assets		84,574	83,504
Total assets		127,018	128,000
Equity and liabilities			
	Notes No.	30.06.2020 € '000	31.12.2019 € '000
Capital stock		9,000	9,000
Capital reserves		13,757	13,757
Revenue reserves		60,182	58,188
Profit / loss carried forward		-4,432	-15,030
Earnings after taxes		-347	14,133
Adjustment for own shares		-4,021	-4,021
Currency translation differences		2,644	2,400
Equity		76,783	79,427
Financial liabilities (interest-bearing)		9,046	10,765
Other liabilities		430	910
Provisions	(1)	15,163	14,487
Non-current liabilities		24,639	26,162
Financial liabilities (interest-bearing)		3,397	3,766
Other liabilities		15,234	11,291
Trade payables		5,117	5,380
Provisions	(1)	151	200
Tax liabilities		1,697	1,774
Current liabilities		25,596	22,411
Total equity and liabilities		127,018	128,000

A.S. Création Tapeten AG, Gummersbach

Consolidated income statement

for the six-month period ended June 30, 2020

	Notes No.	2020 € '000	2019 € '000
Sales	(2)	68,570	75,601
Increase or decrease in unfinished and finished goods		-2,079	-279
Other own work capitalized		0	40
Total output		66,491	75,362
Cost of materials		30,555	36,546
Gross profit		35,936	38,816
Other income		717	1,812
		36,653	40,628
Personnel expenses		18,456	19,239
Depreciation		3,071	3,114
Other operating expenses		14,416	14,499
Operating expenses		35,943	36,852
Earnings before interest and taxes (EBIT)		710	3,776
Interest and similar income		14	23
Interest and similar expenses		375	505
Financial result		-361	-482
Earnings before income taxes		349	3,294
Income taxes	(3)	696	1,014
Earnings after taxes from continued operations		-347	2,280
Earnings after taxes from discontinued operations	(4)	0	1,995
Earnings after taxes		-347	4,275
Earnings per share (basic/diluted)	(5)	-0.13 €	1.55 €

A.S. Création Tapeten AG, Gummersbach

Consolidated statement of comprehensive income

for the six-month period ended June 30, 2020

	2020 € '000	2019 € '000
Earnings after taxes	-347	4,275
Items, that will never be reclassified to profit or loss:		
Actuarial gains/losses from pension provisions	-660	-2,467
Deferred taxes on other comprehensive income	203	759
	-457	-1,708
Items, that are or may be reclassified to profit or loss:		
Foreign currency translation differences for fully consolidated companies	244	-331
Foreign currency translation differences for investments accounted for at equity	0	-887
Change in fair value of an interest rate hedge	576	465
Deferred taxes on other comprehensive income	-179	-144
	641	-897
Other comprehensive income (outside profit or loss)	184	-2,605
Total comprehensive income	-163	1,670

A.S. Création Tapeten AG, Gummersbach

Consolidated income statement

for the three-month period ended June 30, 2020

	Notes No.	2020 € '000	2019 € '000
Sales	(2)	30,756	37,367
Increase or decrease in unfinished and finished goods		-2,534	338
Other own work capitalized		0	28
Total output		28,222	37,733
Cost of materials		12,573	19,009
Gross profit		15,649	18,724
Other income		371	547
		16,020	19,271
Personnel expenses		8,700	9,829
Depreciation		1,538	1,585
Other operating expenses		3,619	6,274
Operating expenses		13,857	17,688
Earnings before interest and taxes (EBIT)		2,163	1,583
Interest and similar income		7	11
Interest and similar expenses		199	262
Financial result		-192	-251
Earnings before income taxes		1,971	1,332
Income taxes	(3)	63	488
Earnings after taxes from continued operations		1,908	844
Earnings after taxes from discontinued operations	(4)	0	0
Earnings after taxes		1,908	844
Earnings per share (basic/diluted)	(5)	0.69 €	0.31 €

A.S. Création Tapeten AG, Gummersbach

Consolidated statement of comprehensive income

for the three-month period ended June 30, 2020

	2020 € '000	2019 € '000
Earnings after taxes	1,908	844
Items, that will never be reclassified to profit or loss:		
Actuarial gains/losses from pension provisions	-331	-1,097
Deferred taxes on other comprehensive income	102	338
	-229	-759
Items, that are or may be reclassified to profit or loss:		
Foreign currency translation differences for fully consolidated companies	-688	5
Foreign currency translation differences for investments accounted for at equity	0	0
Change in fair value of an interest rate hedge	-465	941
Deferred taxes on other comprehensive income	144	-292
	-1,009	654
Other comprehensive income (outside profit or loss)	-1,238	-105
Total comprehensive income	670	739

A.S. Création Tapeten AG, Gummersbach

Consolidated statement of changes in equity

for the six-month period ended June 30, 2020

	Capital stock	Capital reserves	Revenue reserves	Profit/ loss carried forward	Earnings after taxes	Adjust- ment for own shares	Currency trans- lation diffe- rences	Total
	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000
January 1, 2019	9,000	13,757	73,345	-21,421	-5,977	-4,021	7,550	72,233
First adoption of IFRS 16	0	0	-48	0	0	0	0	-48
Earnings after taxes 2018	0	0	0	-5,977	5,977	0	0	0
Dividend payments	0	0	0	0	0	0	0	0
Allocation to revenue reserves	0	0	0	0	0	0	0	0
Total comprehensive income 2019	0	0	-1,387	0	4,275	0	-1,218	1,670
June 30, 2019	9,000	13,757	71,910	-27,398	4,275	-4,021	6,332	73,855

	Capital stock	Capital reserves	Revenue reserves	Profit/ loss carried forward	Earnings after taxes	Adjust- ment for own shares	Currency trans- lation diffe- rences	Total
	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000
January 1, 2020	9,000	13,757	59,188	-15,030	14,133	-4,021	2,400	79,427
Earnings after taxes 2019	0	0	0	14,133	-14,133	0	0	0
Dividend payments	0	0	0	-2,481	0	0	0	-2,481
Allocation to revenue reserves	0	0	1,054	-1,054	0	0	0	0
Total comprehensive income 2020	0	0	-60	0	-347	0	244	-163
June 30, 2020	9,000	13,757	60,182	-4,432	-347	-4,021	2,644	76,783

A.S. Création Tapeten AG, Gummersbach

Consolidated cash-flow statement

for the six-month period ended June 30, 2020

	2020 € '000	2019 € '000
Operating activities		
Earnings after taxes	-347	4,275
+ Depreciation on tangible and intangible fixed assets	3,071	3,114
+/- Increase/decrease in long-term provisions	17	64
-/+ Income/expenses from investments accounted for at equity	0	-1,910
- Non-cash decrease in financial liabilities	-14	26
-/+ Income/expenses from changes in deferred taxes	-502	-301
-/+ Profit/losses from disposal of tangible and intangible fixed assets	42	23
-/+ Increase/decrease in inventories	2,658	-1,228
-/+ Increase/decrease in trade receivables	-6,249	-7,260
+/- Increase/decrease in trade payables	-176	2,209
-/+ Increase/decrease in other net working capital	8,330	4,944
Cash-flow from operating activities	6,830	3,956
thereof from continued operations	(6,830)	(3,914)
Investing activities		
- Cash outflows for capital expenditures on tangible and intangible fixed assets	-2,016	-2,539
Capital expenditures	-2,016	-2,539
+ Proceeds from credits and bonds granted	0	10,504
+ Proceeds from the disposal of tangible and intangible fixed assets	35	92
Cash-flow from investing activities	-1,981	8,057
thereof from continued operations	(-1,981)	(-2,447)
Financing activities		
- Dividend paid to shareholders of A.S. Création Tapeten AG	-2,481	0
+/- Raising/repayment of financial liabilities (interest-bearing)	-1,558	-1,139
Cash-flow from financing activities	-4,039	-1,139
thereof from continued operations	(-4,039)	(-1,139)
Net change in cash and cash equivalents	810	10,874
+/- Change in cash and cash equivalents due to exchange rate fluctuations	-86	-117
+ Cash and cash equivalents at January 1	20,649	11,890
Cash and cash equivalents at June 30	21,373	22,647

Further information on the cash-flow statement is presented in the notes to the consolidated financial statement (see No. 6).

A.S. Création Tapeten AG, Gummersbach

Notes to the consolidated financial statements

for the six-month period ended June 30, 2020

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 consolidated interim financial statements for the period ended June 30, 2020 were prepared by A.S. Création Tapeten AG in a condensed form in accordance with the provisions of IAS 34 “Interim Financial Reporting”. The accounting and valuation methods used are the same as those used for the consolidated financial statements for the period ended December 31, 2019. The latter was prepared on the basis of the International Financial Reporting Standards (IFRS) that were applicable on the reporting date and had been adopted by the European Union as well as the additional requirements pursuant to section 315e (1) of the German Commercial Code (Handelsgesetzbuch HGB). A detailed description of the accounting and valuation methods was published in the notes to the consolidated financial statements for the period ended December 31, 2019.

A.S. Création Tapeten AG has a policy of applying new IFRS as soon as they become effective. The IFRS that were first adopted in the period under review did not have a material impact on the consolidated financial statements of A.S. Création as of June 30, 2020:

- Amendments to the IFRS Conceptual Framework; first-time adoption for fiscal years beginning on or after January 1, 2020.
- Amendments to IFRS 3 “Business Combinations”; first-time adoption for fiscal years beginning on or after January 1, 2020.
- Amendments to IAS 1 “Presentation of Financial Statements” and IAS 8 “Accounting Policies”; first-time adoption for fiscal years beginning on or after January 1, 2020.
- Amendments to IAS 39 “Financial Instruments: Recognition and Measurement”, IFRS 7 “Financial Instruments: Disclosures” and IFRS 9 “Financial Instruments” - Interest Rate Benchmark Reform; first-time adoption for fiscal years beginning on or after January 1, 2020.

The following standard has been published but has not yet become effective or been endorsed by the EU in fiscal 2020:

- Amendments to IAS 1 “Presentation of Financial Statements”; first-time adoption for fiscal years beginning on or after January 1, 2023.

- Amendments to IFRS 16 “Leases”; first-time adoption for fiscal years beginning on or after June 1, 2020.
- Annual improvements to IFRS (2018-2020); first-time adoption for fiscal years beginning on or after January 1, 2022.

No material impact on the consolidated financial statements of A.S. Création are expected.

The preparation of the interim financial statements in accordance with IFRS requires the Managing Board to make estimates and assumptions that affect the presentation of assets and liabilities as well as income and expenses. All estimates and assumptions are made to the best of our knowledge and belief in order to provide a true and fair view of the net assets, financial and earnings position of the Group. The actual values may nevertheless differ from the estimated values. The results achieved in the fiscal year 2020 to date do not necessarily allow predictions to be made about the further course of business.

The present interim financial statements have neither been audited nor reviewed by an auditor.

Notes on the basis of consolidation

The merger of the two French companies MCF Investissement S.A.S. and A.S. Création (France) S.A.S. into SCE – Société de conception et d’édition S.A.S. in the first half of 2020 resulted in the new Group company CREALIS S.A.S. As a result, the number of fully consolidated subsidiaries of A.S. Création Tapeten AG declined from nine to seven.

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	
	30.06.2020	31.12.2019	2020	2019
Pound Sterling (GBP/€)	0.91243	0.85080	0.87463	0.87363
Russian Rouble (RUB/€)	78.68120	69.34060	76.35775	73.57660
Belarus Rouble (BYN/€)	2.70360	2.35240	2.57392	2.39476

Notes to the balance sheet

(1) Provisions

Long-term provisions refer to pension provisions, while short-term provisions mainly refer to potential losses from current contracts and warranties.

Notes to the income statement

(2) Sales

A breakdown of Group sales by region is provided below:

	Wallpaper Division		Fabrics Division		Consolidation		Group	
	2020	2019	2020	2019	2020	2019	2020	2019
	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000
Germany	31,366	28,977	4,564	5,110	-30	-33	35,900	34,054
EU (excl. Germany)	28,124	33,525	942	1,109	-13	-13	29,053	34,621
European Union (EU)	59,490	62,502	5,506	6,219	-43	-46	64,953	68,675
Other Eastern Europe	7,134	9,272	23	69	0	0	7,157	9,341
Other countries	4,083	5,000	179	256	0	0	4,262	5,256
Sales (gross)	70,707	76,774	5,708	6,544	-43	-46	76,372	83,272
Reduction in revenues	-7,404	-7,262	-398	-409	0	0	-7,802	-7,671
Sales (net)	63,303	69,512	5,310	6,135	-43	-46	68,570	75,601

(3) Income taxes

Income taxes recognised comprise the income taxes paid or due in the individual countries as well as deferred tax assets and liabilities. Income taxes break down as follows:

	2020	2019
	€ '000	€ '000
Income taxes	1,198	1,315
Deferred income taxes	-502	-301
	696	1,014

In addition, income taxes in the amount of € 0.00 million (previous year: € 0.038 million) were incurred on discontinued operations.

(4) Earnings after taxes from discontinued operations

Due to the sale of the 50% stake in OOO A.S. & Palitra in 2019, earnings components attributable to these assets are presented separately as earnings after taxes from discontinued operations. These are composed as follows:

	2020 € '000	2019 € '000
Results from assets accounted for at equity	0	1,910
Interest income from shareholder loans	0	123
Financial result from discontinued operations	0	2,033
Income taxes	0	-38
Earnings after taxes from discontinued operations	0	1,995

(5) Earnings per share (basic/diluted)

Earnings per share are calculated as follows:

		2020	2019
Number of shares outstanding (weighted average)	shares	2,756,351	2,756,351
Earnings after taxes	€	-347,367	4,274,541
Earnings per share	€/share	-0.13	1.55
thereof from continued operations	€/share	(-0.13)	(0.83)
thereof from discontinued operations	€/share	(0.00)	(0.72)

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

(6) Cash-flow statement

Cash-flow from operating activities includes the following payments:

	2020 € '000	2019 € '000
Interest received	13	62
thereof from discontinued operations	(0)	(42)
Interest paid	297	377
Income tax received	142	280
Income tax paid	1,349	324

Interest paid primarily relates to investment financing.

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

	2020 € '000	2019 € '000
Raising of financial liabilities	103	102
Repayment of financial liabilities	-1,661	-1,241
thereof from financial lease contracts	(-216)	(-148)
	-1,558	-1,139

(7) Contract fulfilment costs

In the reporting period, contract fulfilment costs as defined in IFRS 15 amounted to € 0.897 million (previous year: € 0.890 million); these are provided continuously over the term of the underlying contract. As the performance for the contract fulfilment costs capitalised in the contractual period, these costs were immediately written off in full in the reporting period.

(8) 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	
	2020 € '000	2019 € '000	2020 € '000	2019 € '000	2020 € '000	2019 € '000	2020 € '000	2019 € '000
External sales	63,276	69,482	5,294	6,119	0	0	68,570	75,601
Intra-Group sales	27	30	16	16	-43	-46	0	0
Total sales	63,303	69,512	5,310	6,135	-43	-46	68,570	75,601
EBITDA ¹	3,576	6,667	205	231	0	-8	3,781	6,890
EBITDA-margin	-5.6 %	9.6 %	3.9 %	3.8 %			5.5 %	9.1 %
EBIT ²	607	3,649	103	121	0	6	710	3,776
EBIT-margin	1.0 %	5.2 %	1.9 %	2.0 %			1.0 %	5.0 %
Interest income ³	21	32	0	0	-7	-9	14	23
Interest expenses	349	470	33	44	-7	-9	375	505
Earnings before taxes ³	279	3,211	70	77	0	6	349	3,294
Return on sales (before taxes) ³	0.4 %	4.6 %	1.3 %	1.3 %			0.5 %	4.4 %
Income taxes ³	673	987	23	25	0	2	696	1,014
Capital expenditures ⁴	2,007	2,527	9	12	0	0	2,016	2,539
Depreciation	2,969	3,018	102	110	0	-14	3,071	3,114
Cash-flow ³								
from operating activities	6,763	3,662	67	260	0	-8	6,830	3,914
from investing activities	-1,990	-2,450	9	3	0	0	-1,981	-2,447
from financing activities	-3,971	-741	-68	-398	0	0	-4,039	-1,139
Segment assets (closing date) ⁵	96,904	109,488	6,166	6,308	-33	-32	103,037	115,764
thereof non-current assets	(38,798)	(41,473)	(1,198)	(1,348)	(0)	(-6)	(39,996)	(42,815)
Segment liabilities (closing date) ⁶	19,592	31,905	1,372	1,501	-33	-26	20,931	33,380
Employees (average)	679	682	64	64	0	0	743	746

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 These **values** refer to continued operations.
 - 4 **Capital expenditures** correspond to the cash flow statement.
 - 5 **Segment assets** are the total assets of the segment less interest-bearing intercompany loans, cash and cash equivalents, deferred tax assets and income tax receivables.
 - 6 **Segment liabilities** are the business segment's total liabilities less shareholders' equity, long-term provisions, tax liabilities, deferred tax liabilities and financial liabilities.

The table below shows a breakdown of the Group's assets by regions and maturities:

	Total		Remaining term of up to 1 year		Remaining term of over 1 year	
	30.06.2020 € '000	31.12.2019 € '000	30.06.2020 € '000	31.12.2019 € '000	30.06.2020 € '000	31.12.2019 € '000
Germany	62,769	62,902	44,444	43,864	18,325	19,038
EU (excl. Germany)	21,849	20,646	12,720	11,447	9,129	9,199
Other Eastern Europe	18,419	21,583	5,877	7,292	12,542	14,291
	103,037	105,131	63,041	62,603	39,996	42,528

(9) Managing Board

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

- Daniel Barth, Chairman, Corporate Strategy, Marketing and Sales
- Maik Krämer, Finance and Controlling
- Antonios Suskas, Production and Logistics
- Roland Bantel (until March 31, 2020)

(10) Related party transactions

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

The relationship of the company with A.S. Création Tapeten Stiftung, a charitable foundation, mentioned in the consolidated financial statement 2019, as well as the agreements with Franz Jürgen Schneider relating the release from the anti-trust proceedings continued to exist in the period under review. No expenses incurred in this context in the reporting period as well as in the previous year.

(11) Post balance sheet events

No events that require reporting occurred.

Gummersbach, July 31, 2020

A.S. Création Tapeten AG

The Managing Board

Barth

Krämer

Suskas

Investor Relations

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