



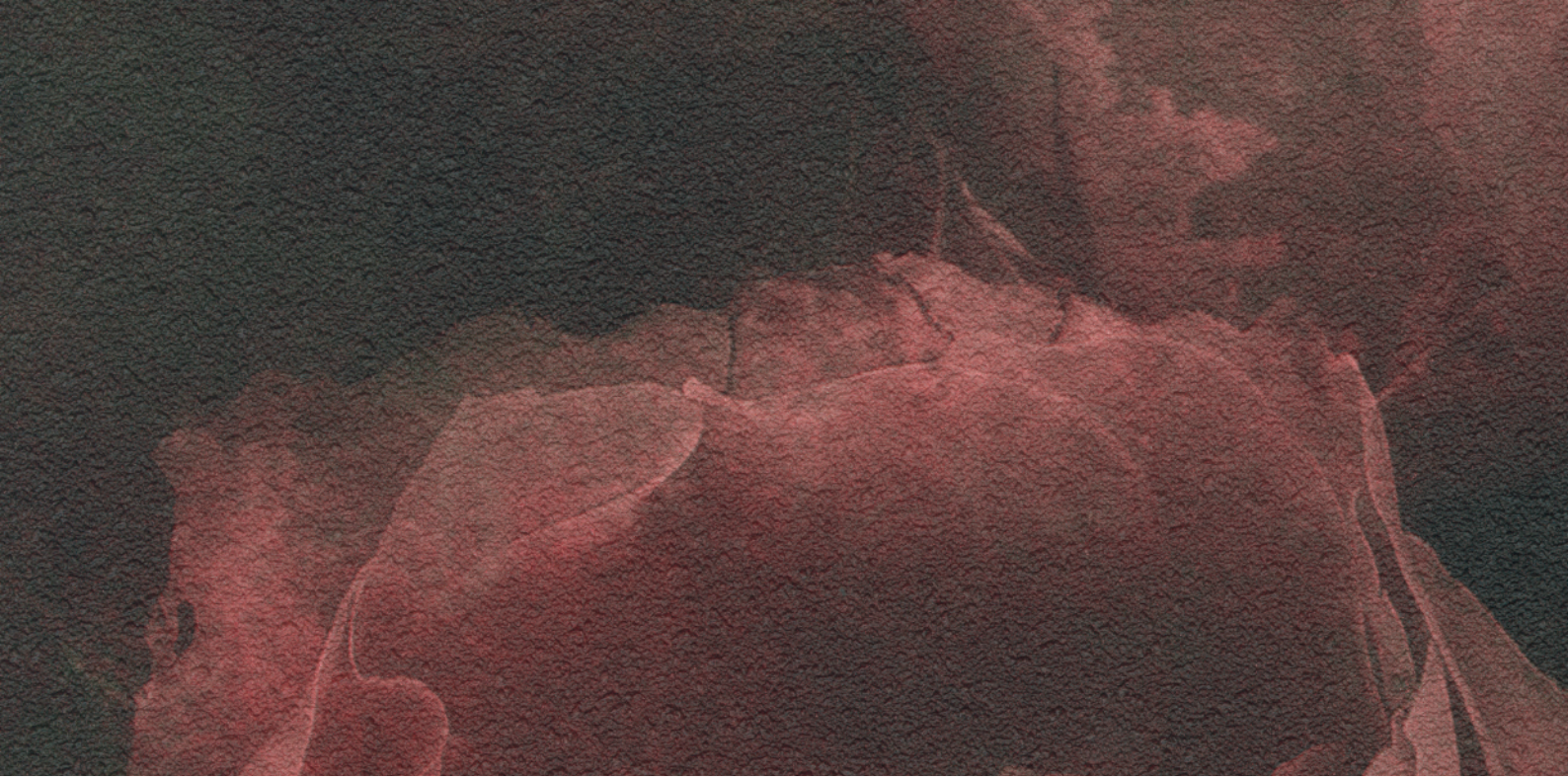
# 2019

ANNUAL REPORT

**AS** CREATION

## A.S. CRÉATION: KEY FIGURES

		2015	2016	2017	2018	2019
Sales	€ '000	166,515	152,608	143,329	134,485	<b>141,057</b>
Earnings before interest and taxes (EBIT)	€ '000	7,880	5,917	-15,808	-2,885	<b>4,503</b>
Earnings after income taxes	€ '000	3,287	7,435	-17,771	-5,977	<b>14,133</b>
Cash-flow from operating activities	€ '000	17,444	17,095	3,231	3,321	<b>-2,139</b>
Capital expenditures	€ '000	5,342	5,014	10,218	8,304	<b>5,933</b>
Depreciation	€ '000	8,645	7,612	6,538	6,060	<b>5,715</b>
Non-current assets	€ '000	50,210	50,270	52,785	52,502	<b>44,496</b>
Shareholders' equity	€ '000	93,188	96,502	75,715	72,233	<b>79,427</b>
Non-current liabilities	€ '000	23,947	22,951	18,060	25,831	<b>26,162</b>
Total assets	€ '000	140,405	140,273	130,714	128,650	<b>128,000</b>
Earnings per share	€/share	1.19	2.70	-6.45	-2.17	<b>5.13</b>
Dividend	€/share	0.60	1.25	0.00	0.00	<b>0.90</b>
Number of employees (average)		801	768	761	755	<b>750</b>



**ROMANTIC DREAM**



One room - endless possibilities for your own, individual living style. **NEW WALLS** demonstrates how easy it is to revamp with wallpapers in a typical living situation. For a new, extraordinary sensation of comfort. How does it work? Simply scan the QR code and enjoy.

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This English translation of the annual report 2019 is merely a convenience translation.  
The German version is the prevailing one.

**Dear readers, dear shareholders,**

After a few difficult years, I am pleased to report that we initiated the turnaround at A.S. Création last year and successfully closed the fiscal year 2019 with revenues up by 4.9% to € 141.1 million and earnings before interest and taxes of € 4.5 million. We have thus achieved our targets for 2019. This is all the more gratifying as the competitive environment was very challenging in the year under review. Market data continue to indicate a downward trend and there is fierce competition for market share. In the ongoing phase of consolidation, we were once again able to increase our market share in 2019. This success would not have been possible without the exceptional commitment demonstrated by the employees of the A.S. Création Group and their strong team spirit. This is something for which I would like to express my sincere thanks.

Much of our success in 2019 is attributable to the measures introduced in recent years, especially the fact that our marketing strategy focused more strongly on the end consumer and that we attached greater importance to the aspect of international marketability in the development of our collections. At the January 2019 Heimtextil trade fair in Frankfurt, for instance, we introduced the "Metropolitan

Stories" wallpaper collection. This international collection transfers the way of life of six European cities to wallpaper; its market launch was supported by a major consumer campaign. This concept has been very well received both nationally and internationally.

We also benefited from the fact that one of the largest international DIY store chains revised its product policy and standardised a significant proportion of the product range for the various national companies. As an efficient international player, A.S. Création was able to successfully position itself and benefited from the market launch of the new product range in 2019.

Growth in the past fiscal year was also driven by our new wallpaper production facility in Belarus. After the taking into operation of the first printing line at the end of March 2018 and the subsequent start-up phase, the fiscal year 2019 was the first full year of production for our subsidiary Profistil. The resulting increase in quantities produced and sold led to significant revenue and earnings growth. This trend should continue as the second printing line was taken into operation in October 2019.

The fact that this revenue growth was profitable is even more pleasant than the

revenue growth as such, as we were able to increase our gross profit margin by 1.1 percentage points to 50.5% in 2019 (previous year: 49.4%). We also made further progress on the cost side in 2019. The personnel expense ratio, for instance, was reduced from 27.8% to 26.5% and improvements were made also with regard to other operating expenses. Thanks to these effects, A.S. Création was able to grow its earnings before interest and taxes by € 7.4 million and – following the operating loss of € -2.9 million in 2018 – posted an operating profit of € 4.5 million for FY 2019. Even if both years are adjusted for currency effects, EBIT still improved by an impressive € 5.1 million.

Besides the improved operating performance, the result for FY 2019 was influenced by extraordinary income from the sale of our stake in the Russian joint venture A.S. & Palitra, which has since been renamed Aspect Ru. It was not an easy decision to sell this investment after almost eleven years. But as both the macroeconomic environment and the structures in the Russian wallpaper market have changed significantly over these years, we are convinced that the new shareholder structure will improve the development opportunities for Aspect Ru. For A.S. Création, this divestment has the advantage that we can now focus entirely on marketing the products

made in Belarus and that the proceeds from the sale will give us sufficient financial scope to invest in the further development of the A.S. Création Group. Taking into account the extraordinary one-time income from the sale of the 50% stake in A.S. & Palitra, A.S. Création posted earnings after taxes of € 14.1 million for the fiscal year 2019, compared to a loss of € -6.0 million in the previous year.

The improved operating performance and the extraordinary income had a positive effect on the share price. In the course of the year, the price of the A.S. Création share rose by 51.9% or € 5.50 from € 10.60 at the beginning of the year to € 16.10 at the end of 2019. Moreover, the improved earnings position of A.S. Création will allow us to pay a dividend for the fiscal year 2019. After two fiscal years in which our shareholders did not receive a dividend, this – just like the return to profit and the price gain described above – is another positive signal that we are sending to the capital market. Since 2003, A.S. Création's dividend policy has been characterised by a payout ratio of approx. 45% of earnings per share. Unlike the fiscal year 2019, earnings per share in previous years were not affected by extraordinary income from the sale of operations. In this sense, the fiscal year 2019 is also a special year in terms of dividend policy. The Managing Board is of the opinion

that a sustainable dividend policy can reasonably be based only on the result from continuing operations, as, on the one hand, the future cash flows of A.S. Création will result from these operations only and, on the other hand, cash flows from the sale of operations should primarily be used for investments to strengthen and expand the continuing business segments or to establish new business segments. Our medium-term investment and financial planning provides for a higher investment volume in the coming years in order to pursue the growth strategy planned for A.S. Création. At present there is great uncertainty about the potential adverse effects of the corona crisis on the earnings and financial position of A.S. Création. The Managing Board believes that, in a situation like this, it is advisable to leave a higher proportion of the profit in the company than in the past. Accordingly, the Managing Board proposes to pay a dividend of € 0.90 per share, which corresponds to a payout ratio of 17.5% of earnings per share of € 5.13. The total distribution would thus amount to € 2.5 million.

As you can see, dear shareholders, we were able to reach the targets we had set ourselves for 2019. However, the return to profitability in the past fiscal year does not mean that we have already achieved a sustainable turnaround. A look at our return on sales of

around 3% shows that there is still considerable room for improvement. We must and will further increase our profitability in the coming years. We have already taken important decisions to this effect.

We are convinced that, besides our traditional business areas, we must open up to new and changed areas of application for wallpaper. For all of these areas, we must communicate the benefits of wallpaper much more effectively to the end consumer than before.

We continue to believe strongly in the potential of wallpaper as a functional but also as a creative and artistic product. However, as already mentioned, the decorative aspects of wallpaper must be better communicated to the end consumer. In the course of 2019, we therefore decided not to present the new A.S. Création collections to our national and international customers at the Heimtextil fair in Frankfurt in January 2020, but to do so at the "International Partner Days" in autumn 2019 in our thoroughly modernised showrooms at our headquarters in Gummersbach-Derschlag. The International Partner Days and the collections and marketing strategies we presented met with a very positive response. Some original wallpaper samples and room pictures from the new collection "NEW WALLS" can be found in this annual report. They impressively illustrate the creative power

and diversity of wallpaper: one and the same room – with different wallpapers – conveys completely different lifestyles and attitudes.

In 2020, we will further intensify our efforts to address our current and future customers. The consumer campaign that was started in 2019 will be expanded. This year's campaign focus will be on our lighthouse collections, "NEW WALLS" and "NEUE BUDE 2.0 – Edition 2". More attention than in the past will be paid to social media, as they are particularly well suited to illustrate the creative character and the diverse applications of wallpapers, making it easier for consumers to find the right wallpaper.

In addition, we will aggressively exploit the many opportunities that digital printing technology opens up for A.S. Création. This will involve corresponding investments in the modernisation of our production facilities. Besides new wall images which no longer have much to do with "traditional" wallpaper, digital printing also allows us to take advantage of the trend towards individualisation or personalisation for our wallpaper product. The cover of this year's annual report is designed to give you a small impression of the many possibilities. It shows a digitally printed wallpaper from our "PATEL No. 2" collection.

However, digitisation not only expands the possibilities of printing technology. It also influences the marketing opportunities and distribution channels. The online sector is changing very dynamically. This applies both to originally purely physical merchants who are discovering online business as an additional sales channel for themselves and to purely online merchants who are developing further with the wallpaper product. We will therefore continue to invest in improving our logistics and modernising our IT systems.

We want to push ahead with the internationalisation of A.S. Création primarily with the help of high-quality collections and licences. We will complement our very successful VERSACE wallpaper collection with further strong licensed brands.

Profistil, our Belarusian subsidiary, is expected to further stimulate growth. Building on the second production line that has been installed, further revenue growth is planned for the company for 2020. If the first investment stage with two printing lines is successful, we will make significant investments in this production site in the medium term to turn Profistil into an important wallpaper manufacturer in Eastern Europe.

To open up and expand the above-mentioned



growth segments for A.S. Création, we expect to invest between € 7 million and € 8 million p.a. in the next two fiscal years alone. In spite of the high investments, our original projections assumed that we would be able to improve our result from operations in 2020 at consolidated sales revenues of between € 143 million and € 153 million and to generate earnings before interest and taxes (excl. one-time effects) of between € 4 million and € 5 million, compared to € 3.4 million in the previous year. However, these plans do not take into account the effects of the current corona crisis. At this stage, we cannot seriously estimate the extent to which this pandemic will affect our financial and earnings position. This will become apparent as the year progresses. We are confident, however,

that A.S. Création is well prepared to master this crisis thanks to its very good financial position and the precautionary measures taken.

We hope that you, dear shareholders, will continue to place your trust in us and will accompany A.S. Création through the upcoming changes.

Gummersbach, March, 2020

Daniel Barth  
Chairman of the Managing Board

## Managing Board

Daniel Barth  
Chief Executive Officer  
Strategy and Sales International

Roland Bantel  
Domestic Sales and Marketing

Maik Krämer  
Finance and Controlling

Antonios Suskas  
Production and Logistics

## MANAGING BOARD AND SUPERVISORY BOARD

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## Supervisory Board

Jochen Müller <sup>1),2),3)</sup>  
Chairman

Jella Susanne Benner-Heinacher <sup>3)</sup>  
Vice Chairwoman

Dr. Volker Hues <sup>1),2)</sup>

Peter Mourschinetz  
Employee representative

Rolf Schmuck <sup>2)</sup>  
Employee representative

Dr. Stephan Zilkens <sup>1),3)</sup>  
(since August 09, 2019)

Franz Jürgen Schneider  
(until May 09, 2019)

<sup>1)</sup> Member of Committee for Managing Board Matters

<sup>2)</sup> Member of Audit Committee

<sup>3)</sup> Member of Nomination Committee

- January** The A.S. Création share starts the new year at € 10.60.
- At the "Heimtextil" exhibition in Frankfurt am Main, A.S. Création presents the new "Metropolitan Stories" collection and campaign. Six different characters each embody an European metropolis and tell their individual story and lifestyle.
- April** On April 2, A.S. Création Tapeten AG signs a contract to sell its 50% stake in the Russian joint venture, OOO A.S. & Palitra.
- May** Franz Jürgen Schneider, company founder and long-serving Chairman of the Supervisory Board, resigns from the Supervisory Board for health reasons after the Annual General Meeting of Shareholders on May 9. Jochen Müller, Supervisory Board member since 2014, is elected new Chairman of the Supervisory Board.
- June** A.S. Création presents the fourth VERSACE Home licensed collection. An elegant combination of classic art and modernity, the collection themes reflect the DNA of this unique brand.
- August** Dr. Stephan Zilkens is appointed member of the Supervisory Board on August 9.
- The Federal Court of Justice rejects the appeals filed by A.S. Création and the persons concerned against the penalties imposed in the context of the antitrust proceedings. The payment of the penalties concludes the antitrust proceeding initiated in 2010.
- October** On October 11, OOO Profistil, the Belarusian subsidiary, takes its second production plant into operation, thus laying the foundation for further growth.
- November** The first "International Partner Days" take place in Gummersbach-Derschlag, where the new products are presented to customers from Germany and all over the world in the completely modernised showrooms. The focus is on the "New Walls" collection and the second edition of the successful "Neue Bude 2.0" collection.
- December** The A.S. Création share reaches its annual high of € 16.70 on December 17 and closes the stock market year 2019 at a price of € 16.10 on December 30.

## REPORT OF THE SUPERVISORY BOARD

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A major change occurred on the Supervisory Board in the course of FY 2019. Franz Jürgen Schneider, long-serving Chairman of the Supervisory Board, resigned from the Supervisory Board for health reasons at the end of the Annual General Meeting of Shareholders on May 9, 2019. At the Supervisory Board meeting on May 9, 2019, following the Annual General Meeting of Shareholders, Jochen Müller was elected as his successor as Chairman of the Supervisory Board. Moreover, Dr. Stephan Zilkens was appointed to the Supervisory Board by court order on August 9,

2019 and attended his first Supervisory Board meeting of A.S. Création on September 12, 2019.

Mr Schneider, founder of the company and its CEO until 2001, had served as Chairman of the Supervisory Board of A.S. Création Tapeten AG since June 28, 2001. In these roles, Mr Schneider has been instrumental in turning A.S. Création into Europe's leading wallpaper manufacturer. The Supervisory Board thanks Mr Schneider for his great personal commitment and his services to A.S. Création. To

express these special thanks, the Supervisory Board elected Mr Schneider as Honorary Chairman of the Supervisory Board of A.S. Création Tapeten AG for life.

In 2019, the Supervisory Board met on March 7, twice on May 9, on September 12 and on December 5 for a total of five meetings in the fiscal year. These meetings were attended by all members of the Supervisory Board that were in office at the respective times.

The company continues to comply with the recommendation of the German Corporate Governance Code, as amended on February 7, 2017, according to which the Supervisory Board shall include an adequate number of independent members.

The Supervisory Board has set up the following committees to ensure that its tasks are performed efficiently:

- the Committee for Managing Board Matters, composed of Jochen Müller (Chairman), Dr. Volker Hues and Dr. Stephan Zilkens (since December 5, 2019),
- the Audit Committee, composed of Dr. Volker Hues (Chairman), Jochen Müller

(since May 9, 2019) and Rolf Schmuck and

- the Nomination Committee, composed of Jella Susanne Benner-Heinacher, Jochen Müller and Dr. Stephan Zilkens (since December 5, 2019).

The committees prepare the resolutions to be passed by the Supervisory Board as well as the topics that need to be addressed by the Supervisory Board. In addition, the Supervisory Board has transferred decision-making powers to the committees within the limits of what is legally permissible. It has been ensured that the Supervisory Board is kept informed of the findings and decisions of the committees.

The **Committee for Managing Board Matters**, which is responsible for the preparation of the Managing Board contracts as well as for other personnel matters, held three meetings in the fiscal year on March 7, 2019, September 12, 2019 and December 5, 2019. These meetings were attended by all members of the committee that were in office at the respective times.

The **Audit Committee**, which is primarily responsible for reviewing and auditing the

financial statements and the consolidated financial statements, the interim report and the quarterly reports as well as for monitoring the effectiveness of the internal risk management system, met twice in the fiscal year, on March 6, 2019 and on September 11, 2019. These meetings were attended by all members of the committee that were in office at the respective times.

The **Nomination Committee**, whose tasks include proposing suitable candidates for the election of new shareholder representatives to the Supervisory Board, held one meeting in the fiscal year, on March 7, 2019. This meeting was attended by all members of the committee that were in office at the time.

In FY 2019, the **Supervisory Board** performed all the tasks imposed on it by law and the statutes and regularly advised the Managing Board on the management of the company and supervised its actions. In doing so, the Supervisory Board was involved in all fundamental decisions taken by the Managing Board. The Managing Board informed the Supervisory Board regularly, comprehensively and in a timely manner about the main aspects of the business as well as significant business transactions by means of written and oral reports. In addition, the Chairman of

the Supervisory Board was regularly informed by the Managing Board in personal meetings. The Supervisory Board was informed equally thoroughly by the Managing Board about the plans and budgets as well as the risks and risk management. The Supervisory Board thoroughly discussed the economic situation and the development prospects of the Group, the Group companies and the divisions in Germany and abroad as described in the reports of the Managing Board as well as the general economic environment. Where required by law, the statutes and the rules of procedure of the Managing Board, the Supervisory Board passed appropriate resolutions.

In the past fiscal year, the activities of the Supervisory Board focused on the following:

- analysis, discussion and resolution regarding the adoption of the financial statements and the consolidated financial statements for the year ended December 31, 2018;
- discussion and resolution on the approval of the sale of the share in OOO A.S. & Palitra, Dzerzhinsk/Russia, and the resulting adjustment of the Group's plans and budgets for 2019;

- discussion and resolution on the current schedule of responsibilities of the Managing Board;
- analysis and advice on the future structure of the compensation of the Managing Board;
- reappointment of Mr Suskas as a member of the Managing Board for the period from April 1, 2020 to March 31, 2025;
- consultation on IT security and upcoming IT projects at A.S. Création Tapeten AG;
- discussion and resolution on the modernisation of the warehouse software and the high-bay warehouse;
- analysis and consultation on export activities;
- analysis and consultation on the Managing Board's report on the company's general situation and strategic orientation;
- discussion and resolution on the Group's plans and budgets for 2020/2021 and the Group's investment plan for 2020.

In the year under review, the Supervisory Board

again addressed the corporate governance principles in the company, based on the regulations of the German Corporate Governance Code as amended on February 7, 2017. The last declaration of conformity pursuant to Article 161 of the German Stock Corporation Act (Aktiengesetz AktG) was issued by the Supervisory Board and the Managing Board on January 29, 2020 and is available on the company's website.

The financial statements of A.S. Création Tapeten AG prepared by the Managing Board and the consolidated financial statements for the fiscal year 2019, the management report of A.S. Création Tapeten AG and the Group management report as well as the non-financial report pursuant to the CSR Directive Implementation Act were made available to the Supervisory Board. The separate and the consolidated financial statements as well as the two management reports were audited by Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Cologne, and received their unqualified audit opinion.

In response to a proposal submitted by the Supervisory Board, the Annual General Meeting of Shareholders on May 9, 2019 elected Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft auditors of the financial

statements and the consolidated financial statements for the fiscal year 2019. Before submitting the election proposal to the Annual General Meeting of Shareholders, the Supervisory Board, in accordance with the recommendations made by the German Corporate Governance Code, obtained a statement from the auditor stating which professional, financial and other relations exist between the auditors and the company that might raise doubts about their independence. The statement also covers other services provided to the company in the past fiscal year. The statement issued by the auditors to the Supervisory Board raised no doubts about their independence.

The Audit Committee issued the audit engagement for the fiscal year 2019 on the basis of a resolution adopted on September 11, 2019.

The auditors' reports were submitted to the Supervisory Board members in good time. They were discussed in detail at the meeting of the Audit Committee on March 19, 2020 and at the Supervisory Board's annual accounts meeting on March 19, 2020. At the latter meeting, the Chairman of the Audit Committee provided the Supervisory Board with an overview of the treatment of the financial statements and the consolidated financial

statements by the Audit Committee. Both the Audit Committee meeting and the Supervisory Board's annual accounts meeting were attended by representatives of the auditors, who reported on the key results of their audit. In the context of their audit, the auditors noted, among other things, that potential developments that may jeopardise the continued existence of the company and the Group can be identified and are recorded by the risk management system implemented in accordance with Article 91 (2) of the German Stock Corporation Act (Aktiengesetz AktG) and are properly presented in the management report of A.S. Création Tapeten AG and the Group management report. The results of the audit were approved by the Audit Committee and the Supervisory Board.

No objections were raised following the Supervisory Board's own review of the financial statements, the consolidated financial statements, the two management reports, the profit appropriation proposal and the non-financial report. The Supervisory Board therefore approves the financial statements of A.S. Création Tapeten AG and the consolidated financial statements prepared by the Managing Board for the year ended December 31, 2019 as well as the management reports for A.S. Création Tapeten AG and the Group.



The financial statements are thus adopted.  
The Supervisory Board also supports the  
Managing Board's profit appropriation proposal.

In accordance with the corresponding re-  
commendation of the German Corporate  
Governance Code, the Supervisory Board  
members of A.S. Création Tapeten AG immedi-  
ately disclose any conflicts of interest to the  
Supervisory Board. There were no potential  
conflicts of interest in the fiscal year which  
would have had to be disclosed by the in-  
dividual Supervisory Board members to the  
Supervisory Board and be reported to the  
Annual General Meeting of Shareholders.

The Supervisory Board would like to thank  
the members of the Managing Board of  
A.S. Création Tapeten AG and all employees  
for their commitment to the company, its  
customers and its shareholders in the fiscal  
year 2019.

Gummersbach, March 19, 2020

**A.S. Création Tapeten AG**

On behalf of the Supervisory Board

Jochen Müller  
Chairman of the Supervisory Board

## CORPORATE GOVERNANCE STATEMENT AND REPORT ON CORPORATE GOVERNANCE

### Introduction

Good and responsible corporate governance is today defined by nationally and internationally recognised standards. Efficient cooperation between the Managing Board and the Supervisory Board, respect of shareholders' interests as well as open and transparent corporate communication are key aspects of good corporate governance. The German Corporate Governance Code (hereinafter referred to as the "Code") was published by the Government Commission of the same name in 2002. The Code is regularly reviewed against the background of national and international developments and amended if required. The current version of the Code can be viewed at [www.dcgk.de/en/](http://www.dcgk.de/en/).

While the cross-industry and cross-company recommendations and suggestions of the Code are not binding, Article 161 of the German Stock Corporation Act (Aktiengesetz AktG) and Article 285 (16) of the German Commercial Code (Handelsgesetzbuch HGB) require an annual declaration by the Managing Board and the Supervisory Board in connection with the publication of the financial statements as to which recommendations of the Code have been and are being complied with and which recommendations have not been and are not being applied ("declaration of conformity"). The latest declaration of conformity issued by the Managing Board and the Supervisory Board of A.S. Création Tapeten AG, which is

based on the Code as amended on April 24, 2017, is provided below.

The Managing Board and the Supervisory Board of A.S. Création Tapeten AG consider the recommendations and suggestions of the Code as well as the legal regulations an integral element of their work for the company. They regularly review the relevance of these standards, so that adequate compliance with the standards is ensured for the shareholders, the employees and, last but not least, for the company itself. In this declaration, the Managing Board and the Supervisory Board of A.S. Création Tapeten AG report on the company's corporate governance in accordance with Article 289f and Article 315d of the German Commercial Code (Handelsgesetzbuch HGB). Like the aforementioned declaration of conformity, the present Corporate Governance Statement refers to the Code as amended on April 24, 2017. This ensures the consistency of both documents.

On January 23, 2020, the Government Commission submitted a completely revised Code to the Federal Ministry of Justice and Consumer Protection for review. This is not merely an adjustment of the previous scope, but a fundamentally reformed version which also takes into account and implements the legal changes resulting from the Act Implementing the Second Shareholders' Rights Directive (ARUG II). This revised Code has

not yet been published in the official section of the Federal Gazette and has therefore not yet come into force.

The Managing Board and the Supervisory Board of A.S. Création Tapeten AG will base the forthcoming declaration of conformity and Corporate Governance Statement on the revised German Corporate Governance Code.

#### **Declaration of conformity pursuant to Article 161 of the German Stock Corporation Act (Aktiengesetz AktG)**

The latest declaration of conformity was issued on January 29, 2020 with the following wording:

The Managing Board and the Supervisory Board of A.S. Création Tapeten AG declare that the company has complied with the recommendations of the Government Commission on the German Corporate Governance Code published by the Federal Ministry of Justice and Consumer Protection in the official section of the Federal Gazette (as amended on February 7, 2017 and published on April 24, 2017) since last year's declaration of conformity dated March 7, 2019, save for the

following exceptions and will continue to do so:

- Pursuant to number 4.2.3 of the Code, the variable component of the Managing Board compensation shall have a multiple-year assessment basis that shall have essentially forward-looking characteristics. Moreover, early disbursements of multi-year variable compensation components shall not be permitted. At A.S. Création Tapeten AG, the variable component of the Managing Board compensation is based on the weighted average earnings after taxes of the past three fiscal years, which means that, if a loss is posted for a fiscal year, this negative amount is taken into account in determining the assessment basis. Each Managing Board member receives a percentage of this assessment basis. This variable, performance-based compensation component is disbursed in the following year, namely at the end of the month in which the consolidated financial statements are submitted to the shareholders. The Annual General Meeting of Shareholders of A.S. Création Tapeten AG approved this compensation system for the Managing Board on April 28, 2016, i.e. before the last amendment of the Code. The variable Managing Board compensation implemented by the company is not consistent

with the wording of the Code's recommendation, as the defined multi-year assessment basis does not have essentially forward-looking characteristics.

- Pursuant to number 5.4.1 of the Code the Supervisory Board shall specify concrete objectives regarding its composition which take into account, among other things, an age limit for the members of the Supervisory Board and a regular limit of length of membership as well as diversity. The Supervisory Board of A.S. Création Tapeten AG is convinced that the proposals for the election of Supervisory Board members should be based exclusively on the functional and personal suitability of the candidates. As this suitability does not depend on formal criteria such as age and the length of membership, the Supervisory Board does not comply with this recommendation of the Code.

#### **Work of the Managing Board and the Supervisory Board**

A.S. Création Tapeten AG is a joint stock company under German law. One of the fundamental principles of German Stock Corporation Law is the dual management system comprising a Managing Board and

a Supervisory Board, each of which has its own authorities. When it comes to managing and supervising the company, the Managing Board and the Supervisory Board of A.S. Création Tapeten AG cooperate closely and in a spirit of trust.

The members of the Managing Board are appointed by the Supervisory Board, which may also appoint a Chairman of the Managing Board. The Managing Board of A.S. Création Tapeten AG currently consists of the following members, whose individual and collective responsibilities are regulated by the rules of internal procedure:

- Daniel Barth (Chief Executive Officer),  
Strategy and International Sales
- Roland Bantel,  
Domestic Sales and Marketing
- Maik Krämer,  
Finance and Controlling
- Antonios Suskas,  
Production and Logistics

The tenure of the current Board members will end on November 18, 2021 for Mr Barth, on March 31, 2021 for Mr Bantel and Mr Krämer and on March 31, 2020 for Mr Suskas. The Supervisory Board has reappointed Mr Suskas

as Managing Board member for another term of office until March 31, 2025.

The Managing Board is responsible for managing the company with due regard to the duties of care and diligence incumbent on the management team of a commercial organisation.

The Supervisory Board advises and supervises the Managing Board in managing the company. For major transactions, e.g. large investment projects or changes in the corporate structure, the Managing Board requires the prior approval of the Supervisory Board. The transactions requiring approvals are listed in the rules of internal procedure of the Managing Board.

The Managing Board informs the Supervisory Board about the course of the business and the situation of the company by monthly written reports as well as by oral and written reports presented at the Supervisory Board meetings. Extraordinary events are additionally reported by the Managing Board to the Supervisory Board in writing. In addition, the Chairman of the Supervisory Board is regularly informed by the Managing Board in personal meetings.

In accordance with the law and the statutes, the Supervisory Board of A.S. Création Tapeten AG consists of four members who

are elected by the Annual General Meeting of Shareholders and two members who are elected by the workforce. The Supervisory Board elects a Chairman and a Vice Chairman from among its members. The Supervisory Board currently has the following members:

- Jochen Müller,  
Chairman
- Jella Susanne Benner-Heinacher,  
Vice Chairwoman
- Dr. Volker Hues
- Peter Mourschinetz,  
employee representative
- Rolf Schmuck,  
employee representative
- Dr. Stephan Zilkens

Dr. Zilkens was appointed member of the Supervisory Board by court order on August 9, 2019, after the long-serving Chairman of the Supervisory Board, Franz Jürgen Schneider, had resigned from the Supervisory Board for health reasons on May 9, 2019. Due to the appointment by court order, Dr. Zilkens' term of office will end at the end of the next Annual General Meeting of Shareholders after his appointment by court order, i.e. presumably

in spring 2020. A new member of the Supervisory Board will therefore have to be elected at this Annual General Meeting of Shareholders. Dr. Zilkens has indicated that he is ready to stand for election. The terms of office of the other Supervisory Board members will expire at the end of the Annual General Meeting of Shareholders that will ratify their acts for fiscal 2020, i.e. presumably in spring 2021.

The Supervisory Board of A.S. Création Tapeten AG formed three committees from among its members:

- the Committee for Managing Board Matters, whose members are Mr Müller (Chairman), Dr. Hues and Dr. Zilkens,
- the Audit Committee, whose members are Dr. Hues (Chairman), Mr Müller and Mr Schmuck as well as
- the Nomination Committee, whose members are Ms Benner-Heinacher, Mr Müller and Dr. Zilkens.

The committees prepare the resolutions passed by the Supervisory Board as well as the topics to be discussed by it. In addition, the Supervisory Board has transferred decision-making powers to the committees within the limits of what is legally permissible. The individual tasks and powers are laid down in the

rules of internal procedure of the Supervisory Board, which also ensure that the Supervisory Board is informed of the findings and decisions of the committees.

The Committee for Managing Board Matters prepares the personnel decisions of the Supervisory Board, especially the appointment and discharge of Managing Board members and the renewal of their terms of office. It also prepares the resolutions passed by the Supervisory Board with regard to the compensation of the Managing Board.

The Audit Committee is responsible for monitoring the accounting and the accounting process and reviewing the effectiveness of the internal control, risk management and audit systems. It also deals with the audit of the annual accounts and addresses compliance issues. The Chairman of the Audit Committee is an independent financial expert and has special knowledge and experience in the application of accounting principles and internal control procedures.

The task of the Nomination Committee is to propose suitable candidates for the shareholder representatives for elections to the Supervisory Board. It is exclusively composed of Supervisory Board members elected by the shareholders.

### **Diversity policy pursuant to Article 289f (2) No. 6 HGB**

The "diversity policy" is the concept pursued for the Managing Board and the Supervisory Board with regard to aspects such as age, gender, educational or professional background. According to Article 289f (2) No. 6 HGB, a description of the diversity policy, the objectives pursued by it, the way it is implemented and the results achieved in the fiscal year is required.

### **Diversity policy for the composition of the Managing Board**

With regard to diversity in the composition of the Managing Board, the Supervisory Board of A.S. Création Tapeten AG aims to consider different professional and international experiences as well as to achieve an appropriate representation of both genders. When selecting Managing Board members, however, the Supervisory Board will not focus primarily on the diversity policy but rather on aspects such as knowledge, professional qualifications and the personality of the potential candidates. Priority shall always be given to the interests of the company, while taking into account all circumstances of the individual case. The

diversity policy for the Managing Board of A.S. Création Tapeten AG thus serves as a complementary guideline in the selection of suitable candidates and primarily considers the following aspects:

- The Managing Board members shall be able to draw on different professional experiences and expertise. This applies to both their education and their professional experience at different companies and the stages of their career. At least one member of the Managing Board should ideally have a technical background.
- The composition of the Managing Board shall reflect an international dimension in terms of cultural origin, extended periods of employment abroad or a number of years at international enterprises. At least one member of the Managing Board should ideally have such an international background.
- When selecting candidates, attention should be paid to having different levels of experience in terms of age while at the same time avoiding an overly mature age structure on the Managing Board. An age limit of up to 65 years is to be stipulated in the contracts of the Managing Board members.

- With regard to diversity regarding the representation of the genders, please refer to the information on the targets for the share of women in the following chapter.

The aim of this diversity policy is to ensure that A.S. Création is led by an effective and efficient Managing Board whose members cooperate in a spirit of trust in the interest of the company and collectively have the required knowledge, skills and experience to successfully take A.S. Création forward. No changes on the Managing Board occurred in the fiscal year 2019.

#### **Diversity policy for the composition of the Supervisory Board**

With regard to diversity in its composition, the Supervisory Board of A.S. Création Tapeten AG aims to reflect a range of different professional and international experiences as well as to achieve an appropriate representation of both genders. With regard to its objective and when proposing candidates to the Annual General Meeting of Shareholders, however, the Supervisory Board will not focus primarily on the diversity policy but rather on aspects such as knowledge, professional qualifications and the personality of the



potential candidates. Priority shall always be given to the interests of the company, while taking into account all circumstances of the individual case. The diversity policy for the composition of the Supervisory Board of A.S. Création Tapeten AG is primarily geared to the following aspects:

- The composition of the Supervisory Board shall ensure its ability to draw on industry expertise as well as professional experience in other areas. It is therefore expressly desired that the Supervisory Board members have different professional backgrounds. They shall cover the following skills profiles:
  - At least one Supervisory Board member should ideally have profound experience from senior positions in the consumer goods industry (including consumer goods trade) or in related sectors.
  - At least one Supervisory Board member should have profound experience in M&A transactions and in the integration of acquisitions.
  - At least one Supervisory Board member should ideally have profound capital markets and corporate governance experience.
  - At least one member must have expertise in accounting or auditing within the meaning of Article 100 (5) of the German Stock Corporation Act (Aktien-gesetz AktG).
- Different levels of experience due to age as well as a reasonable age mix should also be considered in the composition of the Supervisory Board. The Supervisory Board remains convinced, however, that the professional and personal qualification does not depend on formal criteria such as age and the length of membership of the Supervisory Board. Consequently, the diversity policy for the Supervisory Board of A.S. Création Tapeten AG does not stipulate any limits for such criteria.
- The composition of the Supervisory Board shall reflect an international dimension in terms of cultural origin, extended periods of employment abroad or several years at international enterprises. At least one quarter of the shareholder representatives should ideally have such an international background.
- With regard to diversity regarding the representation of the genders, please refer to the information on the targets for the share of women in the following chapter.

- More than half of the Supervisory Board members should be independent within the meaning of number 5.4.2 of the German Corporate Governance Code, whereby it is assumed that the fact that a member represents the workforce or has an employment contract with the A.S. Création Group is no reason to doubt their independence. Where shareholder representatives and employee representatives on the Supervisory Board are regarded separately, more than half of each group should be independent within the meaning of number 5.4.2 of the German Corporate Governance Code.
- At least half of the shareholder representatives on the Supervisory Board should be free from potential conflicts of interest, especially free from those conflicts which could arise from an advisory role or a role on a governing body of a customer, supplier, lender or other third party.
- Not more than two members of the Supervisory Board should be former members of the Managing Board.

The aim of this diversity policy is for A.S. Création Tapeten AG to have a well-balanced Supervisory Board which represents diverse skills, understands the business model

of the company and is therefore especially qualified to successfully perform its supervisory and advisory tasks. As explained above, the departure of Mr Schneider from the Supervisory Board and the appointment of Dr. Zilkens by court order led to a change on the Supervisory Board and thus to a change with regard to its diversity in the fiscal year 2019, as the Supervisory Board has lost a member who had many years of experience in the wallpaper industry. In return, a new member, Dr. Zilkens, has been appointed to the Supervisory Board by court order. Due to his business relations with companies from different industries and his insights into various business models, Dr. Zilkens can provide input for the future positioning of A.S. Création. The Supervisory Board therefore considers itself to be composed in a constructive manner that makes sense for the company. In 2020, the position on the Supervisory Board currently occupied by Dr. Zilkens, will have to be filled by the Annual General Meeting of Shareholders as he was merely appointed by court order. Dr. Zilkens has already indicated that he would be available in the event of a corresponding proposal and election to the Supervisory Board, which is appreciated by the Supervisory Board.

### **Targets for the share of women pursuant to Article 76 (4) and Article 111 (5) AktG**

Under Article 76 (4) and Article 111 (5) of the German Stock Corporation Act (Aktiengesetz AktG), A.S. Création Tapeten AG is obliged to set targets for the share of women on the Managing Board and the Supervisory Board as well as the two management levels below the Managing Board. If the share of women is below 30 percent at the time the targets are set, the targets may no longer fall below the percentage reached. The deadlines for reaching and reviewing the targets can be chosen freely, with the maximum deadline being five years.

The Supervisory Board has specified a share of women of 16.7% for the Supervisory Board of A.S. Création Tapeten AG, which is to be reached by December 31, 2020. This share corresponds to the current composition of the Supervisory Board, which is composed of one woman and five men. When the Supervisory Board is elected as planned in spring 2021, both the shareholder representatives and the employee representatives on the Supervisory Board intend to examine to what extent a further increase beyond the currently applicable target is sensible and necessary from the company's perspective.

The Supervisory Board has specified a share

of women of 0% for the Managing Board of A.S. Création Tapeten AG, which is to be reached by December 31, 2020. The Managing Board in its current composition has led A.S. Création only since November 18, 2018. It does not seem to be advisable to further adjust the composition of the Managing Board at the present stage. The Supervisory Board will give special consideration to the aspect of improved diversity on the Managing Board – especially a higher share of women – every time the composition of the Managing Board changes in order to meet its social responsibility. However, the qualification of a candidate will remain the most important criterion for appointments to the Managing Board also in the future.

The Managing Board of A.S. Création Tapeten AG has specified a share of women of 14.3% for the first management level below the Managing Board, which is to be reached by December 31, 2021. The target for the share of women corresponds to the share as of December 31, 2016, as the generational change was implemented as of December 31, 2016. In the course of the year 2018, the share of women at the first management level had declined from 14.3% on December 31, 2017 to 0.0% on December 31, 2018 due to women terminating their employment contracts and suspending their employment because of parental leave. It was not possible to increase

this percentage again as of December 31, 2019. The Managing Board will give special consideration to increasing the share of women when appointing replacements in the future, although in this case, too, the qualification of the candidate will be the most important decision-making criterion.

The share of women at the second management level of A.S. Création Tapeten AG is to be increased from 8.7% as of December 31, 2016 to 13.0% by December 31, 2021. The activities for the long-term development of young talent for functional and management positions were expanded already in 2016. For instance, new cooperations with schools and universities were agreed and existing contacts intensified. This approach addresses and supports both young women and young men. As of December 31, 2018, the share of women at the second management level already stood at 13.0% and was increased further to 15.0% by December 31, 2019, thus exceeding the target that had been set for December 31, 2021.

### Accounting and audit

The consolidated annual financial statements and the consolidated interim financial statements of A.S. Création Tapeten AG are prepared by the Managing Board on the basis of the

International Financial Reporting Standards (IFRS) as adopted by the European Union. The financial statements of A.S. Création Tapeten AG are prepared in accordance with the German Commercial Code (Handelsgesetzbuch HGB). The consolidated financial statements and the financial statements are audited by the auditors and the Supervisory Board. The consolidated interim financial statements are neither audited nor reviewed by the auditors but are discussed by the Managing Board and the Audit Committee prior to their publication.

Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Cologne, (Ernst & Young) were elected auditors for the consolidated and the separate financial statements for 2019 by the Annual General Meeting of Shareholders of the year 2019. Prior to the election, Ernst & Young issued a statement of independence as recommended by the German Corporate Governance Code. This statement has not given rise to any doubt about the independence of Ernst & Young as an auditor. It was contractually agreed with the auditor that the Supervisory Board would be informed immediately of

- any grounds for disqualification or impartiality arising during the audit,
- any findings or incidents arising during

the audit that are material for the tasks of the Supervisory Board and

- any findings indicating that the declaration issued by the Managing Board and the Supervisory Board with regard to the German Corporate Governance Code is incorrect.

#### **Transparent corporate communication**

Open and transparent corporate communication is an important aspect of good corporate governance. Apart from clear and comprehensible contents, this aspect also calls for all stakeholders to have equal access to company information. A.S. Création attaches great importance to the Internet as an

information medium that is freely accessible irrespective of time and place. The website of A.S. Création ([www.as-creation.de](http://www.as-creation.de)) therefore provides a wealth of well-structured company information for interested users, e.g. in the "Investor Relations" section, which contains comprehensive financial information on A.S. Création such as annual and interim reports as well as ad-hoc and press releases. All information is simultaneously available in German and English.

The planned dates of major regular events, i.e. the publication dates of the annual report and the interim reports as well as the date of the Annual General Meeting of Shareholders, are compiled in a financial calendar. It is published sufficiently in advance and posted on the website of A.S. Création.

Gummersbach, March 19, 2020

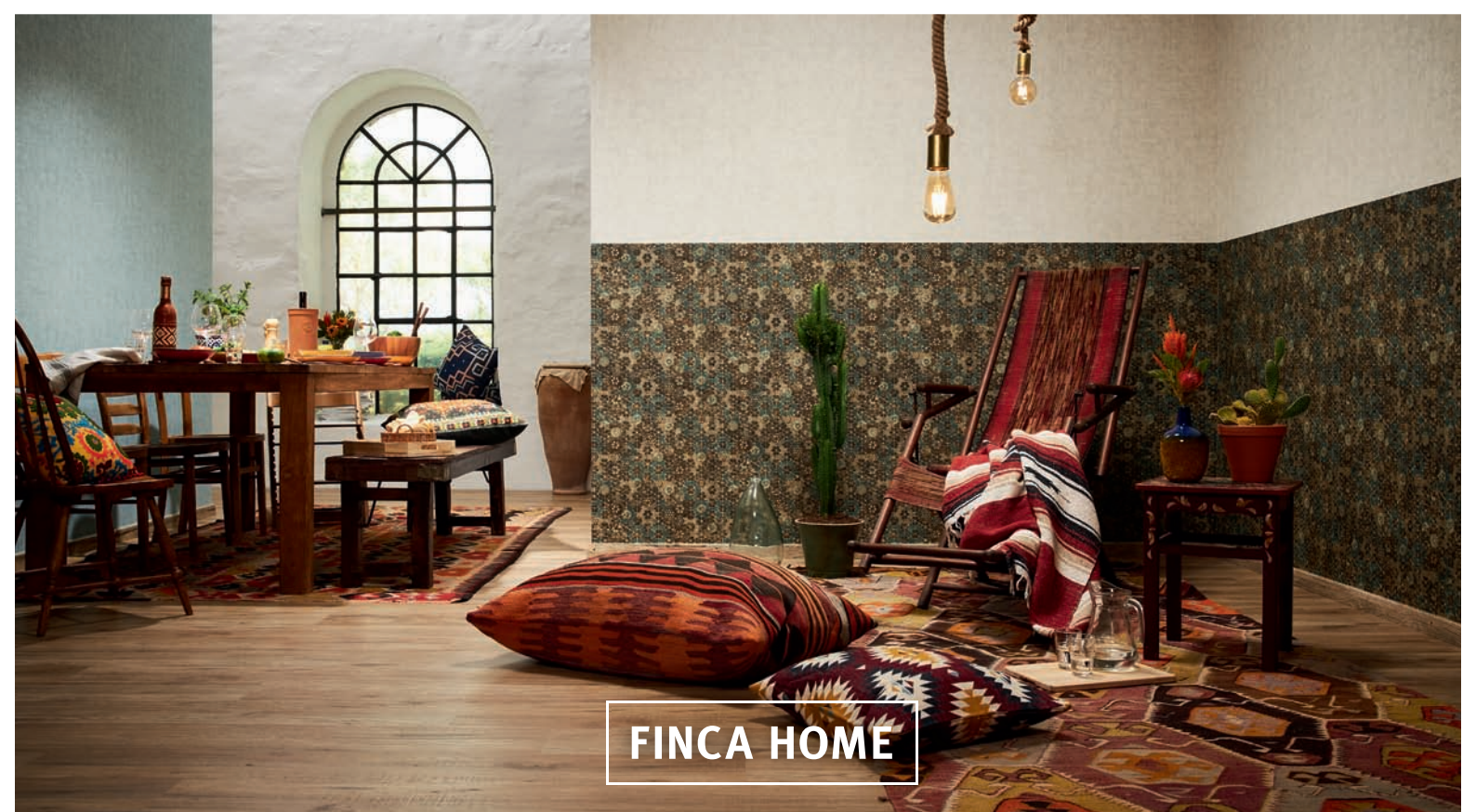
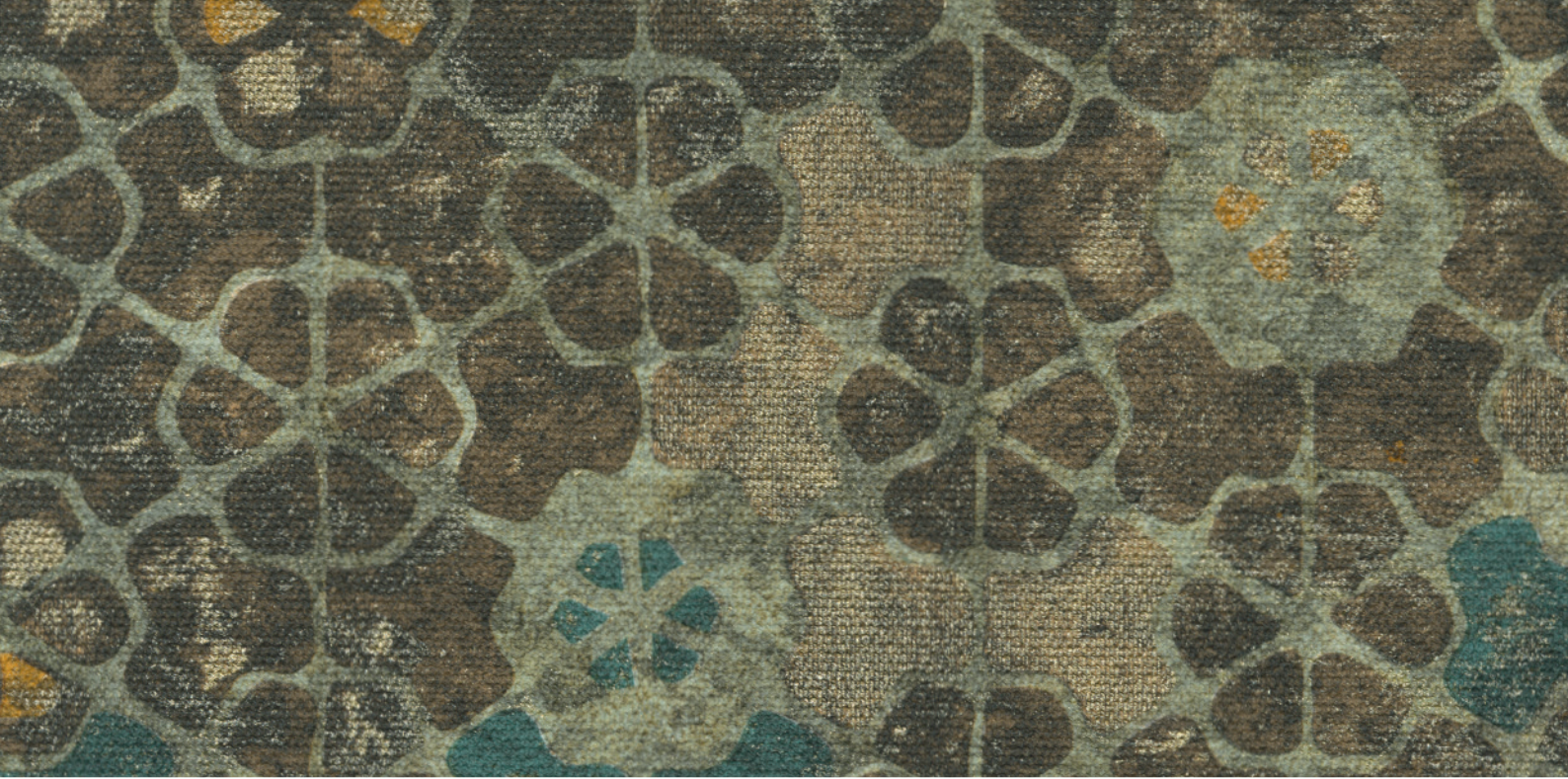
#### **A.S. Création Tapeten AG**

On behalf of the Supervisory Board

Jochen Müller  
Chairman of the Supervisory Board

On behalf of the Managing Board

Daniel Barth  
Chairman of the Managing Board

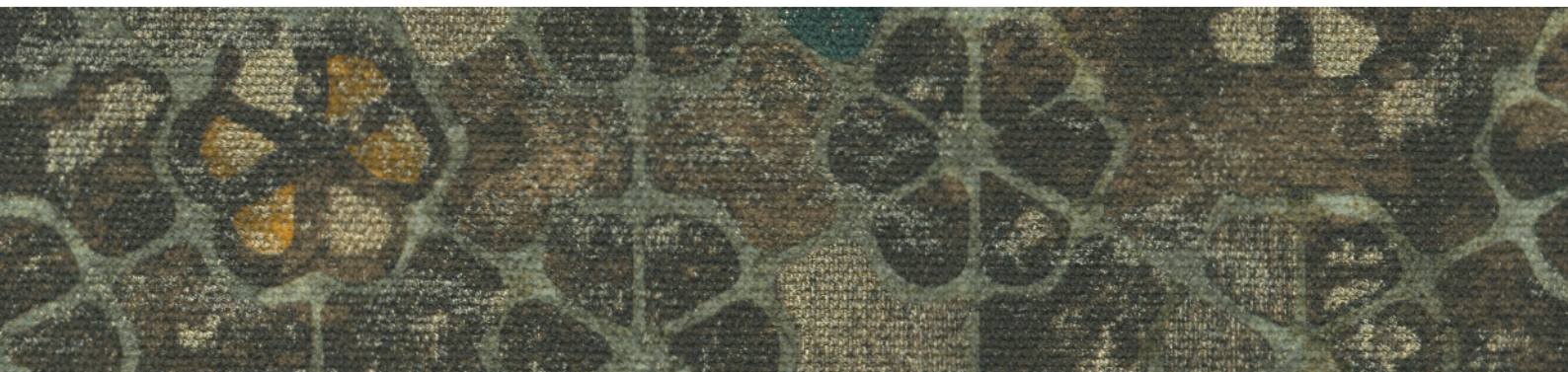


**FINCA HOME**



Living as I would like to. Design your own house. Individual. Creative. Personal.  
Walls provide room for ideas and create an atmosphere. With **NEW WALLS**,  
the walls exude style and there's a wonderful sense of well-being in the room.

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## 1. General corporate information

The A.S. Création Group comprises two divisions (segments), the Wallpaper Division and the Furnishing Fabrics Division. The Wallpaper Division produces and markets wallpapers and borders on a global scale; accounting for 92% of 2019 Group sales, it is the larger of the two divisions. The wallpapers are primarily produced in Germany at A.S. Création Tapeten AG. Another wallpaper production facility was built up by OOO Profistil, the Belarus subsidiary. It was taken into

operation in spring 2018 and is currently in the start-up phase. In the course of 2019, A.S. Création Tapeten AG sold its 50% share in OOO A.S. & Palitra, the Russian joint venture, which means that the Wallpaper Division no longer had any production facilities in Russia as of the balance sheet date. The other operating entities that form part of the Wallpaper Division are pure sales and trading companies without their own production facilities. They are based in the United Kingdom, France, the Netherlands and Russia. Headquartered in Germany, the Furnishing

Fabrics Division markets curtains and furnishing fabrics and has no manufacturing resources of its own.

The operating result (earnings before interest and taxes (EBIT)) as well as the EBIT margin play an important role for controlling the Group. The cost of materials and personnel expenses are the biggest and the second biggest expense item, respectively, for both the Wallpaper Division and the Furnishing Fabrics Division. Accordingly, both expense types have a material impact on earnings before interest and taxes. This means that, besides the EBIT margin, the gross profit margin (gross profit as a percentage of total output) and the personnel expense ratio (personnel expenses as a percentage of total output) play an important function in managing and controlling operations.

The most important output markets of A.S. Création are in Europe. In the fiscal year 2019, the countries of the European Union (EU) accounted for 81.0% of the Group's gross sales revenues, while non-EU Eastern European countries accounted for 12.5%. Representing 40.7%, Germany is the company's single most important market.

The product portfolio of A.S. Création can be assigned to the consumer sector, as wallpapers are mainly used for renovation purposes.

Because of their use, furnishing fabrics also qualify as consumer goods. A.S. Création thus operates in consumer goods markets which are influenced by colour and design trends and by the general trend in private consumption.

Given that wallpapers and furnishing fabrics are not technical products but fashion-driven products, the research and development activities of A.S. Création primarily focus on the development of new designs. In the fiscal year 2019, the company spent € 2.2 million on these creative activities. These expenses are not capitalised as the criteria of IAS 38 are not met.

## 2. Economic report

### 2.1. Macroeconomic environment

After the eurozone economy expanded by 1.9% in the full year 2018, a lower growth rate of 1.4% was projected for 2019. In fact, growth slowed down more strongly than expected, as the eurozone's gross domestic product increased by only 1.2% in 2019. This trend reflects the growing economic problems in the eurozone, whose export-oriented industrial sector is suffering from the weakening global demand resulting from trade conflicts between the USA and China and between the



USA and Europe. These adverse factors come in addition to the ongoing negative effects of the Ukraine crisis, which are reflected in the weakness of major Eastern European currencies against the euro and the economic sanctions imposed on Russia. Despite the slower economic growth, the jobless rate continued to decline in 2019, reaching 7.6% (previous year: 8.2%). Besides the persistently low interest rates, this was one of the reasons for the continued good consumer sentiment, which was reflected in a 1.2% increase in consumer spending in the eurozone in 2019.

As in the past two years, economic growth in Germany in 2019 was weaker than in the eurozone. The phase during which Germany's economy clearly outperformed the other eurozone countries is over. The export-driven German economy is hit particularly hard by the above-described increasing adverse factors affecting export opportunities. Together with companies' reluctance to make investments, this led to GDP growth of only 0.6% in 2019, down from 1.5% in 2018. An even stronger decline was prevented by the continued stability of the service sector and by increased consumer spending. Consumer spending, which benefited not only from lower interest rates but also from higher real wages and the low jobless rate of 5.0% (previous year: 5.2%), rose by 1.6% in 2019 (previous year: 1.3%).

The economic situation in Russia continued to deteriorate in 2019. While GDP increased by 1.9% in 2017 and 1.6% in 2018, the Russian economy grew by only 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. Russia being one of the largest oil producers, the oil price trend is an important success factor for the Russian economy. Russia's rate of inflation deteriorated significantly from 2.9% in 2018 to 4.4% in the year under review, which had a negative impact on consumer spending. Private consumer spending picked up by only 1.3% in 2019, compared to a 2.6% increase in the previous year. In spite of the weak economic growth, the RUB/€ exchange rate improved noticeably in the course of 2019. The exchange rate declined from RUB/€ 79.46 at the beginning of the year to RUB/€ 69.34 at the end of December 2019, which corresponds to an appreciation of the rouble against the euro of a good 14% since the beginning of the year. Nevertheless, the Russian currency is still far from the stable exchange rates of RUB/€ 40 to RUB/€ 45 seen prior to the Ukraine crisis.

Prices in the international commodity and energy markets dropped in 2019. According to the Hamburg Institute of International

Economics (HWWI), global commodity and energy prices fell by 7.7% on an euro basis in 2019, mainly due to the oil price trend. While the average oil price of the year 2018 stood at approx. USD 72 per barrel, it dropped to an average of approx. USD 64 in 2019, which represents a decline by approx. 11%. This decline in prices reflects fears or expectations of falling global demand for oil as a result of the slowdown in the world economy due to political crises and tensions, accompanied by a simultaneous increase in output. Accordingly, the 7.7% drop in the HWWI overall index in 2019 is composed of a 9.2% fall in the sub-index for energy raw materials and a 3.2% rise in the overall index excluding energy. As energy raw materials are far less important for A.S. Création than non-energy raw materials, A.S. Création benefited from the declining price trend reported by the HWWI for 2019 only to a very limited extent.

## 2.2. Industry-specific environment

Even though the Global Wallcoverings Association (IGI) has not yet released the 2019 figures for the international wallpaper markets, the Managing Board of A.S. Création assumes that the wallpaper markets that are relevant for A.S. Création have contracted. This assumption is supported by the available data of some national wallpaper associations,

such as the Association of German Wallpaper Manufacturers (VDT) and the British Coating Federation (BCF). The VDT statistics show that the German wallpaper manufacturers recorded sharp drops in both domestic and export revenues in 2019. Total revenues of the German wallpaper manufacturers were down by 6.9% on the previous year in 2019. Declining sales volumes and unutilised production capacities have led to increased competition and growing consolidation pressure in the international wallpaper industry in recent years. The effects of this consolidation are being felt. In Germany, for instance, the insolvency proceedings of Pickhardt + Siebert GmbH were opened in December 2018. As a result, one of the large German wallpaper manufacturers, which looks back on a history of almost 140 years, disappeared from the wallpaper market and was liquidated in the course of 2019. Similar consolidation processes could also be observed in other countries in 2019. Against the background of these industry developments, the 5.3% increase in the sales revenues of A.S. Création's Wallpaper Division from € 122.9 million in the previous year to € 129.5 million in the past fiscal year is a great success. In the course of 2019, A.S. Création was able not only to expand its own revenues in a difficult market but even to gain market share.

While the year 2018 was marked by declining

sales, no figures are available yet from the Association of German Home Textiles Manufacturers for 2019. According to the Association, the member companies' sales of furnishing fabrics and curtains, i.e. the product groups in which A.S. Création's Furnishing Fabrics Division generates most of its revenues, declined by 9.0% year-on-year in the first nine months of 2019. Domestic operations accounted for 7.6% of this drop, while international operations accounted for 12.0%. Just like the wallpaper industry, the furnishing fabrics industry remains in an intense consolidation process, which led to insolvencies and takeovers also in 2019. In this market environment, the Furnishing Fabrics Division was able to maintain its revenues at € 11.6 million, i.e. more or less at the previous year's level of € 11.7 million. Consequently, A.S. Création was able to win market share also in this segment, which should be regarded as a success.

### 2.3. Overview of the business trend

While A.S. Création saw its revenues decline in each of the past five fiscal years, the company managed to halt this downward trend in the past fiscal year. At € 141.1 million, consolidated revenues for the fiscal year 2019 were up by € 6.6 million or 4.9% on the previous year's € 134.5 million. This revenue

growth was achieved both in the EU and in non-EU Eastern European countries. At € 141.1 million, Group revenues were in line with the company's 2019 projections of between € 135 million and € 140 million. Moreover, A.S. Création was able to isolate itself from the declining market trend described in section 2.2 ("Industry-specific environment") and to win market share.

The improvement in earnings envisaged in the projections for 2019 was also achieved. While a loss of € -2.9 million had been posted in the previous year, A.S. Création closed the fiscal year 2019 with an operating profit of € 4.5 million. Adjusted for exchange gains of € 1.1 million, the operating result (EBIT) for the fiscal year 2019 stood at € 3.4 million. This means that the forecast for 2019 last published by the Managing Board has been exceeded. The latter projected earnings before interest and taxes excl. currency effects of between € 2 million and € 3 million.

Besides the increase in revenues, A.S. Création's significantly improved profitability in FY 2019 is mainly attributable to the higher gross profit margin and the lower personnel expense ratio.

Apart from the improved result from operations, the company generated a high extraordinary profit in the year under review, which resulted from the sale of the 50% stake

in 000 A.S. & Palitra, the Russian joint venture. For details, please refer to section 5 ("Important events in 2019") and section 3.1.2 ("Earnings performance"). In accordance with the requirements of the International Financial Reporting Standards, a result after tax from discontinued operations of € 11.7 million is reported for 2019, which includes both the at-equity result of A.S. & Palitra from the first quarter of 2019 and the income from the sale. Taking this result from discontinued operations into account, A.S. Création closed the fiscal year 2019 with a bottom-line profit after tax of € 14.1 million, compared to a loss after tax of € -6.0 million in the previous year.

Adjusted for the exchange gains included in earnings before interest and taxes, earnings after taxes amounted to € 13.1 million in 2019. Just like earnings before interest and taxes, earnings after taxes are therefore also higher than the full-year forecast for 2019 last published by the Managing Board. The latter projected earnings after taxes excluding currency effects of between € 11 million and € 12 million.

Overall, the Managing Board is very satisfied with the business trend in 2019, which confirmed the ambitious plans and underlines A.S. Création's positive prospects for the future.

### **3. Net assets, financial and earnings position**

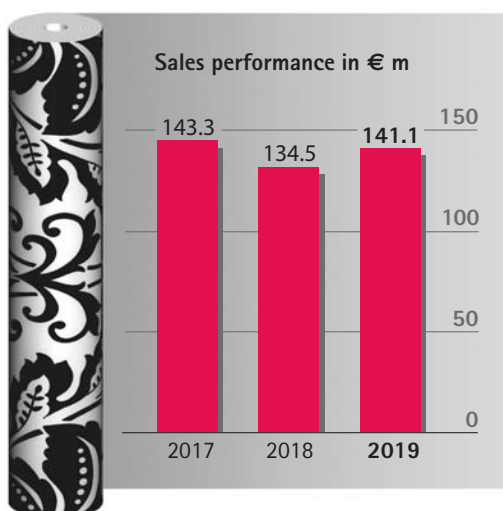
#### **3.1. Earnings position**

##### **3.1.1. Sales performance**

A.S. Création's sales revenues increased by € 6.6 million or 4.9% from € 134.5 million in the previous year to € 141.1 million in the fiscal year 2019. Of this increase, only € 0.4 million related to exchange rate changes in the Russian and Belarusian rouble as well as the pound sterling.

While the Furnishing Fabrics Division's revenues of € 11.6 million in FY 2019 more or less stayed at the prior year level of € 11.7 million, the Wallpaper Division expanded its revenues by an impressive 5.3% from € 122.9 million in the previous year to € 129.5 million in 2019. The breakdown of Group sales revenues by divisions has not changed materially. The Wallpaper Division accounted for 91.7% (previous year: 91.3%) of total 2019 revenues, while the Furnishing Fabrics Division accounted for 8.3% (previous year: 8.7%).

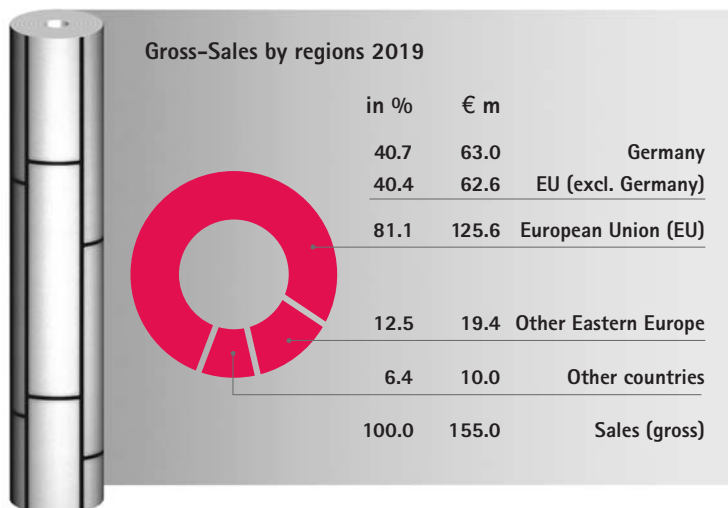
The breakdown of revenues by regions shows that A.S. Création's revenues in the European Union (EU) increased in FY 2019. Gross revenues in the EU were up by 5.3% on the previous year, with revenues in Germany



and the rest of the EU moving in opposite directions. In Germany, A.S. Création's gross revenues declined by a moderate 1.5% from € 64.0 million in the previous year to € 63.0 million in the past fiscal year. This breaks down into a gratifying 2.7% increase in revenues in the Furnishing Fabrics Division and a 2.3% drop in revenues in the Wallpaper Division. The decline in the Wallpaper Division's revenues is primarily attributable to a base effect in the previous year, as the very successful "Bude 2.0" advertising campaign launched in spring 2018 was targeted at German-speaking countries and accordingly stimulated growth in this region in 2018. By contrast, the follow-up campaign "Metropolitan Stories", which was launched at the beginning of 2019, was designed as an international campaign and was used not only by A.S. Création Tapeten AG in the German-speaking countries

but by all distribution companies of the A.S. Création Group worldwide. Just like the "Bude 2.0" campaign, "Metropolitan Stories" also advertises wallpapers and the A.S. Création collection of the same name in TV commercials, billboards, advertisements, roadshows and social media channels. Due to the international focus of the collection, however, revenues were spread across far more countries.

The lower revenues in Germany contrasted with clearly higher revenues in the rest of the EU, where A.S. Création was able to increase its gross revenues in FY 2019, resulting in total revenue growth of 13.2% from € 55.3 million in the previous year to € 62.6 million in the full fiscal year 2019. The highest revenue growth was achieved in France, Great Britain and Poland. This positive trend is attributable to three key factors. First, this trend already reflects the above-mentioned success of the international "Metropolitan Stories" collection. Second, A.S. Création benefited from a major product range update by an international DIY store chain in the reporting period. The first deliveries made in this context in the second quarter of 2019 and the first top-up orders received in Q3 and Q4 sent the Wallpaper Division's revenues rising. Finally, A.S. Création vigorously exploited growth opportunities arising from the ongoing market consolidation in the fiscal year 2019.



As a result of the above developments, gross revenues in the EU including Germany were up by € 6.3 million or 5.3% on the previous year's € 119.3 million in the past fiscal year and amounted to € 125.6 million. The EU thus accounted for 81.1% (previous year: 80.7%) of the Group's revenues in 2019.

Even stronger growth than in the EU was achieved in non-EU Eastern European countries, where A.S. Création increased its gross revenues by 15.8% from € 16.8 million in the previous year to € 19.4 million in 2019. This is a very encouraging trend overall and the result of two opposite effects. Profistil, the Belarusian production company, which took up operations at the end of March 2018, made a significantly higher contribution to Group revenues in 2019 than in the previous

year. By expanding its own product range and winning new customers, the company was able to continuously increase its output and sales volumes in 2019 and to fully utilise the capacity of the first production line in the course of the fiscal year. Accordingly, the second production line was taken into operation in October 2019. The sharp rise in sales of wallpapers produced in Belarus was offset by declining export sales from Germany. Both the Wallpaper Division's and the Furnishing Fabrics Division's exports continue to be affected by the low value of the major Eastern European currencies against the euro. Exports of wallpapers to Eastern Europe additionally suffer from increased competition in these markets, which is the result of the production capacities built up in the region over the past years. This shows that the installation of a dedicated production company in this region, 100% of whose revenues are consolidated, was the right decision. Due to the dynamic revenue growth in non-EU Eastern European countries, the share of this region in A.S. Création's total Group revenues climbed from 11.3% in the previous year to 12.5% in FY 2019.

By contrast, the trend in exports to Asia and the Near and Middle East was not quite as gratifying in the past fiscal year. The political and economic crises have had a negative impact on sales revenues in these regions. As

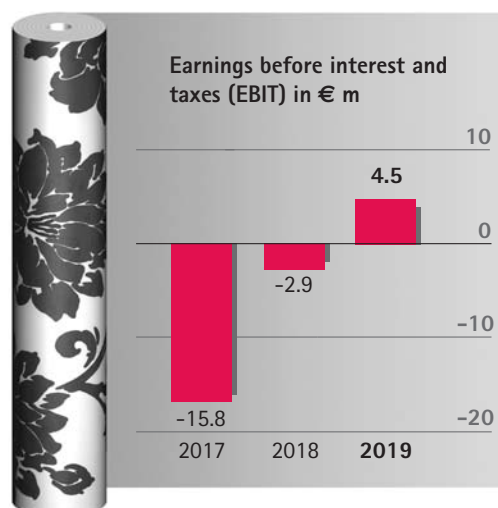
a result, gross revenues generated by both A.S. Création divisions in the other countries outside the EU and Eastern Europe fell by 15.8% from € 11.8 million in the previous year to € 10.0 million in the reporting period.

With sales revenues in both Western and Eastern Europe growing and revenues in the rest of the world declining, the focus of A.S. Création's revenues has further shifted towards Europe. In the fiscal year 2019, Western and Eastern European countries accounted for 93.6% (previous year: 92.0%) of the Group's revenues. The approximately 70 other countries in which A.S. Création generates revenues represented only 6.4% of total Group revenues in 2019 (previous year: 8.0%).

### 3.1.2. Earnings performance

The earnings position of A.S. Création improved noticeably in the fiscal year 2019. While a loss of € -2.9 million had been posted in the previous year, A.S. Création returned to profit in FY 2019 and reported an operating profit of € 4.5 million and an EBIT margin of 3.2%. Earnings thus improved by € 7.4 million on the previous year.

When analysing this trend, it should be noted that A.S. Création's EBIT are influenced by



currency effects, which mostly result from the fact that the Eastern European Group companies are financed in euros. For these Group companies, the appreciation or depreciation of the Russian and Belarusian rouble against the euro reduces or increases the amount of liabilities translated into local currency, resulting in an exchange gain or loss. Exchange rate developments in the fiscal year 2018 led to translation-related exchange losses of € 1.2 million, while translation-related exchange gains of € 1.1 million were recorded in the past fiscal year. Adjusted for these currency effects, EBIT for the year under review improved by € 5.1 million from € -1.7 million in the previous year to € 3.4 million, while the adjusted EBIT margin reached 2.4%.

An analysis of the earnings situation shows that the improvement in earnings in the year

under review is primarily attributable to the 4.9% growth in revenues, which went hand in hand with an increase in the gross profit margin (gross profit in relation to total output) from 49.4% in the previous year to 50.5% in FY 2019. Gross profit increased by 8.7% from € 65.6 million in 2018 to € 71.3 million in 2019, which means that the sales process yielded € 5.7 million more in gross profit to cover other expense items in the fiscal year. This trend primarily reflects the increased share of higher-quality and higher-priced products in the overall product range and, hence, the success of the product policy of the past years. By contrast, A.S. Création benefited only very little from the general decline in global commodity and energy prices in 2019 described in section 2.1 ("Macroeconomic environment").

Improvements were also made in the past fiscal year with regard to the personnel expense ratio (personnel expenses in relation to total output), which declined from 27.8% in the previous year to 26.5%, a level last reached four years ago. However, the improvement was not quite as pronounced as assumed in the forecast for 2019, which had projected a personnel expense ratio of between 25% and 26%. At € 37.4 million, personnel expenses in FY 2019 were up by € 0.5 million or 1.3% on the previous year's € 36.9 million. As this increase was lower than the 6.3% rise in total

output, the personnel expense ratio improved. Personnel expenses were influenced by the following factors in the past fiscal year:

- The average headcount declined by five from 755 in the previous year to 750 in FY 2019. This is the result of two opposite effects. As OOO Profistil, the Belarusian subsidiary, started up and expanded the wallpaper production facility, the company successively expanded its workforce over the past years. In the past fiscal year, the average headcount increased by 28 to 110 (previous year: 82). By contrast, the other entities of the A.S. Création Group reduced their average headcount by 33 people in 2019. Between them, these effects led to a reduction in personnel expenses.
- The savings resulting from the staff reductions and the changed personnel structure were more than offset by collective pay rises that were implemented in the course of 2018 and impacted the full year 2019 as well as by the increase in performance-linked compensation components resulting from the significantly improved earnings position.

At € 26.6 million, other operating expenses were more or less on a par with the previous year's € 26.4 million. Adjusted for the above-



mentioned exchange losses of € 1.2 million that affected other operating expenses in the previous year, the latter rose from € 25.2 million in the previous year to € 26.6 million in the year under review. As this increase was roughly in sync with the rise in total output, other operating expenses as a percentage of total output, at 18.8%, remained largely unchanged from the previous year's 18.9%. In spite of the cost-cutting measures implemented in 2019, which are reflected, among other things, in lower general selling and administrative expenses, there has been no improvement in this regard. This was mainly due to the rise in transport and logistics costs as well as to increased expenses for repairs and maintenance.

At € 5.7 million, depreciation was down by € 0.4 million on the previous year's € 6.1 million in 2019, helping to improve the result in the fiscal year 2019. This decline is attributable to the expiry of depreciation of older buildings as well as to lower depreciation resulting from reduced investments in printing and embossing rollers and rotary screens in the past fiscal year. Opposite effects resulted from the taking into operation of the production plant in Belarus, which led to an increase in depreciation, and the first-time adoption of IFRS 16 "Leases". As a result of this amended accounting standard, A.S. Création's depre-

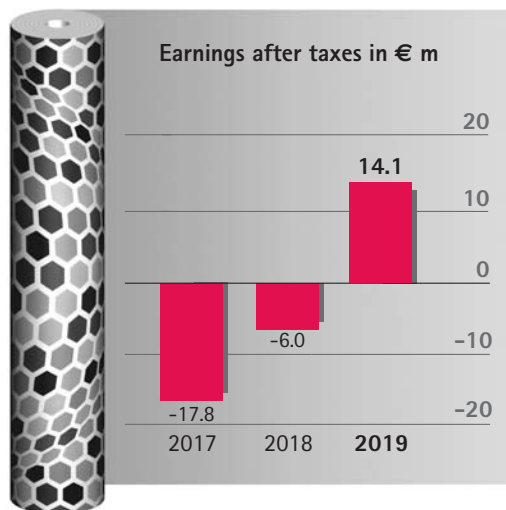
ciation increased by € 0.4 million in the past fiscal year.

Between them, the factors described above resulted in earnings before interest and taxes of € 4.5 million in FY 2019 (previous year: € -2.9 million).

A.S. Création's financing structure was adjusted in the course of FY 2018 and additional long-term loans were raised. As a result, A.S. Création's average interest-bearing financial liabilities in 2019 were higher than in the previous year, resulting in increased interest expenses. Consequently, the financial result deteriorated from € -0.8 million in the previous year to € -1.0 million in 2019.

Earnings before interest and taxes and the financial result in FY 2019 led to earnings before tax from continuing activities in the amount of € 3.5 million, compared to a loss of € -3.7 million in the previous year. After deduction of income tax, A.S. Création reported earnings after taxes from continuing operations of € 2.4 million (previous year: € -3.6 million), which means that earnings increased by € 6.0 million.

The results from continuing operations do not include the contributions made by the Russian joint venture, OOO A.S. & Palitra.



This applies to both the past fiscal year and the previous year. On April 2, 2019, A.S. Création Tapeten AG signed an agreement to sell its 50% stake in A.S. & Palitra to the co-shareholder's group of companies. For details, please refer to section 5 ("Important events in 2019"). Due to the disposal, the earnings contribution made by A.S. & Palitra is no longer reported under the financial result but under the separate item "Earnings after taxes from discontinued operations" in accordance with International Financial Reporting Standards (IFRS). As the IFRS require an adjustment of the previous year's figures to facilitate a comparison, the financial result for the fiscal year 2018 has changed compared to the disclosure in the consolidated financial statements for the year ended December 31, 2018. The sale of the investment in A.S. & Palitra resulted in extraordinary income of € 9.7 million in the consolidated financial statements

for 2019. Together with the at-equity result from the first quarter of 2019 and interest income totalling € 2.0 million (previous year: € -2.4 million), A.S. Création thus reported earnings after taxes from discontinued operations of € 11.7 million in the fiscal year 2019 (previous year: € -2.4 million).

At the bottom line, continuing and discontinued operations resulted in a profit after taxes of € 14.1 million in FY 2019, compared to a loss of € -6.0 million in the previous year.

Based on the number of shares outstanding, which remained unchanged at 2,756,351 in 2019, the consolidated result after taxes of € 14.1 million (previous year: € -6.0 million) resulted in earnings per share of € 5.13 (previous year: € -2.17). These break down into earnings per share from continuing operations of € 0.88 (previous year: € -1.31) and earnings per share from discontinued operations of € 4.25 (previous year: € -0.86).

### 3.1.3. Appropriation of profits

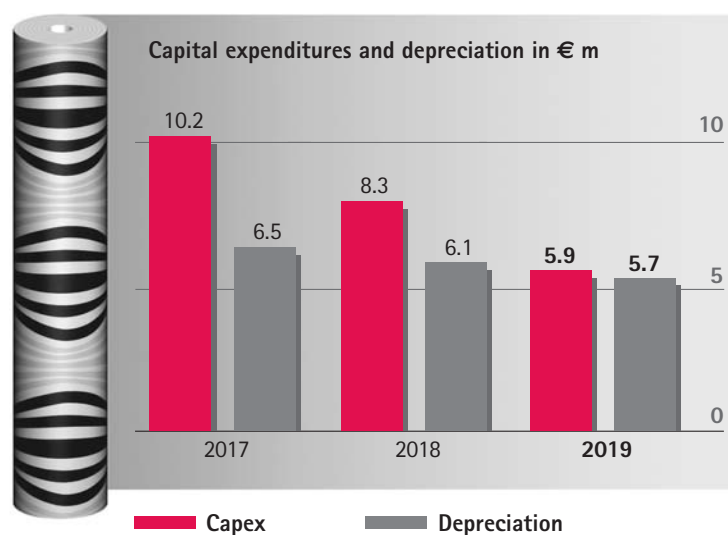
Since 2003, A.S. Création's dividend policy has been characterised by a payout ratio of approx. 45% of earnings per share. Unlike the fiscal year 2019, earnings per share in previous years were not affected by extraordinary income from the sale of operations.

In this sense, the fiscal year 2019 is also a special year in terms of dividend policy. The Managing Board is of the opinion that cash flows from the sale of operations should primarily be used for investments aimed at strengthening and expanding the remaining business segments or building up new ones. Based on the medium-term earnings, investment and financial planning of A.S. Création, the Managing Board expects a higher investment volume in the coming fiscal years. In the opinion of the Managing Board, it is not possible to reliably predict and quantify the effects of the current corona crisis on A.S. Création's financial and earnings position at this stage. The Managing Board believes that, in a situation like this, it is advisable to leave a higher proportion of the profit in the company than in the past. Accordingly, the Managing Board proposes to pay a dividend of € 0.90 per share, which corresponds to a payout ratio of 17.5% of earnings per share of € 5.13. The total distribution would thus amount to € 2.5 million.

### 3.2. Financial and net assets position

#### 3.2.1. Capital expenditures

At € 5.9 million, capital expenditures in FY 2019 were down by € 2.4 million on the previous year's € 8.3 million. This decline is



primarily attributable to the fact that capital expenditures in 2018 included the modernisation of the logistics capacities in Wiehl-Bomig, in the amount of € 1.6 million.

Of the total investments in 2019, € 2.3 million (previous year: € 2.0 million) related to the start-up of the wallpaper production line at OOO Profistil, the Belarusian company, which was taken into operation in March 2018. A second printing line and other peripheral equipment such as a formulation machine were installed in the course of 2019 in order to lay the technical basis for the planned future revenue growth. In addition, the further development and expansion of Profistil's product range led to increased investments in printing tools.

Most of the remaining investments at the

other Group companies were replacement and modernisation investments as well as investments in printing tools for the new wallpaper collections.

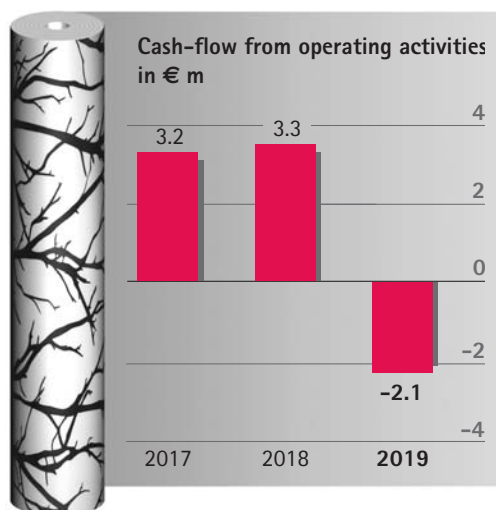
As of the balance sheet date, the company had financial obligations from order commitments for investments in the amount of € 0.3 million (previous year: € 1.1 million).

### 3.2.2. Cash flow statement and net financial liabilities

At € -2.1 million, operating cash flow in the past fiscal year was clearly below the previous year's € 3.3 million. This negative operating cash flow in FY 2019 is the result of the payment of the € 11.9 million penalty from the completed antitrust proceedings. Adjusted for this one-time effect, cash flow from operating

activities in the reporting period would have been significantly higher than the corresponding figure for the previous year and would thus have reflected the development that would actually have been expected due to the improved earnings situation and the improved figures relating to the funds tied up in current assets. Consequently, inventory turnover increased to 4.1x per year (previous year: 3.8x), while days of sales outstanding declined to 58 days (previous year: 66 days) in 2019.

Besides the negative operating cash flow of € -2.1 million, A.S. Création's investments in the past fiscal year resulted in financing requirements of € 5.9 million (previous year: € 8.3 million). A.S. Création was able to more than cover these requirements with the € 18.9 million in cash received from the sale of the 50% stake in A.S. & Palitra. Due to this extraordinary cash flow, A.S. Création's financial structure improved significantly in the course of 2019. Cash and cash equivalents and current financial assets rose from € 11.9 million on December 31, 2018 to € 20.6 million on the balance sheet date; during the same period, interest-bearing financial liabilities were reduced by € 0.8 million from € 15.3 million to € 14.5 million. As a result, A.S. Création had a net credit position (difference between cash and cash equivalents as well as current financial assets and interest-bearing financial

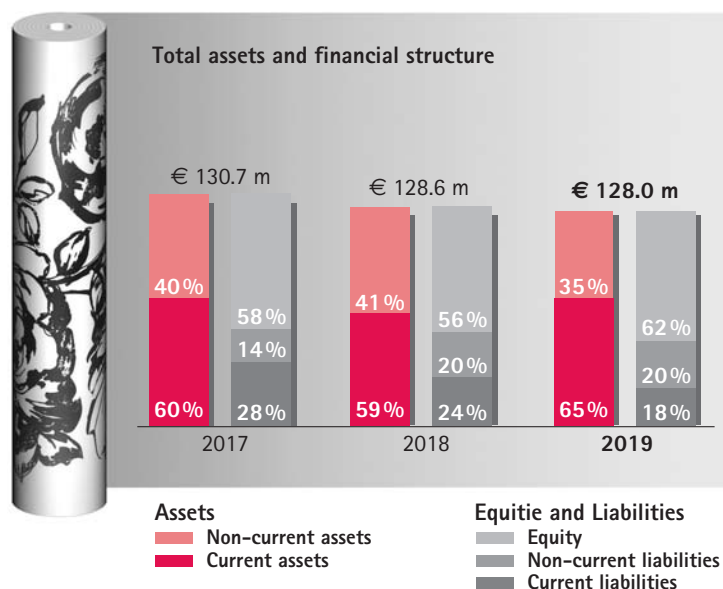


liabilities) of € 6.1 million as of December 31, 2019, compared to net financial liabilities in an amount of € 3.4 million reported in the balance sheet for the period ended December 31, 2018.

### 3.2.3. Balance sheet structure

The sale of the 50% stake in A.S. & Palitra has led to major changes in the balance sheet structure of A.S. Création.

- After the two loss-making years of 2017 and 2018, equity increased to € 79.4 million as of December 31, 2019 (previous year: € 72.2 million) due to the high earnings after taxes generated in 2019. As a result, the equity ratio also rose sharply to 62.1% (previous year: 56.1%) as of the balance sheet date, which the Managing Board considers to be a high level.
- Against the background of A.S. Création's conservative financing policy, equity and long-term debt capital are traditionally more than sufficient to finance the non-current assets. As non-current assets declined as a result of the sale of the 50% stake in A.S. & Palitra, the corresponding ratio improved again to 237.3% as of December 31, 2019 (previous year:



186.8%). This means that the "golden" financial rule is more than fulfilled.

- As reported in section 3.2.2 ("Cash flow statement and net financial liabilities"), A.S. Création was able to reduce its net financial liabilities in the course of 2019 and had a net credit position of € 6.1 million as of the balance sheet date.

As of December 31, 2019, the Group's total assets amounted to € 128.0 million (previous year: € 128.6 million) of which 87.4% (previous year: 78.3%) related to property, plant and equipment, inventories, trade receivables as well as cash and cash equivalents. By contrast, intangible assets (including goodwill) stated in the balance sheet as at the

balance sheet date merely play a minor role and represented only 6.6% (previous year: 6.5%) of total assets and 10.6% (previous year: 11.5%) of equity.

The Managing Board of A.S. Création believes that the net assets and financial position of A.S. Création is very sound.

#### 4. Material non-financial indicators

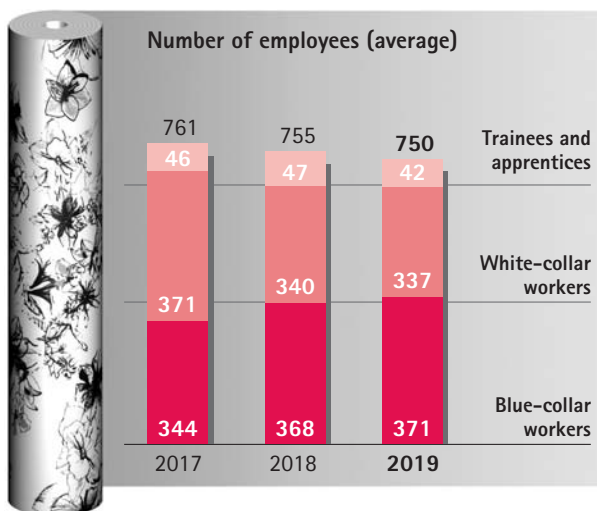
##### 4.1. Employees

The A.S. Création Group employed an average of 750 people (previous year: 755 people) in the fiscal year 2019. 686 employees (previous year: 690) worked in the Wallpaper Division and 64 (previous year: 65) in the Furnishing

Fabrics Division. A majority of 529 people or 70.4% (previous year: 548 people or 72.5%) are employed by the domestic Group companies.

The decline in the average headcount by five people from 755 in the previous year to 750 in FY 2019 is the result of two opposite effects:

- 000 Profistil, the Belarus Group entity, had started to build up a wallpaper production facility in 2017. The first production line was taken into operation in March 2018. As the second production line was taken into operation in the course of 2019, the average headcount increased by 28 from 82 to 110 people.
- As announced, the headcount of the other companies of the A.S. Création Group was reduced further in 2019 to take account of the fact that sales revenues had declined compared to the past. In France, for instance, the reorganisation of the three existing distribution companies was initiated; these will be merged into a single legal entity in the course of 2020. The number of employees at the other Group companies (excl. 000 Profistil) was reduced by another 4.9% from an average of 673 people in 2018 to an average of 640 people in 2019.



Due to the fact that the headcount was reduced by 0.7% while revenues increased by 4.9% at the same time, employee productivity picked up again in 2019, having previously declined since 2013. Sales revenues per employee rose by 5.6% from € 0.178 million in the previous year to € 0.188 million in FY 2019. Even though this is still far below the historic highs of € 0.245 million to € 0.250 million, the Managing Board is satisfied that this key performance indicator is also beginning to improve. The reduced personnel expense ratio was described already in section 3.1.2 ("Earnings performance").

A.S. Création's traditionally strong vocational training activities were restricted only little in the fiscal year 2019. At 7.8%, the number of trainees/apprentices as a percentage of the domestic workforce was only slightly below the previous year's very high 8.4%. In 2019, A.S. Création trained an average of 42 (previous year: 47) young people in one of the twelve occupations for which A.S. Création offers vocational training. The Managing Board of A.S. Création is convinced that the training and further education of its workforce are important factors for the future of the company. To achieve our objective to secure young talent, we want to keep the percentage of trainees/apprentices in relation to the workforce at a high level of at least 7% per year.

#### 4.2. Sustainability report

At its meeting on March 19, 2020, the Supervisory Board will discuss and take a resolution on the combined non-financial Group report pursuant to section 315b (2) of the German Commercial Code (Handelsgesetzbuch HGB) in conjunction with section 289b and section 289c HGB. The report will subsequently be published on the company's website in the "Company" section under "Sustainability".

#### 5. Important events in 2019

At the end of the Annual General Meeting of Shareholders on May 9, 2019, Mr Franz Jürgen Schneider resigned from the Supervisory Board for health reasons. Mr Schneider, founder of the company and its CEO until 2001, had served as Chairman of the Supervisory Board since June 2001. In these roles, Mr Schneider has been instrumental in turning A.S. Création into Europe's leading wallpaper manufacturer. At the Supervisory Board meeting held after the Annual General Meeting of Shareholders, Mr Jochen Müller was elected new Chairman of the Supervisory Board. Mr Müller is a member of the Management Board of LSG Lufthansa Service Holding AG and has served

on the Supervisory Board of A.S. Création Tapeten AG since May 2014. On August 9, 2019, Dr. Stephan Zilkens was appointed to the Supervisory Board of A.S. Création Tapeten AG by court order; since that date, the Supervisory Board has again been composed of six persons.

On April 2, 2019, A.S. Création Tapeten AG signed a contract to sell its 50% stake in the Russian joint venture, OOO A.S. & Palitra, as well as the claims from the shareholder loans. A.S. & Palitra was founded in 2008 together with OOO Kof Palitra, the leading Russian wallpaper manufacturer. The stake was sold to Lins Wallpaper Ltd, London/UK, the majority shareholder of Kof Palitra. Lins Wallpaper also holds 15.01% of the voting rights in A.S. Création Tapeten AG. As the conditions in the Russian wallpaper market changed over the past few years, the non-EU Eastern European markets have become far less important export markets for A.S. Création's Group sales revenues. A.S. & Palitra's rising sales of locally produced wallpapers were not reflected in A.S. Création's Group revenues, as the joint venture was not fully included in the consolidated financial statements of A.S. Création because of the shareholder structure. Given that a change in the shareholder structure of the joint venture or an expanded cooperation did not appear to be feasible in the future, the Managing Board of

A.S. Création Tapeten AG decided to withdraw from the joint venture. A.S. & Palitra has since been renamed Aspect Ru. A.S. Création will continue to have a presence in Eastern Europe through the production facility in Belarus taken into operation in 2018 and the distribution company in Moscow. Both companies are wholly owned by the A.S. Création Group.

After signing the agreement on April 2, 2019, A.S. Création Tapeten AG was no longer allowed to exert any influence on the management and corporate decisions at A.S. & Palitra. Accordingly, the 50% stake in A.S. & Palitra has no longer been accounted for using the equity method in the consolidated financial statements since this date, but is now reported under assets held for sale. The same applies to the shareholder loans. For the effects of the sale on the income statement and the balance sheet, please refer to sections 3.1.2 ("Earnings performance") and 3.2 ("Financial and net assets position").

## **6. Important events after the end of the fiscal year**

In the opinion of the Management Board, no reportable events occurred.



## 7. Opportunity and risk report

### 7.1. Opportunity management

The product portfolio of A.S. Création can be assigned to the consumer sector, as wallpapers are mainly used for renovation purposes. Because of their use, furnishing fabrics also qualify as consumer goods. A.S. Création thus operates in consumer goods markets which are influenced, on the one hand, by the general trend in consumer spending and spending behaviour. On the other hand, demand for such fashionable products as wallpapers and furnishing fabrics depends on the latest colour and design trends.

If potential future developments or events which may have a positive impact on the business of A.S. Création are regarded as opportunities, it is critical for the success of the company to identify and exploit such opportunities at an early stage. At A.S. Création, this kind of "opportunity management" is the responsibility of the management teams of the Group companies. The different local wallpaper and furnishing fabrics markets are characterised by country-specific particularities regarding colour and design trends, the relative importance of the different distribution channels through which the products are marketed and the stage of market consolidation.

Accordingly, the opportunities arising in the individual markets may differ significantly. This is why A.S. Création has refrained from installing a standardised global opportunity management system. According to the Managing Board, such a system is not required as the simple and well-arranged corporate structure of A.S. Création and the company's direct reporting lines ensure that information about opportunities which have been identified and may be relevant for the Group as a whole are communicated to the Managing Board in a timely manner.

### 7.2. Risks

#### 7.2.1. Risk management system

Any business activity inevitably entails not only opportunities but also certain risks. As a general rule, these risks can be divided into external risks such as the amendment of legal provisions and internal risks such as the liquidity risk. Throughout its company history, A.S. Création has demonstrated its responsible approach to such risks. In the opinion of the Managing Board, the high quality of our risk management system is an important basis for the successful development of A.S. Création.

In the context of the risk management system, potential risks identified at A.S. Création are assessed by the company's managers with regard to two criteria, namely "probability of occurrence" and "amount of the loss/damage". The amount of the loss/damage is classified as "manageable", "high" and "very high" and the probability of occurrence is classified as "medium", "frequent" and "very frequent". The Managing Board is constantly kept informed of the risks and pays special attention to risks with a high or very high damage potential and a "frequent" or "very frequent" probability of occurrence. The Managing Board is of the opinion that the risk management system, which is an integral element of A.S. Création's reporting system, is of a sufficient size. Based on statutory requirements, Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Cologne, examined the early risk identification system of A.S. Création in the context of last year's audit and confirmed that risks which may potentially jeopardise the continued existence of the company can be identified by the early risk identification system established in accordance with section 91 AktG and are adequately presented in the management report. The early risk identification system was again examined by Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Cologne, in the context of this year's annual audit.

The risks which entail a high or very high potential damage/loss and have been identified by the risk management system are explained below.

### **7.2.2. Macroeconomic and industry-specific risks**

The Managing Board is of the opinion that the future political and macroeconomic conditions in non-EU Eastern European countries pose risks with a high potential damage for A.S. Création. A.S. Création has tied up significant assets in this region, e.g. the production facility in Belarus and the distribution company in Russia, which means that political events such as trade restrictions, sanctions and expropriations have a high damage potential for A.S. Création, all the more so as Russia is the largest market for the wallpapers produced in Belarus. Also, a poor macroeconomic trend especially in Russia could result in major customers no longer meeting their payment obligations and A.S. Création facing bad debts.

Industry-specific risks result from existing overcapacities in the wallpaper industry. Due to the declining demand in Western Europe and the sharp drop in exports to Eastern Europe, the Western European wallpaper

manufacturers have considerable excess capacities. At the same time, new additional production resources have been – and continue to be – built up in Eastern Europe. It is possible that investment activity in Russia will lead to overcapacities in this market, too. The Managing Board believes there is a risk that this underutilisation on the manufacturing side, in conjunction with the growing market clout of major customers, may lead to ruinous price competition and, hence, to a new consolidation process in the global wallpaper industry. Rising commodity and energy prices could accelerate this process. Nevertheless, the Managing Board is of the opinion that, should a new consolidation process arise, A.S. Création will be able to actively shape this consolidation process thanks to its innovation and financial strength as well as to the adjustment of the production capacities in Germany. A.S. Création's earnings may, however, suffer considerably until this market consolidation is completed. In this respect, the Managing Board sees a high potential risk.

Another high potential risk for the wallpaper industry results from the more stringent legal provisions regarding the use of chemicals in the production of wallpapers. The REACH chemicals regulation, for instance, is applicable throughout the EU. The acronym REACH stands for "Registration, Evaluation, Authorisation and Restriction of Chemicals". On the basis of

this regulation, the hazards which chemicals may pose to human health and the environment are assessed. Substances of very high concern are put on a SVHC list, meaning that the use of these chemicals may be reportable. In extreme cases, certain substances may be banned throughout the EU. Just like other industries, the wallpaper industry uses such additives as e.g. plasticisers in the production of flat and expanded vinyl wallpapers. In the worst-case scenario of a general prohibition of e.g. plasticisers, the entire wallpaper industry would be equally affected. Such a change would therefore not lead to any distortions in the competitive situation. A high risk could arise, if a manufacturer were able to secure exclusive access to an equivalent substitute product, potentially giving that manufacturer a permanent competitive advantage. To minimise this risk, A.S. Création is constantly looking at ways of processing substitute products in its existing production facilities. The Managing Board therefore believes that the probability of such a scenario materialising is low.

Apart from the opportunities arising from the fact that wallpaper is a fashionable product, this fact also entails the risk of fashion trends leading to declining demand for the product. This could happen, for instance, in case of a general and sustained trend among the younger generation towards smooth white

walls or a trend towards wallpapering only a single wall as a special touch and painting the remaining walls. Furthermore, fashion trends might be reflected in longer renovation cycles. As such cyclical fashion trends have occurred before, it is safe to assume that they will reoccur in the future. However, the Managing Board does not consider this risk to be existence-threatening as the same fashion trend would normally not occur in all regional output markets of A.S. Création at the same time and wallpaper cannot only be produced as a design wallpaper but also as a plain wallpaper.

### 7.2.3. Risks arising from the functional areas

In the distribution area, there are risks that relate to the changing structures in the output markets. On the one hand, there is a notable concentration process leading to larger companies in the wholesale and retail sector as well as in the DIY store and discount store sector. On the other hand, a trend is emerging which may lead to increased demand in the high-priced premium segment and the price-conscious discount segment at the expense of the medium market segment. Moreover, online distributors of wallpapers have meanwhile established themselves as an

additional distribution channel and increased their market share in competition with the traditional distribution formats. As online dealers increasingly operate across borders, competition is becoming more and more international. Moreover, online dealers can remove wallpapers from their product ranges more quickly due to low exit barriers. Should A.S. Création be unable to adapt its product and pricing policy as well as its own company structure to these changing market structures, this could lead to strong and sustainable pressure on revenues and earnings. There is therefore a high potential risk whose probability of occurrence the Managing Board classifies as frequent.

The developments discussed under the buzzwords "digitisation" and "individualisation" have an impact on A.S. Création's production and logistics departments. As the production plants and processes are currently configured for the production of larger series, a significantly changed consumer behaviour would have an adverse impact on A.S. Création's earnings. The Managing Board therefore believes that there is a high risk potential if A.S. Création makes insufficient investments or fails to invest in the right technologies and thus suffers from permanent competitive disadvantages with regard to manufacturing costs and product design possibilities. Due

to the ongoing investment activities, the Managing Board does not consider the probability of occurrence of such a scenario to be high.

#### 7.2.4. Financial risks

As outlined in the analysis of the financial situation in section 3.2, A.S. Création's financial situation is very sound. No financing or cash shortages are expected to result from the operating activities.

Due to the specific structure of the A.S. Création Group, interest rate or currency hedges and financial derivatives play only a minor role. Such hedges are generally taken out only for specific underlying transactions. For details, please refer to No. 32 in the Notes to the consolidated financial statements.

#### 7.2.5. Risks from anti-trust proceedings

The anti-trust proceedings in Germany and France have been concluded and all penalties were paid prior to the balance sheet date, which means that there are no longer any risks affecting the results and financial position of A.S. Création. There remains a potential

risk with regard to claims for damages which third parties may assert in connection with the anti-trust proceedings. The Managing Board considers the probability of occurrence of this risk to be very low, however.

#### 7.2.6. Accounting-related internal control and risk management system

The A.S. Création Group is characterised by a clear and manageable corporate structure. Besides A.S. Création Tapeten AG, the basis of consolidation comprises only nine companies, which are fully consolidated.

The accounting process in the A.S. Création Group is decentralised, i.e. the member companies of the Group are responsible for preparing their individual financial statements in accordance with local GAAP. The individual companies use different accounting programmes, mostly standard software that is adapted to specific local and corporate requirements. Standardised bulk processes such as invoicing and payroll accounting are also processed using IT-based systems, which are connected with the accounting systems via interfaces. This way, potential errors in the accounting process are reduced to a minimum.

Internal control of the accounting process

is performed on the basis of the "four-eye principle" and through regular plausibility checks. Within the A.S. Création Group, internal monthly reports are derived from the accounting system. As the company does not use imputed or flat charges, the internal controlling system is not based on "artificial" results but on those that are taken from the accounting process. Accordingly, internal control of the accounting process is an integral element of the controlling system.

External control of the accounting process is performed, on the one hand, through the annual audit of the financial statements by the auditor. To avoid habituation effects in the audit, the A.S. Création Group has a policy of changing its auditor from time to time. The current auditors of the separate and the consolidated financial statements, Ernst & Young, have performed the audits since FY 2014. To ensure a consistent auditing standard within the A.S. Création Group, A.S. Création has a policy of using as few accounting firms as possible. Accordingly, the financial statements of nine of the ten Group companies were audited or reviewed by Ernst & Young in 2019. Besides the regular audit, the internal control systems of the Group companies (and, hence, those that are used in the accounting process) are regularly reviewed by external specialists with a view to refining and updating the pro-

cesses. The Supervisory Board of A.S. Création Tapeten AG – in particular its Audit Committee – is involved in the evaluation of the results of these reviews.

To prepare the consolidated financial statements, the Group companies' financial statements are transferred into the Group accounting system and complemented with additional information to form a reporting package. This standardised reporting package is defined by A.S. Création Tapeten AG for all Group companies and is used not only for the financial statements but also for monthly reporting. The data from the reporting packages is transferred via an interface to the consolidation system in which the consolidated financial statements of A.S. Création are prepared. The consolidated financial statements and the consolidated presentations of the Wallpaper and Furnishing Fabrics Divisions are produced centrally. To ensure that consistent and standardised valuation criteria are applied, key parameters such as the discount rate for the calculation of pension provisions are predefined centrally by A.S. Création Tapeten AG. For the same reason, the goodwill impairment test is performed centrally.

At Group level, the internal control systems used to ensure proper Group accounting primarily comprise plausibility and com-

pleteness checks of the reporting packages received. Whenever required, representatives of A.S. Création Tapeten AG attend the final meetings with the auditors of the Group companies. In addition, controls of the main consolidation processes – e.g. debt, income and expenses, capital – are integrated in the software used. Finally, the consolidated financial statements (and the financial statements of A.S. Création Tapeten AG) are audited by the Supervisory Board and its Audit Committee.

External control of the Group accounting process is performed by the auditors of the Group companies, who check that the reporting package is fully consistent with the respective financial statements and confirm the completeness and accuracy of the information contained therein to the auditors. Additional controls are performed by the Group auditor, who defines consistent audit standards for the auditors of the individual Group companies. In this context, the Group auditor may take into account a special focus of the audit that may have been defined by the Supervisory Board of A.S. Création Tapeten AG or its Audit Committee for the audit of the consolidated financial statements. The Group auditor also reviews the compilation of the consolidated financial statements from the financial statements taking the consolidation processes into account.

The above control systems used by A.S. Création for the (Group) accounting process are designed to minimise the risk that important facts are omitted or presented incompletely or incorrectly in the financial statements or the consolidated financial statements. However, they cannot provide absolute certainty that the individual financial statements or the consolidated financial statements are free of errors.

#### **7.2.7. Assessment of the overall risk**

The Managing Board of A.S. Création Tapeten AG considers the overall risk to be manageable. The probability of risks materialising that would jeopardise the company's continued existence tends to be low.

### **8. Forecast**

Global economic growth had slowed significantly in recent years and stood at only 2.4% in 2019. In its most recent forecasts, the World Bank projects economic growth of 2.5% for 2020. All economic forecasts for 2020 are subject to very high uncertainty, as the effects of the corona epidemic on global supply chains and, hence, on companies in

the various countries of the world cannot be reliably assessed at this time and the global trade conflicts have not been resolved yet.

Eurozone GDP is expected to grow by only 0.9% in 2020, following a 1.2% increase in 2019. One of the main reasons for the noticeable slowdown in economic growth is the decline in exports, which are of great importance for the eurozone. By contrast, private consumer spending is expected to grow by 1.3% in 2020, i.e. at a slightly higher rate than in 2019. For Germany, where the A.S. Création Group generated almost 41% of its revenues in 2019, an economic growth rate of 0.8% and a 1.5% increase in consumer spending are projected for 2020.

Economic growth in non-EU Eastern European countries is expected to stabilise somewhat. While the Russian economy expanded by only 1.3% in 2019, a GDP growth rate of 1.8% is projected for Russia – which, together with China, is one of the world's two biggest wallpaper markets – for 2020. Growth in private consumer spending is likely to remain below last year's 1.3% due to the persistent economic and political uncertainties.

The Managing Board believes that the continued low economic growth in Western and Eastern Europe, in conjunction with high un-

certainty and declining consumer spending, do not provide an environment in which demand for wallpapers and furnishing fabrics will grow in 2020.

The commodity and energy price trend in 2020 is also subject to great uncertainty. On the one hand, the economic slowdown tended to send commodity and energy prices falling in 2019. It is questionable whether commodity prices will remain at the 2019 level despite the subdued economic data for 2020. On the other hand, the many (trade) political tensions suggest that the energy and commodity markets might be driven by political effects in 2020. The Managing Board's plans for 2020 are based on the assumption of a moderate increase in commodity and energy prices.

The Managing Board of A.S. Création expects to see further material structural changes in the international wallpaper industry in the coming years. In view of the existing over-capacities, the Managing Board projects a further consolidation of the international wallpaper industry. This process will be intensified by the growing market concentration in the output markets. The Managing Board expects the consolidation process to continue also in the market for furnishing fabrics.

On balance, the macroeconomic and industry-



specific environment is not expected to provide any positive stimulation for A.S. Création in 2020. The Managing Board nevertheless assumes that A.S. Création will be able to continue growing its revenues and improving its earnings position in 2020.

As in the past fiscal year, the company intends to achieve significant revenue growth in non-EU Eastern European markets in 2020. As outlined in section 3.2.1 ("Capital expenditures"), the second production line of Profistil, the Belarusian subsidiary, was taken into operation in October 2019. Moreover, Profistil used the past few months to expand its own wallpaper range. This means that the conditions are in place to expand sales of locally produced wallpapers in this region in 2020. In addition, the plans for A.S. Création (RUS), the Russian distribution company, provide for increased sales of high-quality wallpapers made in Germany.

With regard to the EU, the Managing Board assumes that in 2020 A.S. Création will benefit from the new international collections presented already at the International Partner Days in autumn 2019. The end consumer campaigns for these collections will be even more extensive than in 2019, which means that here, too, the basis for growing revenues in 2020 will be laid. Furthermore, the

Managing Board plans to expand the range of digitally printed wallpapers in 2020 to meet the trend towards individualised and personalised products. The extensive investments in the modernisation of the production and logistics technology required for this purpose were initiated in the past two years and the first sub-projects have been completed, so that A.S. Création is now able to vigorously address this business segment.

In France, a further step in reorganising the sales organisation will be taken in the course of 2020. Following the merger of the warehouse locations into one central warehouse at the beginning of 2019, the three existing legally independent distribution entities will be merged into a single entity in 2020 to further improve the positioning and the development of the "A.S. Création", "Lutèce" and "Montecolino" brands in the French wallpaper market. The Managing Board of A.S. Création expects this to result in increased market penetration. The merger will also reduce the costs of internal processes and functions. These savings will be used to strengthen product development, sales and marketing with a view to further expanding the company's position in the French wallpaper market.

The Managing Board expects A.S. Création's capital expenditures to increase in the coming

years. To open up new business segments for the Wallpaper and Furnishing Fabrics Divisions and to implement the planned growth strategy, additional high investments in the modernisation of IT, production and logistics will be necessary. Accordingly, the capex budgets for the next two years propose investments of between € 7 million and € 8 million each.

As outlined above, the Managing Board expects adverse effects on the company's operating performance to arise from rising commodity and energy prices in 2020. To offset these effects on gross profit at least partly, A.S. Création will continue to focus on achieving significant productivity gains and a further reduction in the reject rate. Finally, average sales prices are to be increased with the help of an effective product range and pricing policy.

Personnel expenses, which are a component of operating expenses, are expected to increase. On the one hand, the average headcount will grow in 2020 primarily because of the taking into operation of the second production line in Belarus. On the other hand, the improvement in earnings planned for 2020 will increase the performance-linked compensation. In view of the planned revenue growth, the personnel expense ratio is nevertheless expected to improve further in 2020. Depreciation in 2020 will probably be higher than in 2019 due to the high level of investments. With regard

to other operating expenses, non-selling expenses are to be reduced in 2020, which means that the relation between other operating expenses and total output will improve.

With regard to the key performance indicators, the Managing Board expects the following for 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 would improve noticeably compared to last 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.

For 2021, the Managing Board expects lower revenue growth than in 2020, as the projections assume that production capacities in Belarus will be almost fully utilised already in 2020 and would therefore no longer stimulate growth in 2021. Operating performance should continue to improve in 2021.

The above described forecast does not include any negative impact arising from the corona crisis. The Managing Board is convinced that a reliable projection is not realistic at present.

This Group management report contains statements and projections which relate to the future development of the companies of the A.S. Création Group. These projections represent estimates that were made by the Managing Board on the basis of currently available information. Should the assumptions on which the projections are based be incorrect or should risks such as those outlined in the risk report materialise, the actual results may differ from current expectations. Except for statutory disclosure duties, the Managing Board is under no obligation to update the information contained in this Group management report.

## 9. Statutory information

### 9.1. Corporate governance statement and report on corporate governance

The latest corporate governance statement of A.S. Création Tapeten AG pursuant to section 289f and section 315d of the German Commercial Code (Handelsgesetzbuch HGB) and the report on corporate governance pursuant to number 3.10 of the German Corporate Governance Code (as amended on February 7, 2017) are published on the website of A.S. Création ([www.as-creation.com](http://www.as-creation.com)) under "Investor Relations – Corporate Governance" and in the chapter "Corporate governance statement and report on corporate governance" of the 2019 Annual Report.

### 9.2. Compensation report

The annual salaries earned by the Managing Board members comprise performance-linked and non-performance-linked components. The latter consist of a fixed monthly salary and the value of non-monetary compensation that needs to be stated under applicable tax legislation and essentially consists of the use of a company car at A.S. Création Tapeten AG. Tax on such non-monetary compensation is to be paid by each individual Board member.

While all Board members are basically entitled to the same non-monetary compensation, the corresponding value differs depending on the member's personal circumstances. The Group's weighted average earnings after taxes of the past three fiscal years serve as the basis of assessment for the calculation of the performance-linked component. Every Managing Board member receives a fixed percentage of this assessment basis. According to the current contracts, the performance-linked component of all Managing Board members may not exceed a total amount of € 2.7 million ("bonus cap"). The Annual General Meeting of Shareholders of A.S. Création Tapeten AG approved this compensation system for the Managing Board on April 28, 2016.

The total compensation of the Managing Board is defined by the Supervisory Board and its amount and structure are regularly reviewed by the same body. The respective decisions are prepared by the Committee for Managing Board Matters.

The non-performance-linked component of the Managing Board compensation increased to € 0.979 million in the fiscal year (previous year: € 0.735 million). This is primarily due to the fact that the Managing Board of A.S. Création was expanded from three to four members as of November 19, 2018.

In accordance with the recommendation to provide incentives for responsible management, the performance-linked, variable component has traditionally represented a major portion of the Managing Board compensation paid by A.S. Création Tapeten AG. Consequently, an improvement or a deterioration in the basis of assessment, i.e. the Group's earnings after taxes, has great influence on the Managing Board's total compensation. Because of the losses posted in the fiscal years 2017 and 2018, the weighted average earnings of the fiscal years 2017 to 2019 – and hence the assessment basis for the performance-linked component of the Managing Board compensation for the year 2019 – are negative. As in the two previous years, the members of the Managing Board are therefore not entitled to performance-linked compensation for the fiscal year 2019. Given that a guaranteed minimum bonus for the first two years of the term of office has been agreed for the Chairman, the performance-linked component of the Managing Board compensation amounted to € 0.160 million in the year under review (previous year: € 0.00 million).

In addition, a constant annual amount is paid to an external relief fund for all Managing Board members for the duration of their tenure. This relief fund will make the future pension payments. In fiscal 2019, the payments to

the external relief fund led to expenses of € 0.072 million (previous year: € 0.050 million). The table below shows the total compensation of the Managing Board for the fiscal year 2019 (accrual principle):

	<b>2019</b> € '000	<b>2018</b> € '000
Fixed salary	880	663
Side benefits	99	72
Non-performance-linked component	979	735
Performance-linked component (bonus)	160	0
<b>Annual compensation</b>	<b>1,139</b>	<b>735</b>
Payment to an external relief fund	72	50
<b>Pension expenses</b>	<b>72</b>	<b>50</b>
	<b>1,211</b>	<b>785</b>

The bonus for the fiscal year is paid in the following year at the end of the month in which the consolidated financial statements are submitted to the shareholders. As the Managing Board received no performance-linked compensation for the fiscal years 2017 and 2018 and the above-mentioned guaranteed minimum bonus for the fiscal year 2019 was paid already in the year under review, the total compensation of the Managing Board in the fiscal year 2019 (payout principle) was as follows:

	<b>2019</b> € '000	<b>2018</b> € '000
Fixed salary	880	663
Side benefits	99	72
Non-performance-linked component	979	735
Performance-linked component (bonus)	160	0
<b>Annual compensation</b>	<b>1,139</b>	<b>735</b>
Payment to an external relief fund	72	50
<b>Pension expenses</b>	<b>72</b>	<b>50</b>
	<b>1,211</b>	<b>785</b>

The compensation of the Managing Board members is not reported individually, as the Annual General Meeting of Shareholders on April 28, 2016 voted against this form of disclosure.

The compensation of the Supervisory Board is defined by the Annual General Meeting of Shareholders and is documented in the statutes of A.S. Création Tapeten AG. According to Article 14 of the statutes (as amended on May 9, 2019), the members of the Supervisory Board receive a fixed compensation in an amount of € 12,500 in addition to the reimbursement

of their expenses. The Chairman receives three times that amount and the Vice Chairman 1.5 times that amount. A performance-linked component is not provided for. The members of a committee formed by the Supervisory Board receive an additional compensation of € 6,250 for this activity, with the total compensation for committee work limited to the double amount of the fixed compensation. In accordance with these regulations, the compensation of the Supervisory Board members for the past fiscal year totalled € 152,226 (previous year: € 162,500) and breaks down as follows:

	<b>2019</b> € '000	<b>2018</b> € '000
Mr Müller (Chairman)	45	25
Ms Benner-Heinacher (Vice Chairwoman)	25	25
Dr. Hues	25	25
Mr Mourschinetz	13	13
Mr Schmuck	19	19
Dr. Zilkens (since August 9, 2019)	6	0
Mr Schneider (until May 9, 2019)	19	56
	<b>152</b>	<b>163</b>

### 9.3. Information to section 315a (1) of the German Commercial Code (Handelsgesetzbuch HGB) and explanatory report

According to Article 4 (1) and Article 18 (1) of the current statutes of A.S. Création Tapeten AG (as amended on May 9, 2019), the share capital of A.S. Création Tapeten AG amounts to € 9,000,000 and is divided into 3,000,000 no par value registered shares. Each no-par value share shall entitle its holder to one vote at the Annual General Meeting of Shareholders. This does not apply to own shares held by the company, from which no rights arise to the company.

According to the share register and the voting rights notifications received in the past, more than 10% of the voting rights in A.S. Création Tapeten AG are held by Mr Franz Jürgen Schneider, who holds 35.27%, Lins Wallpaper Limited (and indirectly Mr Oleg Dzhagaev, to whom all shares in Lins Wallpaper Limited are imputable), which holds 15.01%, and Ms Karin Schneider, who holds 10.09%. The 5.67% voting interest held by A.S. Création Tapetenstiftung and the 0.08% voting interest held by Franz Jürgen Schneider Stiftung are also attributable to Mr Schneider in addition to his directly held voting interest of 29.52%.

According to sections 76 and 84 of the German Stock Corporation Act (Aktiengesetz AktG) and Article 6 of the current statutes of A.S. Création Tapeten AG, the Managing Board must consist of a minimum of two people. The exact number of Managing Board members is determined by the Supervisory Board of A.S. Création Tapeten AG. The Supervisory Board shall appoint the members of the Managing Board for a maximum term of five years. Repeat appointments shall be permissible. The Supervisory Board may appoint a member of the Managing Board as Chairman of the Managing Board. The Supervisory Board may revoke the appointment of a member or the Chairman for an important reason. Such important reasons are gross breach of duty, inability to manage the business properly or withdrawal of confidence by the Annual General Meeting of Shareholders.

According to section 179 AktG and Article 18 (2) of the current statutes of A.S. Création Tapeten AG, the statutes may be amended by a resolution of the Annual General Meeting of Shareholders with a simple majority of the votes cast. A majority of three quarters of the votes cast is required to change the business purpose of the company.

According to a resolution of the Annual

General Meeting of Shareholders dated May 9, 2019, the Managing Board is authorised to acquire own shares up to a par value of € 900,000 (which represents a maximum of 10% of the share capital) until May 8, 2024. The Managing Board is also authorised to call in the shares acquired in whole or in part, to resell them or to use them for company acquisitions or equity investments. Furthermore, up to 50,000 of the shares acquired may be issued as employee shares. When using the shares acquired, shareholders' subscription rights may be excluded under certain conditions. As of the balance sheet date, the company held 243,649 own shares.

According to Article 4 (3) of the current statutes of A.S. Création Tapeten AG, the Managing Board is authorised, until May 8, 2024, to increase the share capital, subject to the approval of the Supervisory Board, by up to € 4,500,000 through the issue of new shares against contributions in cash or kind (authorised capital). Shareholders' subscription rights may be excluded in certain cases. As no use has been made of this authorisation so far, the authorised capital remained unchanged at € 4,500,000 as of the balance sheet date.

**10. Statement pursuant to section 315 (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 financial reporting, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the 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.

Gummersbach, March 18, 2020

**A.S. Création Tapeten AG**  
The Managing Board

Barth      Bantel      Krämer      Suskas



## THE SHARE AND OUR SHAREHOLDERS

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### 2019 – a strong trading year

Although 2019 was adversely affected by economic and political tensions and uncertainties that led to significant price fluctuations, it will go down in history as a very successful stock market year overall – not least because of the DAX®'s highest annual gain since 2013. Germany's DAX® index, which had lost as much as 18.3% in 2018, climbed by 25.2% from 10,580 points at the beginning of the year 2019 to 13,249 points on December 30, 2019. Even Germany's second and third-tier stocks recorded high value gains in 2019. The

SDAX® and the MDAX®, Germany's small and mid-cap indices, gained 31.6% and 31.2%, respectively.

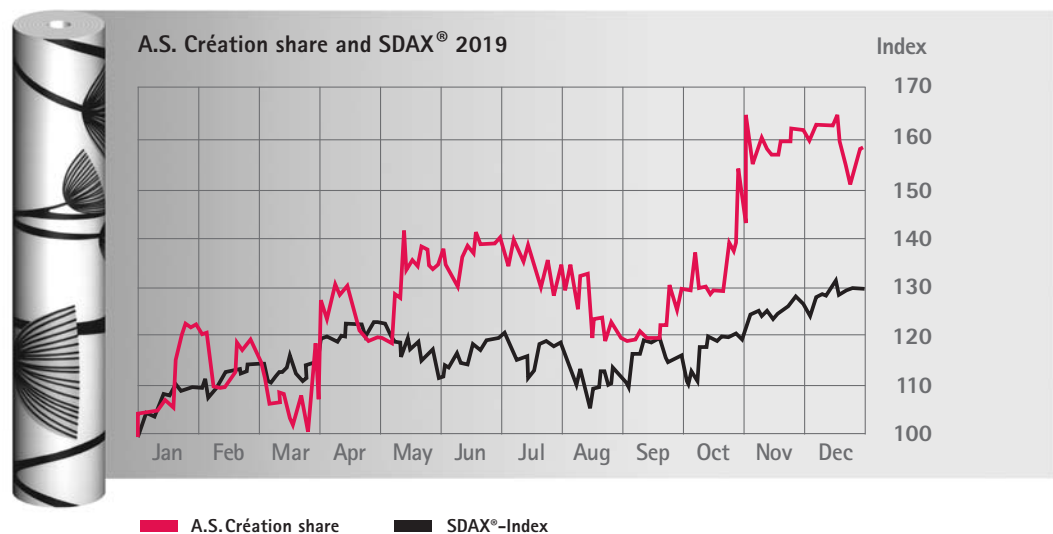
According to economic experts, the excellent stock market performance is, among other things, attributable to the continued accommodative monetary policy pursued by the central banks and the resulting extremely low interest rates in both the money and capital markets. As interest rates are unlikely to be raised significantly in the medium term, in-

terest in and demand for equities were (and still are) correspondingly high. The uncertainty about the (macro)economic development, which resulted, among other things, from the ongoing trade dispute between the United States and China, growing populism in Europe and the slow Brexit, obviously had no major negative impact on investors' interest in shares.

#### Noticeable gains for A.S. Création share

Following the disappointing performance in the previous year, the A.S. Création share was an outperformer in 2019. With the share price rising by 51.9% from € 10.60 at the beginning of the year to € 16.10 on December 30, 2019, the A.S. Création share clearly outperformed the SDAX®, as shown in the following chart.

Over the course of the year 2019, the price of the A.S. Création share was subject to major fluctuations. The A.S. Création share recorded its first major gain to approx. € 14.20 between the end of March and the end of June. This period saw the announcement, on April 2, of the sale of the 50% stake in the Russian joint venture A.S. & Palitra, which resulted in very high extraordinary income in A.S. Création's consolidated financial statements for 2019, as well as the publication, on May 9, of the interim report for the period ended March 31, 2019, which showed a marked improvement in A.S. Création's earnings before interest and taxes. From the beginning of July, the price of the A.S. Création share dropped again and reached approx. € 12.10 in mid-September. This decline in the share price was obviously attributable to the general capital market trend rather than to the company's fundamentals, as A.S. Création's 6-month report, which was



published on August 8, showed strong revenue growth as well as further improved earnings for the current fiscal year. From mid-September to mid-December, the price of the A.S. Création share knew only one direction – up. Supported by the generally positive capital market trend, the publication of the very good figures for the first nine months of 2019 and the upgraded earnings forecast for the full year 2019 sent the price of the A.S. Création share rising to its annual high of € 16.70 on December 17, 2019. The A.S. Création share subsequently lost part of these price gains and closed the stock market year 2019 at € 16.10. Compared to the share price of € 10.60 at the beginning of the year, the A.S. Création share thus gained € 5.50 or 51.9% in the course of 2019, which was a very good performance.

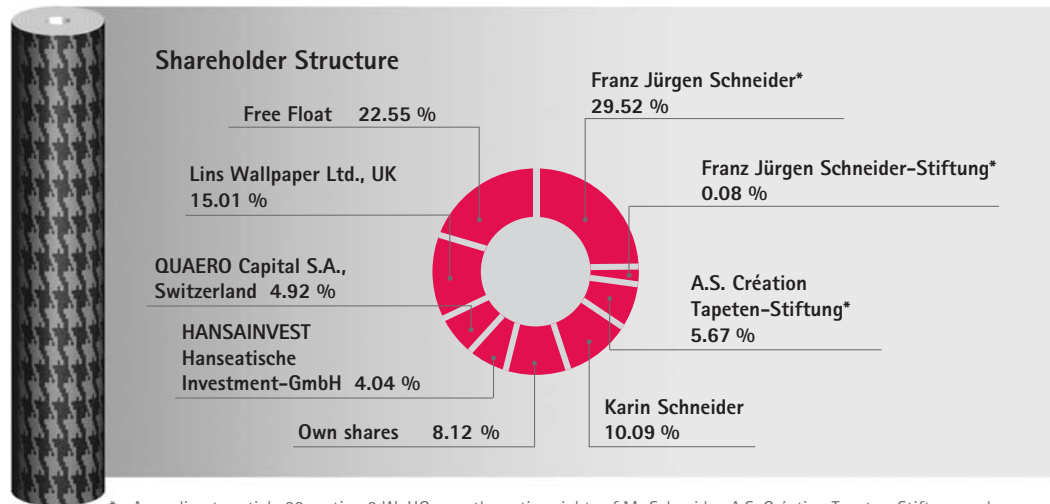
### **Improved market valuation**

As a result of the increased share price, A.S. Création's valuation improved in 2019. Based on the year-end closing price of € 16.10 and the 2,756,351 shares outstanding as of December 31, 2019, the market values A.S. Création at € 44.4 million. The market capitalisation is thus € 15.2 million higher than the value of € 29.2 million recorded as of December 31, 2018. The current market capitalisation corresponds to a 44.1% discount

on the equity capital of € 79.4 million carried in the company's balance sheet on December 31, 2019. In spite of the increased value, the market capitalisation of A.S. Création thus remains below the balance sheet equity and, consequently, below the net asset value. Against the background of the strong competitive position, the improved results of operation and the positive growth prospects, the current valuation of A.S. Création is not satisfactory. To further increase the share price, it will be important for the company to not only improve its results of operation but also to intensify its capital market communication. Interest in the A.S. Création share increased already in the past fiscal year, which is reflected in the fact that the daily trading volume picked up from an average of 786 shares in the previous year to 1,141 shares in 2019. The Managing Board regards this as a positive development, as greater liquidity in the A.S. Création share is a precondition for attracting new investors.

### **Stable shareholder structure**

The shareholder structure did not change materially in the course of 2019, which means that A.S. Création is characterised by a stable ownership structure with a free float of approximately 23%. Based on the voting rights notifications received by A.S. Création, the shareholder structure is as follows:



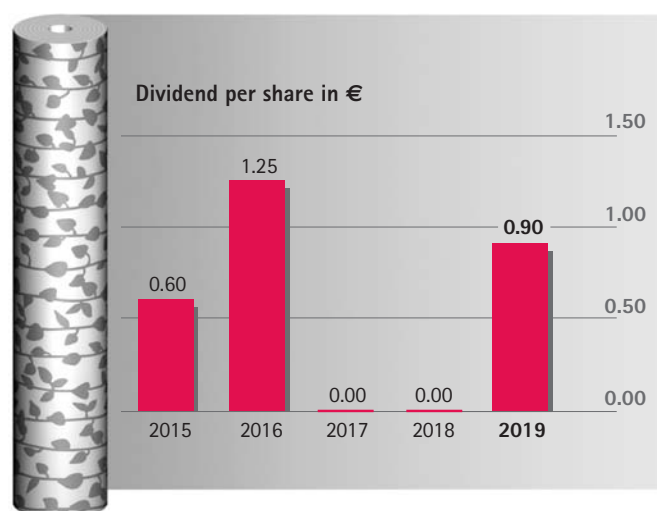
\* According to article 22 section 2 WpHG o. v., the voting rights of Mr Schneider, A.S. Création Tapeten-Stiftung and Franz Jürgen Schneider-Stiftung are mutually attributable.

### Dividend for 2019

After two fiscal years in which no dividend was paid out to the shareholders of A.S. Création, the improved earnings position allows the company to resume dividend payments. Since 2003, A.S. Création's dividend policy has been characterised by a payout ratio of approx. 45% of earnings per share. Unlike the fiscal year 2019, earnings per share in previous years were not affected by extraordinary income from the sale of operations. The Managing Board is of the opinion that a sustainable dividend policy can reasonably be based only on the result from continuing operations, as,

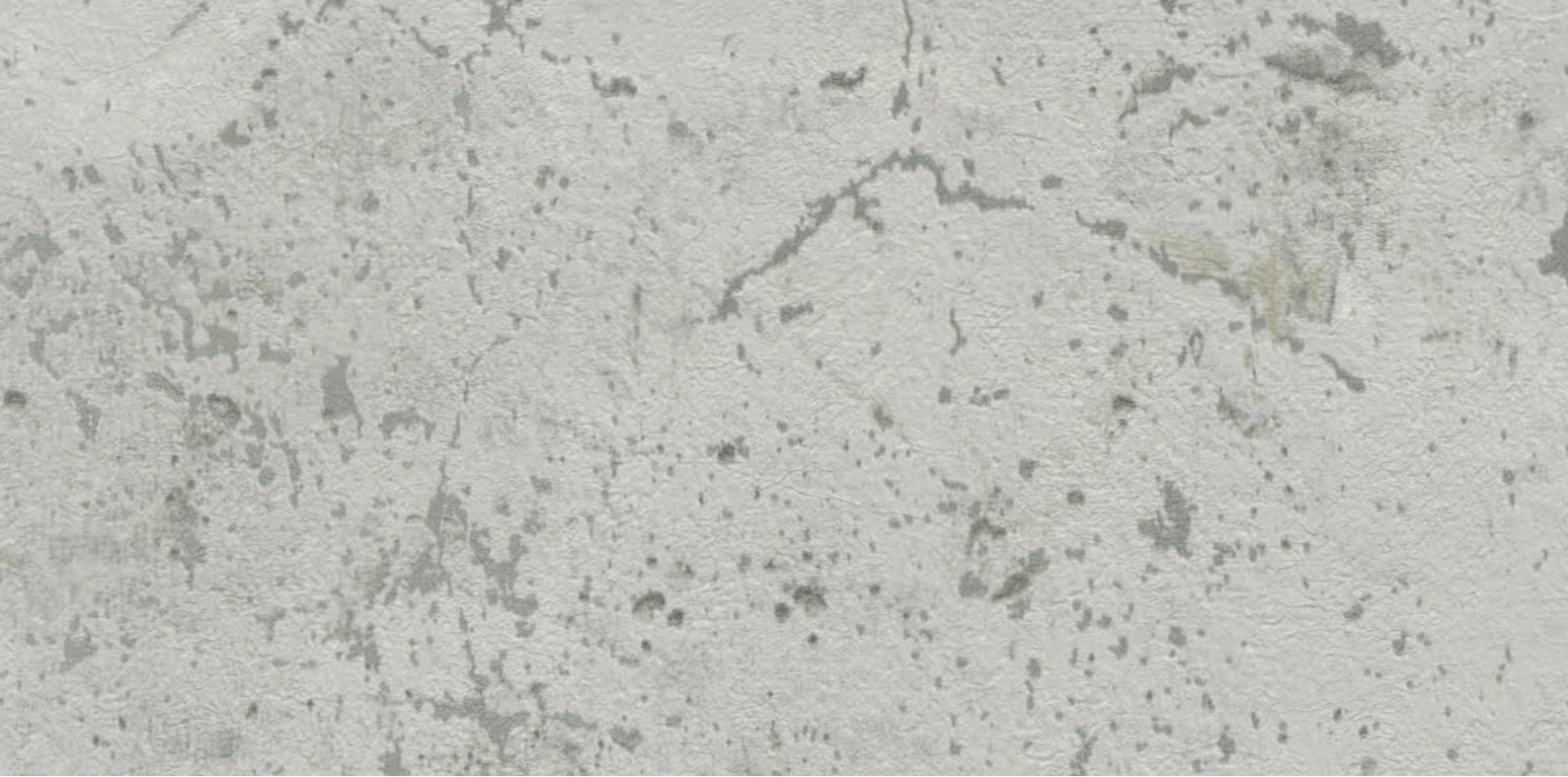
on the one hand, the future cash flows of A.S. Création will result from these operations only and, on the other hand, cash flows from the sale of operations should primarily be used for investments to strengthen and expand the existing business segments or to establish new business segments. Based on the medium-term earnings, investment and financial planning of A.S. Création, the Managing Board and the Supervisory Board expect a higher investment volume in the coming fiscal years. Moreover, the Managing Board and the Supervisory Board are of the opinion that it is not possible to reliably predict and quantify the effects of the current corona crisis on

A.S. Création's financial and earnings position. The Managing Board and the Supervisory Board believe that, in a situation like this, it is advisable to leave a higher proportion of the profit in the company than in the past. Accordingly, the Managing Board and the Supervisory Board propose to pay a dividend of € 0.90 per share, which corresponds to a payout ratio of 17.5% of earnings per share of € 5.13. The total distribution would thus amount to € 2.5 million.



Key figures of the A.S. Création share		2015	2016	2017	2018	2019
Earnings per share	€/share	1.19	2.70	-6.45	-2.17	<b>5.13</b>
Dividend	€/share	0.60	1.25	0.00	0.00	<b>0.90</b>
Payout ratio	%	50.4	46.3	n.a.	n.a.	<b>17.5</b>
Year-closing-price	€/share	31.47	29.86	20.32	10.60	<b>16.10</b>
High	€/share	33.60	32.10	35.13	22.80	<b>16.70</b>
Low	€/share	24.42	24.00	20.32	10.50	<b>10.40</b>
Shares outstanding (year end)	million	2.756	2.756	2.756	2.756	<b>2.756</b>
Average trading volume *	pieces	628	667	1,031	768	<b>1,141</b>
Market value (year-end)	€ '000	86,742	82,305	56,009	29,217	<b>44,377</b>
Equity	€ '000	93,188	96,502	75,715	72,233	<b>79,427</b>
Market value/Equity	%	93.1	85.3	74.0	40.4	<b>55.9</b>
Price-earnings-ratio		26.4	11.1	n.a.	n.a.	<b>3.1</b>
Dividend yield	%	1.9	4.2	0.0	0.0	<b>5.6</b>

\* Average daily trading volume of A.S. Création shares.



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**NEW WALLS** presents the current living trends with atmospheric furnishing ideas  
which convert every room into an oasis of well-being.

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## CONSOLIDATED FINANCIAL STATEMENTS ACCORDING TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

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This English translation of the annual report 2019 is merely a convenience translation.  
The German version is the prevailing one.





<b>Equity and Liabilities</b>			
	<b>Notes No.</b>	<b>31.12.2019 €</b>	<b>31.12.2018 €</b>
Capital stock		9,000,000.00	9,000,000.00
Capital reserves		13,756,740.32	13,756,740.32
Revenue reserves		59,188,530.57	73,344,693.60
Profit / loss carried forward		-15,030,111.06	-21,421,456.99
Earnings after taxes		14,132,733.63	-5,976,671.24
Adjustment for own shares		-4,020,836.57	-4,020,836.57
Currency translation differences		2,399,628.65	7,550,184.74
<b>Equity</b>	<b>(11)</b>	<b>79,426,685.54</b>	<b>72,232,653.86</b>
Financial liabilities (interest-bearing)	(12)	10,765,186.65	12,558,602.07
Other liabilities	(13)	910,016.07	456,928.34
Provisions	(14)	14,486,845.51	12,716,048.29
Deferred tax liabilities	(6)	0.00	99,538.75
<b>Non-current liabilities</b>		<b>26,162,048.23</b>	<b>25,831,117.45</b>
Financial liabilities (interest-bearing)	(12)	3,766,342.25	2,699,229.30
Other liabilities	(13)	11,291,222.15	21,761,373.59
Trade payables		5,380,140.63	5,366,903.00
Provisions	(15)	199,680.68	115,636.18
Tax liabilities	(9)	1,773,712.41	642,777.48
<b>Current liabilities</b>		<b>22,411,098.12</b>	<b>30,585,919.55</b>
<b>Total equity and liabilities</b>		<b>127,999,831.89</b>	<b>128,649,690.86</b>

## A.S. Création Tapeten AG, Gummersbach

### Consolidated income statement

for the period from January 1, 2019 to December 31, 2019

	Notes No.	2019 €	2018 adjusted* €
<b>Sales</b>	(17)	<b>141,057,305.87</b>	<b>134,485,229.79</b>
Increase or decrease in unfinished and finished goods		74,907.79	-1,680,328.30
Other own work capitalized		100,031.47	41,522.90
<b>Total output</b>		<b>141,232,245.13</b>	<b>132,846,424.39</b>
Cost of materials	(18)	69,917,702.54	67,238,267.00
<b>Gross profit</b>		<b>71,314,542.59</b>	<b>65,608,157.39</b>
<b>Other income</b>	(19)	<b>2,887,527.40</b>	<b>908,487.67</b>
		<b>74,202,069.99</b>	<b>66,516,645.06</b>
Personnel expenses	(20)	37,420,618.48	36,939,168.94
Depreciation	(21)	5,715,399.72	6,060,374.29
Other operating expenses	(22)	26,563,306.09	26,402,515.72
<b>Operating expenses</b>		<b>69,699,324.29</b>	<b>69,402,058.95</b>
<b>Earnings before interest and taxes (EBIT)</b>		<b>4,502,745.70</b>	<b>-2,885,413.89</b>
Interest and similar income		44,999.10	23,222.77
Interest and similar expenses		996,702.18	807,413.20
<b>Financial result</b>	(23)	<b>-951,703.08</b>	<b>-784,190.43</b>
<b>Earnings before income taxes</b>		<b>3,551,042.62</b>	<b>-3,669,604.32</b>
Income taxes	(24)	1,116,480.06	-56,505.14
<b>Earnings after taxes from continued operations</b>		<b>2,434,562.56</b>	<b>-3,613,099.18</b>
<b>Earnings after taxes from discontinued operations</b>	(25)	<b>11,698,171.07</b>	<b>-2,363,572.06</b>
<b>Earnings after taxes</b>		<b>14,132,733.63</b>	<b>-5,976,671.24</b>
<b>Earnings per share</b>	(26)	<b>5.13</b>	<b>-2.17</b>

\* Due to the sale of the 50% stake in 000 A.S. & Palitra in the year under review, the figures for 2018 were adjusted in accordance with IFRS 5.

**A.S. Création Tapeten AG, Gummersbach**  
**Consolidated statement of comprehensive income**  
for the period from January 1, 2019 to December 31, 2019

	Notes No.	2019 € '000	2018 € '000
<b>Earnings after taxes</b>		<b>14,133</b>	<b>-5,977</b>
Items, that will never be reclassified to profit or loss:			
Actuarial gains/losses from pension provisions	(14)	-1,633	121
Deferred taxes on other comprehensive income		504	-46
		<b>-1,129</b>	<b>75</b>
Items, that are or may be reclassified to profit or loss:			
Foreign currency translation differences for fully consolidated companies		-521	438
Foreign currency translation differences for investments accounted for at equity		-4,629	1,338
Change in fair value of interest rate hedges	(32)	-938	578
Deferred taxes on other comprehensive income		291	-179
		<b>-5,797</b>	<b>2,175</b>
<b>Other comprehensive income (outside profit or loss)</b>	(11)	<b>-6,926</b>	<b>2,250</b>
<b>Total comprehensive income</b>		<b>7,207</b>	<b>-3,727</b>

**A.S. Création Tapeten AG, Gummersbach**  
**Consolidated statement of changes in equity**  
for the period from January 1, 2019 to December 31, 2019

	Capital stock	Capital reserves	Revenue reserves	Profit/loss carried forward	Earnings after taxes	Adjustment for own shares	Currency translation differences	Total
	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000
<b>January 1, 2018</b>	<b>9,000</b>	<b>13,757</b>	<b>83,580</b>	<b>-14,604</b>	<b>-17,771</b>	<b>-4,021</b>	<b>5,774</b>	<b>75,715</b>
Earnings after taxes 2017	0	0	0	-17,771	17,771	0	0	0
First adoption of IFRS 9 and IFRS 15	0	0	245	0	0	0	0	245
Allocation to revenue reserves	0	0	-10,954	10,954	0	0	0	0
Total comprehensive income 2018	0	0	474	0	-5,977	0	1,776	-3,727
<b>December 31, 2018</b>	<b>9,000</b>	<b>13,757</b>	<b>73,345</b>	<b>-21,421</b>	<b>-5,977</b>	<b>-4,021</b>	<b>7,550</b>	<b>72,233</b>
Earnings after taxes 2018	0	0	0	-5,977	5,977	0	0	0
First adoption of IFRS 16	0	0	-13	0	0	0	0	-13
Allocation to revenue reserves	0	0	-12,368	12,368	0	0	0	0
Total comprehensive income 2019	0	0	-1,776	0	14,133	0	-5,150	7,207
<b>December 31, 2019</b>	<b>9,000</b>	<b>13,757</b>	<b>59,188</b>	<b>-15,030</b>	<b>14,133</b>	<b>-4,021</b>	<b>2,400</b>	<b>79,427</b>

## A.S. Création Tapeten AG, Gummersbach

### Consolidated cash flow statement

for the period from January 1, 2019 to December 31, 2019

	2019 € '000	2018 € '000
<b>Operating activities</b>		
Earnings after taxes	14,133	-5,977
+ Depreciation on tangible and intangible fixed assets	5,715	6,060
+/- Increase/decrease in long-term provisions	138	175
-/+ Income/expenses from investments accounted for at equity	-1,910	3,081
+ Non-cash increase in financial liabilities	23	0
-/+ Income/expenses from changes in deferred taxes	-459	-621
-/+ Profit/losses from disposal of tangible and intangible fixed assets	84	85
-/+ Profit/losses from the disposal of financial assets	-9,788	0
-/+ Increase/decrease in inventories	-942	2,979
-/+ Increase/decrease in trade receivables	785	1,986
+/- Increase/decrease in trade payables	-12	-1,373
-/+ Increase/decrease in other net working capital	-9,906	-3,074
<b>Cash-flow from operating activities</b>	<b>-2,139</b>	<b>3,321</b>
thereof from continued operations	(-2,143)	(3,380)
<b>Investing activities</b>		
- Cash outflows for capital expenditures on tangible and intangible fixed assets	-5,933	-8,304
<b>Capital expenditures</b>	<b>-5,933</b>	<b>-8,304</b>
+ Proceeds from credits and bonds granted	18,958	608
+ Proceeds from the disposal of tangible and intangible fixed assets	190	127
<b>Cash-flow from investing activities</b>	<b>13,215</b>	<b>-7,569</b>
thereof from continued operations	(-5,742)	(-8,177)
<b>Financing activities</b>		
+/- Raising/repayment of financial liabilities (interest-bearing)	-2,816	6,847
<b>Cash-flow from financing activities</b>	<b>-2,816</b>	<b>6,847</b>
thereof from continued operations	(-2,816)	(6,847)
<b>Net change in cash and cash equivalents</b>	<b>8,260</b>	<b>2,599</b>
+/- Change in cash and cash equivalents due to exchange rate fluctuations	499	464
+ Cash and cash equivalents at January 1	11,890	8,827
<b>Cash and cash equivalents at December 31</b>	<b>20,649</b>	<b>11,890</b>

Further information on the cash flow statement are presented in the notes (see No. 27).

## A.S. Création Tapeten AG, Gummersbach

### Notes to the consolidated financial statement

for fiscal year 2019

#### General

A.S. Création Tapeten AG is a joint stock company registered in the Federal Republic of Germany. The address of the headquarters is Südstrasse 47, D-51645 Gummersbach.

The consolidated financial statements and the Group management report were prepared by A.S. Création Tapeten AG on the basis of the International Financial Reporting Standards (IFRS) as adopted by the European Union and the additional requirements pursuant to section 315e (1) of the German Commercial Code (Handelsgesetzbuch HGB).

A.S. Création Tapeten AG has a policy of applying new IFRS as soon as they become effective. In the fiscal year 2019, the following new or revised standards and interpretations had to be observed:

- IFRS 16 "Leases"; first-time adoption for fiscal years beginning on or after January 1, 2019.
- Amendments to IAS 28 "Investments in Associates and Joint Ventures"; first-time adoption for fiscal years beginning on or after January 1, 2019.
- Annual improvements to IFRS (2015-2017); first-time adoption for fiscal years beginning on or after January 1, 2019.
- Amendments to IAS 19 "Plan Amendment"; first-time adoption for fiscal years beginning on or after January 1, 2019.
- IFRIC 23 "Uncertainty over Income Tax Treatments"; first-time adoption for fiscal years beginning on or after January 1, 2019.

IFRS 16 "Leases" introduces a uniform accounting model for the recognition of leases in the balance sheet of the lessee. The lessee recognises a right-of-use asset as well as a lease liability, which represents their obligation to make future lease payments.

At A.S. Création, lease agreements mainly relate to buildings and motor vehicles. Lease agreements for buildings have terms of between two and seven years. The terms for motor vehicles

are usually between two to five years. Lease agreements relating to technical equipment and machines or office machines and equipment are only of minor significance within the Group. There are no forms of subleasing or agreements for sale and leaseback transactions. The provisions of IFRS 16 were not applied to lease agreements which had a remaining term of up to one year on the date of the first-time adoption of the standard on January 1, 2019. In the first-time adoption of IFRS 16 as of January 1, 2019, A.S. Création applied the modified retrospective method. The lease liability was determined by discounting the remaining lease payments at the incremental borrowing rate of interest on the date of initial adoption of the standard. The right of use as of January 1, 2019 was recognised at the carrying amount that would have resulted if IFRS 16 had already been applied from the inception of the lease. The first-time adoption of IFRS 16 as of January 1, 2019 influenced the balance sheet as follows:

	€ '000
Tangible fixed assets	832
Deferred tax assets	3
Revenue reserves	-13
Non-current financial liabilities (interest-bearing)	598
Current financial liabilities (interest-bearing)	250

The first-time adoption of IFRS 16 in the fiscal year 2019 reduced earnings before taxes by € 0.008 million. The effect on earnings per share was negligible.

Amendments to IAS 28 "Investments in Associates and Joint Ventures" contains clarifications regarding impairment provisions for non-current investments. There will be no material impact on the consolidated financial statements of A.S. Création.

The annual improvements to IFRS (2015-2017) contain amendments to the IFRS 3 "Business Combinations", IFRS 11 "Joint Arrangements", IAS 12 "Income Taxes" and IAS 23 "Borrowing Costs". There will be no material impact on the consolidated financial statements of A.S. Création.

Amendments to IAS 19 "Plan Amendments" contain rules for an adjustment, curtailment or settlement of a defined contribution plan. There will be no material impact on the consolidated financial statements of A.S. Création.

IFRIC 23 "Uncertainty over Income Tax Treatments" interprets the accounting of current and deferred tax liabilities and assets where there is uncertainty over the income tax treatment. There will be no material impact on the consolidated financial statements of A.S. Création.

The following standards and interpretations have been published but not yet become effective or been endorsed by the EU in fiscal year 2019:

- Amendments to the IFRS Conceptual Framework; first-time adoption for fiscal years beginning on or after January 1, 2020.
- Amendments to IFRS 3 "Business Combinations"; first-time adoption for fiscal years beginning on or after January 1, 2020.
- Amendments to IAS 1 "Presentation of Financial Statements" and IAS 8 "Accounting Policies"; first-time adoption for fiscal years beginning on or after January 1, 2020.
- 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.

From today's point of view, the new or revised standards and interpretations that are applicable in subsequent years are expected to have no material impact on the consolidated financial statements of A.S. Création.

For the sake of clarity, individual items have been summarised in the balance sheet, the income statement and the cash flow statement. The summarised items are shown and explained in detail in the Notes. Also for reasons of clarity, some amounts are shown in thousand euros.

The type of expenditure format has been chosen for the income statement.

The Group's business activities mainly comprise the development, production and sale of wallpapers in all main materials and for all main purposes. The spectrum of activities is complemented by the trade in furnishing fabrics. In line with the Group's products and services, segment reports according to IFRS 8 are prepared for the Wallpaper Division (segment) and the Furnishing Fabrics Division (segment).



## Consolidation principles

Subsidiaries, in which A.S. Création Tapeten AG has the majority of voting rights and, hence, control over the financial and business policy, are fully consolidated. In accordance with IFRS 11 and IAS 28, joint ventures are accounted for using the equity method. The financial statements of domestic and foreign companies included in the consolidated financial statements were prepared using consistent Group-wide accounting and valuation principles in accordance with IFRS regulations.

Business combinations are accounted for using the purchase method. Capital consolidation is effected using the purchase method. Under this method, the book values of the consolidated subsidiaries are set off against their respective shares in the revalued equity at the time of first consolidation. In the revaluation, the assets and liabilities of the acquired companies are stated at their fair values at the time of first consolidation. Goodwill arising in the first consolidation is capitalised and, in accordance with IFRS 36, subjected to an impairment test on an annual basis or, if special incidents suggest a value impairment, also in the course of a year. According to IFRS, this impairment test must be performed on the basis of the so-called cash generating units to which the goodwill is assigned. In the case of A.S. Création, these are the Wallpaper Division and the Furnishing Fabrics Division. In the context of this impairment test, the book value of the division is compared with the so-called recoverable amount. This amount is the present value of the future cash flows that will be derived from the division (so-called value in use). If the book value exceeds the recoverable amount, the difference represents the impairment that needs to be stated as extraordinary depreciation in the income statement of the respective financial year. If the book value is lower than the recoverable amount, no impairment is required.

Receivables and liabilities, sales as well as expenses and income are set off against each other. Intercompany profits and losses in tangible fixed assets, in intangible fixed assets and in inventories are eliminated with the effect shown in the income statement. Intragroup value adjustments and provisions are written back.

In accordance with IFRS 11 and IAS 28, joint ventures are accounted for using the equity method. The investment is recognised at cost at the time of acquisition and the respective carrying amount of the investment is subsequently increased or decreased to reflect changes in equity of the jointly controlled entity through changes affecting income and through changes affecting

other comprehensive income, provided that these changes relate to the shares of A.S. Création Tapeten AG. The same applies to long-term shareholder loans in case they form part of the net investment of A.S. Création for economic content.

Where transactions are carried out with a joint venture, the resulting unrealised gains or losses are eliminated in accordance with the share held in the joint venture.

Where consolidation processes whose effects are shown in the income statement are concerned, the effects on income taxes are taken into account and deferred taxes are established for temporary differences resulting from consolidation processes.

#### Notes on the basis of consolidation

Next to A.S. Création Tapeten AG nine other companies are consolidated. The table below shows the fully consolidated companies:

No.	Company, location	held by	Share in %	Nominal capital Dec. 31, 2019
<b>Wallpaper Division</b>				
1.	A.S. Création Tapeten AG, Gummersbach/Germany			9,000,000 €
2.	AS Creation (UK) Limited, Merseyside/UK	No. 1	100.0	100,000 £
3.	A.S. Création (NL) B.V., Sleeuwijk/Netherlands	No. 1	100.0	20,000 €
4.	A.S. Création (France) SAS, Lyon/France	No. 1	100.0	4,000,000 €
5.	MCF Investissement SAS, Ballancourt/France	No. 4	100.0	460,350 €
6.	SCE-Société de conception et d'édition SAS, Boves/France	No. 4	100.0	2,000,000 €
7.	000 A.S. Création (RUS), Moscow/Russia	No. 1	100.0	25,000,000 RUB
8.	000 A.S. Création Belrus, Novoselje/Belarus	No. 1	100.0	12,000,000 BYN
9.	000 Profistil, Novoselje/Belarus	No. 1 and No. 8	100.0	11,000,000 BYN
<b>Furnishing Fabrics Division</b>				
10.	Indes Fuggerhaus Textil GmbH, Marienheide/Germany	No. 1	100.0	550,000 €

Due to the sale of the 50% stake in OOO A.S. & Palitra in the year under review, the number of shareholdings was reduced by one company compared to the previous year. As a result of the sale, the earnings contribution of this investment was shown as a separate item (earnings after taxes from discontinued operations) in accordance with IFRS 5. The prior year figures were adjusted accordingly.

All financial statements included in the consolidated financial statements were established as of December 31, 2019, and were audited or reviewed by independent chartered accountants.

### **Currency translation**

A.S. Création Tapeten AG's reporting currency is the euro (€).

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Assets and debts denominated in foreign currencies are translated at the exchange rate at the time of addition and adjusted to the respective closing rate at every balance sheet date. Resulting translation differences are shown in the income statement.

In accordance with IAS 21, foreign currencies in the financial statements of consolidated companies in non-EMU countries are translated according to the functional currency concept using the modified closing rate method. Under this method, changes in tangible fixed assets and in intangible fixed assets are translated at average annual rates, equity is translated at historical rates and all other balance sheet items are translated at closing rates. Differences referring to tangible fixed assets and intangible fixed assets are itemised in Notes No. 1 and No. 2 in the "Currency translation differences" line. All items in the income statement are translated at the average annual rate. Currency differences are not recognised in the income statement but are allocated to the currency translation differences within the equity.

Translation differences from debt consolidation are recognised in the income statement.

The table below shows the changes in exchange rates based for currency translation:

	Year-end-rate		Average annual rate	
	Dec. 31, 2019	Dec. 31, 2018	2019	2018
Pound Sterling (GBP/€)	0.85080	0.89710	0.87777	0.88479
Russian rouble (RUB/€)	69.34060	79.46050	72.31872	74.14511
Belarus rouble (BYN/€)	2.35240	2.47340	2.34228	2.40535

### Accounting and valuation principles

Tangible fixed assets are reported at the cost of acquisition or production to be capitalised. If more time is needed to get an asset ready for its intended use, directly attributable borrowing costs incurred during this time are capitalised.

With the exception of printing tools, tangible fixed assets subject to depreciation are written off using the straight-line method. Depreciation is based on the following useful economic lives:

Buildings	10 to 30 years
High-bay warehouses	20 years
Large machines	8 to 15 years
Other machines	5 to 10 years
Other plant, furniture and fixtures	3 to 10 years

Fixed assets are written off on a pro rata temporis basis in the year of acquisition.

Printing and embossing rollers and rotary screens are written off using the unit-of-production method over a period of three years. For reasons of simplification it is assumed that the printing tools are disposed from fixed assets after they have been written off completely.

Fixed assets are written off for impairment if the fair value of the asset is below the net carrying

amount. If the reasons for the write-downs for impairment no longer apply, the impairment is reversed provided that this does not state the asset at more than amortised original cost.

The rights of use are written off over the shorter of their useful life and the term of the contract. When measuring the contract terms, any termination and/or renewal options are considered, provided that an enforceable right exists for A.S. Création, taking the probability of exercise into account.

Acquired intangible fixed assets (excluding goodwill) with a determinable useful life are valued at cost less scheduled depreciation. They are written off using the straight-line method over their expected useful life of mostly three to five years and no more than ten years. Intangible fixed assets with indeterminable useful life are regularly tested for impairment and written off in case of impairment.

Acquired goodwill is not written off systematically but is regularly subjected to an impairment test. Accordingly, acquired goodwill is measured at cost less the value impairment potentially resulting from the impairment test.

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In accordance with IFRS 16, lease-financed assets are recognised at the beginning of the lease and/or at the start of use at the present value of the minimum lease payments plus any ancillary costs. The rights of use to be recognised in accordance with IFRS 16 (so-called right-of-use assets) are shown in those balance sheet items in which the underlying assets of the contracts would be shown if they were owned by the Group on the balance sheet date. In case of leases without purchase option with a term of no more than 12 months as well as in case of leases of low-value assets, A.S. Création applies the relief provisions of IFRS 16.6 and recognises the corresponding lease payments as expenses in the respective period.

Development costs for new designs are not capitalised, as the criteria of IAS 38 are not met.

Pursuant to IFRS 9, financial instruments are divided into the following categories: a) at amortised cost; b) at fair value through other comprehensive income and c) at fair value through profit or loss. A.S. Création's business model provides for the collection of contractual cash flows in the form of principal and interest payments at defined points in time. With the exception of

derivatives, all financial instruments are measured at amortised cost plus transaction costs. Financial assets are measured using the effective interest method discounting expected losses (expected loss model). These are grouped on the basis of identical risk features and the risk of default of the respective groups is analysed. A risk matrix is used to adequately reflect the expected risk of default. The risk matrix uses current external rating information as well as analyses of overdue receivables and historical experience regarding probabilities of default. The allowances are booked in separate allowance accounts. The underlying receivable is derecognised only upon expiry of the contractual right to collect the payments. Expected defaults are recorded in two steps. If the risk of default has not increased materially since the first-time recognition of the receivable, risk provisions are established in the amount of the losses expected for the next twelve months. If, by contrast, the risk of default has increased materially since the first-time recognition of the receivable, risk provisions are established in the amount of the losses expected for the remaining term.

Expected losses from trade receivables and contract assets are recognised using a simplified method. In this case, at the balance sheet date risk provisions are established in the amount of the losses expected for the remaining term.

Derivative financial instruments used as cash flow hedges are recognised at fair value through other comprehensive income. If the fair value is positive, they are shown under financial assets, otherwise under financial liabilities.

Raw materials and supplies as well as merchandise are shown at the weighted average cost of acquisition or the lower fair value on the balance sheet date less cost to sell. Finished and unfinished products are reported at the cost of acquisition or production or the lower fair value on the balance sheet date less cost to sell. The cost of production includes not only the directly attributable cost but also the factory overhead as well as depreciation. Interest on borrowings is not included in the cost of acquisition or production.

Contract assets and contract liabilities as well as receivables result from contracts with customers. If a party to the contract has fulfilled its contractual obligation, such an item is recognised depending on the relation between the transfer of the goods or services and the payment. Allowances on contract assets for credit risks are established in accordance with the measurement method for receivables.

At A.S. Création, contract fulfilment costs as defined in IFRS 15 are services that are provided continuously over the term of the underlying contract.

Other assets as well as cash and cash equivalents are recognised at their nominal values less potential impairments.

Provisions are established for contingent liabilities from pension obligations. These are determined in accordance with IAS 19 by using the actuarial projected unit credit method. Actuarial gains or losses are recognised in equity. Interest costs included in the pension expenses are shown in the financial result. All other provisions are reported at the amount likely to be required to cover discernible risks and contingent liabilities.

Financial liabilities comprise trade liabilities, other liabilities as well as loans and current account overdrafts. They are initially recognised at fair value plus transaction costs using the effective interest method and are subsequently measured at amortised cost. Financial liabilities resulting from leases in accordance with IFRS 16 are recognised at the present value of the outstanding lease payments as of the balance sheet date. Contract-specific interest rates are applied. If no interest rates have been agreed in the contract, an incremental borrowing rate of interest is used taking contract-specific parameters (term, risk, value) into account.

In accordance with IAS 12, deferred taxes are recognised for different valuations of assets and liabilities to IFRS and in the tax balance sheet, for consolidation processes and for tax losses carried forward. Expected country-specific tax rates are applied in this context. Deferred tax assets are recognised only if there is sufficient likelihood that they can be realised within the next five fiscal years.

In its revenue transactions, A.S. Création acts as principal within the meaning of IFRS 15. Revenue is recognised as control over distinct goods or services is passed to the customer and the customer has the ability to direct the use of the goods or services. This is usually the case upon delivery or upon transfer of the goods or services, i.e. at a given point in time. If a contract covers several distinct goods or services, the total transaction price is allocated to the performance obligations on the basis of the relative standalone selling prices. Where the individual performance obligations are not met simultaneously, the recognition of revenue is spread over time. Variable consideration resulting from rights to return goods/services or volume discounts

are reflected in the transaction value only if the realisation of the variable consideration is considered to be highly likely. The regional breakdown of revenue is based on the locations of customers' headquarters or, if the delivery address differs from the address of the headquarters, on the delivery address. The breakdown of revenue by product groups is based on the two product categories, i.e. wallpapers and borders as well as curtains and furnishing fabrics.

Miscellaneous expenses and income are recognised at the time of realisation. Operating expenses are recognised at the time the underlying services are used, while advertising and sales promotion expenses as well as other sales related expenses are recognised at the time they are incurred. Interest and other cost of debt are accounted for as expenditure in the accounting period.

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 same applies to the information provided in the Group management report. The following estimates and assumptions have a material effect on the consolidated financial statements:

- As outlined under the consolidation principles, goodwill is tested for impairment. The underlying profit projections of the two divisions and the choice of the discount factor constitute estimates that have a material impact on the result of the impairment test. Although the Managing Board believes that the assumptions made are appropriate, an unexpected need for adjustment of these assumptions may lead to an impairment that has an adverse impact on the net worth, financial and earnings position of A.S. Création.
- A.S. Création must examine at every balance sheet date whether there are indications of impairment regarding other intangible assets, property, plant and equipment and financial assets. Such impairment may be the consequence of a number of factors including changed credit risks, changed competitive conditions, shorter useful economic lives resulting from technological progress or increased capital charges. Accordingly, the Managing Board's estimates are based on certain assumptions regarding the economic environment. Although



the Managing Board believes that the assumptions made are appropriate, an unexpected need for adjustment of these assumptions may lead to an impairment that has an adverse impact on the net worth, financial and earnings position of A.S. Création.

- Pension provisions are recognised for current pension obligations as well as future old age, disability and survivors' pension commitments. Pension provisions are calculated using actuarial methods. For this purpose, assumptions must be made regarding the discount factor, the anticipated future salary and pension trends and the mortality rate. These actuarial assumptions may deviate materially from actual future developments and may lead to material changes in future obligations and future expenses.
- Variable consideration resulting from rights to return goods/services or volume discounts are estimated using the expected value method, as the Managing Board believes this to make sense from an economic point of view. These estimates may differ from actual future developments and may have an adverse impact on the net worth, financial and earnings position of A.S. Création.
- Some companies of the A.S. Création Group are involved in litigations or similar proceedings, whose outcome may have a material impact on the net worth, financial and earnings position of the Group. The Managing Board and the Managing Directors of the Group companies analyse the available information on these cases. External lawyers are consulted as well. As part of the decision on the need to establish provisions, assumptions must be made regarding the likely outcome of the proceedings and a well-founded estimate should be made of the potentially resulting obligations. The disclosure of a litigation or similar proceedings in the Notes or the actual filing of an action or of a claim for damages against a company of the A.S. Création Group do not automatically mean that, a provision has been established for this risk. Further more there is a risk that the provision – against estimations at the time of establishing – turns out to be insufficient in the future.

## Notes to the balance sheet

## (1) Tangible fixed assets

The table below shows a breakdown of, as well as the changes in, tangible fixed assets:

	Land, buildings, and similar assets € '000	Plant and machinery € '000	Other plant, fixtures and fittings € '000	Advance payments and equipment under construction € '000	Total € '000
<b>Gross cost of acquisition or production</b>					
<b>Dec 31, 2017</b>	<b>36,406</b>	<b>76,846</b>	<b>20,874</b>	<b>8,183</b>	<b>142,309</b>
Addition	570	2,215	2,722	2,636	8,143
Reclassification	5,092	3,018	43	-8,153	0
Disposal	541	513	2,395	0	3,449
Currency adjustment	-152	-65	-27	-183	-427
<b>Dec 31, 2018</b>	<b>41,375</b>	<b>81,501</b>	<b>21,217</b>	<b>2,483</b>	<b>146,576</b>
First time adoption of IFRS 16	536	392	407	0	1,335
Addition	332	17	2,517	3,411	6,277
Reclassification	25	2,773	376	-3,174	0
Disposal	0	1,551	2,113	0	3,664
Currency adjustment	287	106	41	51	485
<b>Dec 31, 2019</b>	<b>42,555</b>	<b>83,238</b>	<b>22,445</b>	<b>2,771</b>	<b>151,009</b>
<b>Accumulated depreciation</b>					
<b>Dec 31, 2017</b>	<b>23,658</b>	<b>71,593</b>	<b>16,506</b>	<b>0</b>	<b>111,757</b>
Addition	1,616	1,588	2,715	0	5,919
Disposal	541	500	2,207	0	3,248
Currency adjustment	-3	-4	-10	0	-17
<b>Dec 31, 2018</b>	<b>24,730</b>	<b>72,677</b>	<b>17,004</b>	<b>0</b>	<b>114,411</b>
First time adoption of IFRS 16	74	312	117	0	503
Addition	1,167	1,679	2,731	0	5,577
Disposal	0	1,551	1,847	0	3,398
Currency adjustment	7	7	18	0	32
<b>Dec 31, 2019</b>	<b>25,978</b>	<b>73,124</b>	<b>18,023</b>	<b>0</b>	<b>117,125</b>
<b>Net book value</b>					
<b>Dec 31, 2018</b>	<b>16,645</b>	<b>8,824</b>	<b>4,213</b>	<b>2,483</b>	<b>32,165</b>
<b>Dec 31, 2019</b>	<b>16,577</b>	<b>10,114</b>	<b>4,422</b>	<b>2,771</b>	<b>33,884</b>

Net book values of temporary unused tangible fixed assets are included in an amount of € 0.0 million (previous year: € 0.0 million).

Explanations regarding land charges are provided in Note No. 12.

The table below shows a breakdown of, as well as the changes in, the rights of use from leases in accordance with IFRS 16, which are included in tangible fixed assets:

	Land, buildings, and similar assets € '000	Plant and machinery € '000	Other plant, fixtures and fittings € '000	Total € '000
<b>Gross cost of acquisition or production</b>				
First-time adoption Jan 1, 2019	536	392	407	1,335
Addition	285	0	253	538
Disposal	0	0	28	28
Currency adjustment	11	0	0	11
<b>Dec 31, 2019</b>	<b>832</b>	<b>392</b>	<b>632</b>	<b>1,856</b>
<b>Accumulated depreciation</b>				
First-time adoption Jan 1, 2019	74	312	117	503
Addition	149	44	161	354
Disposal	0	0	13	13
Currency adjustment	4	0	0	4
<b>Dec 31, 2019</b>	<b>227</b>	<b>356</b>	<b>265</b>	<b>848</b>
<b>Net book value</b>				
First-time adoption Jan 1, 2019	462	80	290	832
<b>Dec 31, 2019</b>	<b>605</b>	<b>36</b>	<b>367</b>	<b>1,008</b>

## (2) Intangible fixed assets

The table below shows a breakdown of, as well as the changes in, intangible fixed assets:

	Licences and similar rights € '000	Goodwill € '000	Advance payments € '000	Total € '000
<b>Gross cost of acquisition or production</b>				
<b>Dec 31, 2017</b>	<b>5,539</b>	<b>9,621</b>	<b>0</b>	<b>15,160</b>
Addition	161	0	0	161
Disposal	29	0	0	29
Currency adjustment	0	-17	0	-17
<b>Dec 31, 2018</b>	<b>5,671</b>	<b>9,604</b>	<b>0</b>	<b>15,275</b>
Addition	158	0	36	194
Disposal	25	0	0	25
Currency adjustment	0	17	0	17
<b>Dec 31, 2019</b>	<b>5,804</b>	<b>9,621</b>	<b>36</b>	<b>15,461</b>
<b>Accumulated depreciation</b>				
<b>Dec 31, 2017</b>	<b>5,275</b>	<b>1,543</b>	<b>0</b>	<b>6,818</b>
Addition	141	0	0	141
Disposal	18	0	0	18
<b>Dec 31, 2018</b>	<b>5,398</b>	<b>1,543</b>	<b>0</b>	<b>6,941</b>
Addition	138	0	0	138
Disposal	17	0	0	17
<b>Dec 31, 2019</b>	<b>5,519</b>	<b>1,543</b>	<b>0</b>	<b>7,062</b>
<b>Net book value</b>				
<b>Dec 31, 2018</b>	<b>273</b>	<b>8,061</b>	<b>0</b>	<b>8,334</b>
<b>Dec 31, 2019</b>	<b>285</b>	<b>8,078</b>	<b>36</b>	<b>8,399</b>

The Wallpaper Division and the Furnishing Fabrics Division, respectively, accounted for € 7.926 million (previous year: € 7.909 million) and € 0.152 million (previous year: € 0.152 million) of total goodwill in an amount of € 8.078 million (previous year: € 8.061 million). The goodwill was subjected to an impairment test. In this context, the value in use was determined as the present value of the future cash flows from the operation. The value in use was determined on the basis of the approved detailed budgets for the fiscal years 2020 and 2021. The cash flow used is the cash flow before interest and taxes less total capital expenditures of the respective year as well as the changed capital tied up in net current assets. For the years from 2022, the budgeted cash flow before interest and taxes of the year 2021 less maintenance and replacement investments was carried as a perpetual annuity. No growth rate was assumed in the calculation of the perpetual annuity. For the purpose of discounting, weighted average costs of capital (before taxes) of 3.9% and 3.2% were applied for the Wallpaper Division and the Furnishing Fabrics Division, respectively. The value in use thus

determined exceeded the carrying amounts in both divisions, which means that the impairment tests did not provide any indication of an impairment loss. A discount factor of over 7.4% for the Wallpaper Division and of over 8.6% for the Furnishing Fabrics Division would indicate the need to recognise an impairment loss.

### (3) Investments accounted for at equity

This item comprises the 50% stake in OOO A.S. & Palitra. This investment was sold in the year under review. The table below shows the changes in investments accounted for at equity:

	2019 € '000	2018 € '000
January 1	0	0
<b>December 31</b>	<b>0</b>	<b>0</b>

### (4) Financial assets

This item comprises the shareholder loans that A.S. Création Tapeten AG granted to the joint venture OOO A.S. & Palitra. The 50% stake in the joint venture was sold in the year under review. In this context, the shareholder loans were also repaid. The table below shows the changes in financial assets:

	2019 € '000	2018 € '000
January 1	5,553	7,960
Currency adjustment	0	-38
Pro-rata changes in equity		
First-time application IFRS 9	0	-18
Changes affecting income	1,910	-3,081
Changes not affecting income	-886	1,338
Disposals	6,577	608
<b>December 31</b>	<b>0</b>	<b>5,553</b>

## (5) Other assets

A breakdown of other assets by type and maturity is shown below:

	Total		Remaining term of up to 1 year		Remaining term of over 1 year	
	31.12.19 € '000	31.12.18 € '000	31.12.19 € '000	31.12.18 € '000	31.12.19 € '000	31.12.18 € '000
Miscellaneous other assets	4,940	12,157	4,748	6,501	192	5,656
Deferred charges	577	618	524	618	53	0
	<b>5,517</b>	<b>12,775</b>	<b>5,272</b>	<b>7,119</b>	<b>245</b>	<b>5,656</b>

Other assets comprise among others VAT refund claims as well as supplier credits. This item also includes contract assets in the amount of € 1.612 million (previous year: € 1.786 million). In the previous year, receivables from 000 A.S. & Palitra, which is accounted for using the equity method, were also included.

The default risks of other assets are taken into account with impairments in the amount of the losses expected for the next twelve months. The table below shows the changes in impairments on other assets:

	2019 € '000	2018 € '000
As of January 1	44	0
First-time adoption IFRS 9	0	49
Allocation	50	12
Release	0	12
Currency adjustment	2	-5
As of December 31	<b>96</b>	<b>44</b>

## (6) Deferred tax assets and deferred tax liabilities

Deferred taxes are calculated using country-specific tax rates pursuant to IAS 12. The total tax rate in Germany, which comprises trade tax, corporate income tax and solidarity surcharge, was 31.06% (previous year: 31.06%).

Deferred tax assets break down on balance sheet item as follows:

	31.12.19		31.12.18	
	Deferred tax assets € '000	Deferred tax liabilities € '000	Deferred tax assets € '000	Deferred tax liabilities € '000
Tangible fixed assets	116	1,856	100	1,971
Intangible fixed assets	21	47	22	47
Inventories	303	49	315	57
Trade receivables and other assets	227	384	234	568
Provisions for pensions	2,766	0	2,224	0
Other provisions	6	0	6	0
Other liabilities	626	3	195	0
Tax losses carried forward	242	0	240	0
	<b>4,307</b>	<b>2,339</b>	<b>3,336</b>	<b>2,643</b>
Set-off*	-2,339	-2,339	-2,543	-2,543
	<b>1,968</b>	<b>0</b>	<b>793</b>	<b>100</b>

\* According to IAS 12, deferred tax assets and deferred tax liabilities should, under certain conditions, be offset if they levied by the same taxation authority.

Losses carried forward for trade tax in the amount of € 0 million (previous year: € 0.063 million) as well as for corporate income tax and solidarity surcharge in an amount of € 0 million (previous year: € 0.012 million) exist in Germany. In addition, tax losses carried forward in an amount of € 12.047 million (previous year: € 11.267 million) exist abroad. No deferred tax assets were recognised for losses carried forward in the amount of € 10.907 million (previous year: € 10.196 million) as well as for temporary differences in the amount of € 0.419 million (previous year: € 0.350 million), as their realisation is not sufficiently certain from today's point of view.

## (7) Inventories

Inventories comprise the following:

	31.12.19 € '000	31.12.18 € '000
Raw materials and supplies	4,230	4,199
Unfinished products	340	85
Finished goods and merchandise	30,218	29,304
	<b>34,788</b>	<b>33,588</b>

Inventories with carrying amounts of € 9.635 million (previous year: € 9.664 million) are recognised at the fair value less cost to sell.

### (8) Trade receivables

€ 0.010 million (previous year: € 0.021 million) of the trade receivables have a remaining term of more than one year.

The table below shows the trade receivables as of the balance sheet date:

	<b>31.12.19</b>	<b>31.12.18</b>
	€ '000	€ '000
Gross carrying amount	26,731	27,533
Valuation allowances	4,188	4,443
<b>Net carrying amount</b>	<b>22,543</b>	<b>23,090</b>

The table below shows the allowances on trade receivables:

	<b>2019</b>	<b>2018</b>
	€ '000	€ '000
As of January 1	4,443	3,762
First-time adoption of IFRS 9	0	673
Allocation	1,001	368
Use	584	28
Release	712	290
Currency adjustment	40	-42
<b>As of December 31</b>	<b>4,188</b>	<b>4,443</b>

The table below shows the maturity structure of the receivables for which no itemised allowances were established as of the balance sheet date:

Trade receivables	thereof without itemised allowances and					
	not past due	past due within 90 days	past due between 91 and 180 days	past due between 181 and 360 days	past due in more than 360 days	
€ '000	€ '000	€ '000	€ '000	€ '000	€ '000	
As of Dec 31, 2018	23,090	20,664	1,772	202	105	54
As of Dec 31, 2019	22,543	19,793	2,008	176	40	76



As of the balance sheet date, there were no indications that the debtors of unimpaired past due receivables will not meet their payment obligations.

#### (9) Tax refund claims and tax liabilities

Tax refund claims and tax liabilities primarily comprise income tax for the current year which has not yet been assessed as well as income tax assessed for previous years.

#### (10) Cash and cash equivalents

Cash and cash equivalents break down as follows:

	<b>31.12.19</b>	<b>31.12.18</b>
	<b>€ '000</b>	<b>€ '000</b>
Cash in banks	20,267	11,813
Cash on hand, cheques and bills of exchange	382	77
	<b>20,649</b>	<b>11,890</b>

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Cash in banks include short-term funds with a term of up to three months.

#### (11) Equity

For the composition of equity, please refer to the consolidated statement of changes in equity.

As of December 31, 2019, the share capital amounted to € 9,000,000.00 divided into 3,000,000 no par value registered shares.

According to Article 4 paragraph 3 of the current statutes of A.S. Création Tapeten AG (as amended on May 9, 2019), the Managing Board is authorised, subject to the approval of the Supervisory Board, to increase the capital stock by up to € 4.500 million (so called authorised capital) until May 8, 2024 through the issue of new shares against a contribution in kind or in cash. Shareholders' subscription rights may be excluded in certain cases. Given that no use has been made of this authorisation so far, the authorised capital amounted to € 4.500 million on December 31, 2019.

As in the previous year, capital reserves include € 13.752 million in premiums from the issue of shares of A.S. Création Tapeten AG and, in accordance with IAS 32, an equity share of € 0.005 million from the purchase and sale of own shares.

Revenue reserves include undistributed profits of the Group companies as well as changes in equity not affecting income.

According to the resolution of the Annual General Meeting of Shareholders dated May 9, 2019, the Managing Board is authorised to acquire own shares up to a par value of € 0.9 million (which represents a maximum of 10% of the share capital) until May 8, 2024. The Managing Board is also authorised to call in the shares acquired in whole or in part, to resell them or to use them for company acquisitions or equity investments. Furthermore, up to 50,000 of the shares acquired may be issued as employee shares. Based on previous authorisations, A.S. Création Tapeten AG repurchased 243,649 own shares between 1999 and 2008. Since then, no sales or purchases have occurred, which means that A.S. Création Tapeten AG held 243,649 own shares in a nominal amount of € 0.731 million or 8.12% of the share capital as of the balance sheet date. An offsetting item in the amount of the cost of acquisition of own shares was established which remained unchanged from the previous year at € 4.021 million.

Payment of a dividend of € 0.90 per share or a total distribution of € 2.481 million is proposed for the reporting year. No dividend was paid out for the previous year.

Under IFRS, some items are not recognised as income and expenses in the income statement but are recognised directly in equity. This so-called "other comprehensive income", which is included in revenue reserves and the balancing item for currency translation differences, is shown in the table below:

	Financial derivative	Deferred taxes	Pension provisions	Deferred taxes	Foreign currency translation differences from		Total
					fully consolidated companies	companies accounted for at equity	
	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000
<b>As of Jan 1, 2018</b>	-121	38	-4,327	1,339	2,483	3,291	2,703
Other comprehensive income 2018	578	-179	121	-46	438	1,338	2,250
<b>As of Dec 31, 2018</b>	<b>457</b>	<b>-141</b>	<b>-4,206</b>	<b>1,293</b>	<b>2,921</b>	<b>4,629</b>	<b>4,953</b>
Other comprehensive income 2019	-938	291	-1,633	504	-521	-4,629	-6,926
<b>As of Dec 31, 2019</b>	<b>-481</b>	<b>150</b>	<b>-5,839</b>	<b>1,797</b>	<b>2,400</b>	<b>0</b>	<b>-1,973</b>

**(12) Financial liabilities (interest-bearing)**

The table below shows the changes in financial liabilities:

	2019 € '000	2018 € '000
Januar 1	15,257	8,410
Cash change	-2,816	6,843
Non-cash change	2,091	4
<b>December 31</b>	<b>14,532</b>	<b>15,257</b>

The table below shows a breakdown of, as well as the changes in, liabilities from leases:

	Land, buildings and similar assets € '000	Plant and machinery € '000	Other plant, fixtures and fittings € '000	Total € '000
<b>Gross cost of acquisition or production</b>				
First-time adoption Jan 1, 2019	536	392	407	1,335
Addition	285	0	253	538
Disposal	0	0	28	28
Currency adjustment	12	0	0	12
<b>Dec 31, 2019</b>	<b>833</b>	<b>392</b>	<b>632</b>	<b>1,857</b>
<b>Accumulated lease payments</b>				
First-time adoption Jan 1, 2019	80	338	114	532
Addition	157	47	166	370
Disposal	0	0	14	14
Currency adjustment	5	0	0	5
<b>Dec 31, 2019</b>	<b>242</b>	<b>385</b>	<b>266</b>	<b>893</b>
<b>Accumulated interest expenses</b>				
First-time adoption Jan 1, 2019	8	31	6	45
Addition	16	1	6	23
Disposal	0	0	0	0
Currency adjustment	1	0	0	1
<b>Dec 31, 2019</b>	<b>25</b>	<b>32</b>	<b>12</b>	<b>69</b>
<b>Net book value</b>				
First-time adoption Jan 1, 2019	464	85	299	848
<b>Dec 31, 2019</b>	<b>616</b>	<b>39</b>	<b>378</b>	<b>1,033</b>

The table below breaks down the interest-bearing financial liabilities by maturities:

	<b>31.12.19</b> € '000	<b>31.12.18</b> € '000
up to 1 year	3,766	2,699
over 1 year up to 5 years	8,185	8,712
over 5 years	2,581	3,846
	<b>14,532</b>	<b>15,257</b>

The remaining terms of the included liabilities from leases are shown below:

	<b>31.12.19</b> € '000	<b>31.12.18</b> € '000
up to 1 year	407	250
over 1 year up to 5 years	604	583
over 5 years	22	15
	<b>1,033</b>	<b>848</b>

Lease payments in the year under review totalled € 0.414 million. This includes € 0.370 million in lease payments resulting from contracts for which a right of use was capitalised in accordance with IFRS 16 as well as € 0.023 million in lease expenses for low-value assets and € 0.021 million in lease expenses for short-term leases to which the relief provisions of IFRS 16.6 were applied. The weighted average incremental borrowing rate of interest is 2.63%.

Interest-bearing financial liabilities are secured by land charges of € 21.550 million (previous year: € 21.550 million).

Of the interest-bearing financial liabilities in the amount of € 14.532 million (previous year: € 15.257 million), € 12.460 million (previous year: € 13.101 million) are fixed-interest and € 2.072 million (previous year: € 2.156 million) are variable-interest financial liabilities. Of the fixed-interest financial liabilities, € 1.243 million (previous year: € 2.229 million) are hedged by interest rate hedges. Where the variable-interest financial liabilities are concerned, a € 1.740 million interest rate hedge (previous year: € 2.000 million) is used to mitigate the interest rate risk.

The breakdown of financial liabilities at fixed interest rates by the remaining term and the weighted average interest rates based on the book value is shown below:

Remaining term	Average	Book value	Average	Book value
	interest rate 2019 %	31.12.19 € '000	interest rate 2018 %	31.12.18 € '000
of up to 1 year	4.3	2,939	3.8	2,282
of over 1 year up to 5 years	5.0	6,940	4.7	6,973
of over 5 years	5.0	2,581	4.9	3,846
		<b>12,460</b>		<b>13,101</b>

### (13) Other liabilities

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The breakdown and remaining terms of the other liabilities are shown below:

	Total		Remaining term of up to 1 year		Remaining term of over 1 year	
	31.12.19 € '000	31.12.18 € '000	31.12.19 € '000	31.12.18 € '000	31.12.19 € '000	31.12.18 € '000
Liabilities to employees	3,989	3,191	3,741	2,944	248	247
Liabilities due to social security charges	471	539	471	539	0	0
Liabilities due to other taxes	1,977	1,335	1,977	1,335	0	0
Contract liabilities	2,785	2,149	2,785	2,149	0	0
Miscellaneous other liabilities	2,979	15,004	2,317	14,794	662	210
	<b>12,201</b>	<b>22,218</b>	<b>11,291</b>	<b>21,761</b>	<b>910</b>	<b>457</b>

#### (14) Long-term provisions

Long-term provisions divide as follows:

	31.12.19 € '000	31.12.18 € '000
Pension provisions	14,487	12,699
Other provisions	0	17
	<b>14,487</b>	<b>12,716</b>

Pension provisions are recognised for current pension obligations as well as future old age, disability and survivors' pension commitments. Commitments vary from Group company to Group company depending on the legal and economic situation. The majority of Group employees are granted a service-life-linked defined benefit pension plan related to a fixed monetary amount.

The amount of the defined benefit obligations is determined using actuarial methods in accordance with IAS 19 and equals the present value of future pension payments. For the majority of pension obligations it is determined based on the following parameters:

	31.12.19 %	31.12.18 %
Projected interest rate (discount rate)	1.1	1.9
Projected pension trend	2.0	2.0
Projected rate of fluctuation	5.0	5.0

For employees of German Group companies the assumptions for mortality and disability are based on the ©RICHTTAFELN 2018 G from Prof. Dr. Klaus Heubeck.

An isolated change in the following parameters would have main impact on the present value of the pension obligation:

	Increase in the parameter %	Change in present value € '000	Reduction in the parameter %	Change in present value € '000
Projected interest rate (discount rate)	1.00	-2,461	1.00	3,301
Projected pension trend	0.25	470	0.25	-448

If the life of the persons entitled to pension were extended by one year, the pension obligation would increase by another € 0.638 million.

The duration of the pension obligation, i.e. the anticipated average capital tie-up period, is 20.2 years.

The table below shows the changes in the defined benefit obligations:

	<b>2019</b>	<b>2018</b>
	<b>€ '000</b>	<b>€ '000</b>
As of January 1	12,903	12,882
Pension payments	-358	-373
Current service cost	311	312
Past service cost	-37	-28
Interest cost	242	229
Actuarial losses (+) or gains (-) from changes in the discount rate	2,023	-240
Other actuarial gains (-) or losses (+)	-388	121
<b>As of December 31</b>	<b>14,696</b>	<b>12,903</b>

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Of the defined benefit obligations, an amount of € 0.347 million is expected to be paid out in the following fiscal year.

A small portion of the defined benefit obligations is financed under re-insurance policies, which qualify as plan assets. The table below shows the changes in the fair value of the plan assets:

	<b>2019</b>	<b>2018</b>
	<b>€ '000</b>	<b>€ '000</b>
As of January 1	204	220
Employer contributions	0	0
Benefit payments	0	-22
Expected return on plan assets	3	4
Actuarial gains	2	2
<b>As of December 31</b>	<b>209</b>	<b>204</b>

Re-insurance contributions are expected to amount of € 0.010 million in the following fiscal year.

The present value of the plan assets (re-insurance) is offset against the defined benefit obligations and the net obligations are stated as pension provision in the balance sheet. The table below shows the changes in pension provisions:

	2019 € '000	2018 € '000
As of January 1	12,699	12,662
Pension payments and employer contributions	-358	-351
Allocation through profit/loss (income statement)	513	509
Allocation not affecting income (other comprehensive income)	1,633	-121
<b>As of December 31</b>	<b>14,487</b>	<b>12,699</b>

The allocation to pension provisions through profit/loss, i.e. net pension expenses for the pension commitments, are comprised as follows and are included in the respective items of the income statement:

	Income statement	2019 € '000	2018 € '000
Current service cost and benefit payments	Personnel expenses	274	284
Interest cost	Financial result	239	225
		<b>513</b>	<b>509</b>

The following actuarial gains (+) / losses (-) were recognised in equity (other comprehensive income):

	2019 € '000	2018 € '000
Change in the discount factor	-2,021	242
Change in the biometric assumptions	27	-115
Experience adjustment	361	-6
	<b>-1,633</b>	<b>121</b>

Besides these commitments from defined benefit plans, some Group companies make contributions to company pension schemes in some cases. In these cases, a defined annual amount is paid to an external relief fund or a comparable institution for the duration of the employment relationship. These defined contribution plans are not recognised in pension



provisions. Instead, the contributions paid are included in the personnel expenses of the respective fiscal year (see Notes No. 20).

### (15) Short-term provisions

Short-term provisions mainly refer to potential losses from current contracts and warranties. The table below shows the changes in short-term provisions:

	2019 € '000	2018 € '000
As of January 1	116	131
Currency translation	0	-2
Use	91	96
Release	0	8
Allocation	175	91
<b>As of December 31</b>	<b>200</b>	<b>116</b>

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### (16) Other financial liabilities and contingent liabilities

The table below shows the other disclosable financial liabilities and their remaining terms:

	Total		Remaining term of up to 1 year		Remaining term of over 1 year up to 5 years		Remaining term of over 5 years	
	31.12.19 € '000	31.12.18 € '000	31.12.19 € '000	31.12.18 € '000	31.12.19 € '000	31.12.18 € '000	31.12.19 € '000	31.12.18 € '000
from rental and lease agreements	155	1,088	65	451	87	603	3	34
from order commitments for investments in tangible fixed assets	310	1,079	310	1,079	0	0	0	0
	<b>465</b>	<b>2,167</b>	<b>375</b>	<b>1,530</b>	<b>87</b>	<b>603</b>	<b>3</b>	<b>34</b>

Notes to the income statement

(17) Sales

A breakdown of Group sales by region is provided below:

	Wallpaper Division		Fabrics Division		Consolidation		Group	
	2019 € '000	2018 € '000	2019 € '000	2018 € '000	2019 € '000	2018 € '000	2019 € '000	2018 € '000
Germany	53,449	54,699	9,663	9,405	-61	-75	63,051	64,029
EU (excl. Germany)	60,486	53,146	2,121	2,151	-27	-27	62,580	55,270
European Union (EU)	113,935	107,845	11,784	11,556	-88	-102	125,631	119,299
Other Eastern Europe	19,301	16,529	118	237	0	0	19,419	16,766
Other countries	9,406	11,180	563	663	0	0	9,969	11,843
<b>Sales (gross)</b>	<b>142,642</b>	<b>135,554</b>	<b>12,465</b>	<b>12,456</b>	<b>-88</b>	<b>-102</b>	<b>155,019</b>	<b>147,908</b>
Reduction in revenues	-13,147	-12,634	-816	-789	1	0	-13,962	-13,423
<b>Sales (net)</b>	<b>129,495</b>	<b>122,920</b>	<b>11,649</b>	<b>11,667</b>	<b>-87</b>	<b>-102</b>	<b>141,057</b>	<b>134,485</b>

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A.S. Création's revenue primarily results from the sale of goods.

Given that A.S. Création usually delivers the goods ordered immediately, the order backlog plays only a minor role. Multi-year sales arrangements have been agreed only with a few key accounts. Performance is expected within the next four years.

Revenue includes € -4.571 million from changes in contract assets and contract liabilities.

These are shown below:

	31.12.18 € '000	Payments € '000	Sales revenues € '000	31.12.19 € '000
Contract assets	1,786	1,612	-1,786	1,612
Contract liabilities	-2,149	2,149	-2,785	-2,785
	<b>-363</b>	<b>3,761</b>	<b>-4,571</b>	<b>-1,173</b>

**(18) Cost of materials**

The cost of materials includes:

	2019 € '000	2018 € '000
Cost of raw materials, consumables and supplies and purchased materials	65,956	62,356
Cost of purchased services	3,962	4,882
	<b>69,918</b>	<b>67,238</b>

**(19) Other income**

Other income includes income from the release of allowances for doubtful receivables and income from the expiry of obligations, foreign exchange gains in the amount of € 1.279 million (previous year: € 0.019 million) as well as income from disposals of tangible and intangible fixed assets in an amount of € 0.103 million (previous year: € 0.081 million).

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**(20) Personnel expenses**

Personnel expenses are comprised as follows:

	2019 € '000	2018 € '000
Wages and salaries	30,243	29,786
Social security contributions and pension expenses	7,178	7,153
	<b>37,421</b>	<b>36,939</b>

Social security contributions and pension expenses include contributions to state pension insurance institutions in an amount of € 2.656 million (previous year: € 2.679 million), allocations to pension provisions in an amount of € 0.274 million (previous year: € 0.284 million) as well as payments to external relief funds and similar pension organisations due to defined contribution plans in an amount of € 0.157 million (previous year: € 0.141 million).

The table below shows the Group's average headcount in the fiscal year (full time equivalents) excluding the members of the Managing Board:

	<b>2019</b>	<b>2018</b>
	<b>Persons</b>	<b>Persons</b>
Blue-collar workers	371	368
White-collar workers	337	340
Trainees and apprentices	42	47
	<b>750</b>	<b>755</b>

#### **(21) Depreciation**

A breakdown of depreciation is provided in the notes to tangible and intangible fixed assets (see No. 1 and No. 2 above). As in the previous year, no write-downs for impairment occurred in the fiscal year.

#### **(22) Other operating expenses**

Other operating expenses mainly include expenses on freight out, advertising, maintenance and insurance policies. Moreover, they include losses from disposals of tangible and intangible fixed assets in an amount of € 0.187 million (previous year: € 0.166 million) and foreign exchange losses in an amount of € 0.200 million (previous year: € 1.249 million).

#### **(23) Financial result**

The financial result includes interest expenses of € 0.239 million (previous year: € 0.225 million), which result from the allocation to pension provisions. For details see No. 14 above.

**(24) Income taxes**

Income taxes include the taxes on income and earnings paid or due in the individual countries as well as deferred taxes. Income taxes on continuing operations are comprised as follows:

	<b>2019</b>	<b>2018</b>
	<b>€ '000</b>	<b>adjusted € '000</b>
Current income tax expenses	1,576	565
Deferred taxes	-460	-621
	<b>1,116</b>	<b>-56</b>

In addition, income taxes in the amount of € 0.039 million (previous year: € 0.323 million) were incurred on discontinued operations. At € 1.155 million, total tax expenses (previous year: € 0.267 million) differed by € -3.593 million (previous year: € 2.041 million) from the expected tax expenses of € 4.748 million (previous year: € -1.774 million) that would have arisen based on the overall German tax rate of 31.06% (previous year: 31.06%). The difference is due to the following:

	<b>2019</b>	<b>2018</b>
	<b>€ '000</b>	<b>€ '000</b>
<b>Expected income tax expenses</b>	<b>4,748</b>	<b>-1,774</b>
Non-tax-deductible expenses	183	203
Tax expenses/income unrelated to the accounting period	-4	27
Tax rate differentials to the overall German tax rate	-10	358
Expenses from changes in deferred tax rates	-11	109
Non-recognition of and allowances from deferred tax assets	-124	389
Results from investments accounted for at equity	-593	957
Non-taxable income	-3,063	-87
Other tax effects	29	85
<b>Effective tax expenses</b>	<b>1,155</b>	<b>267</b>
Effective tax rate	7.56%	-4.67%

The change in the effective tax rate is essentially attributable to the tax-free income in connection with the sale of the 50% stake in OOO A.S. & Palitra in the year under review.

**(25) Earnings after taxes from discontinued operations**

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

	<b>2019</b>	<b>2018</b>
	<b>€ '000</b>	<b>€ '000</b>
Results from investments accounted for at equity	1,910	-3,081
Interest income from shareholder loans	124	1,040
Income from the disposal of financial assets and other assets	9,703	0
<b>Financial result from discontinued operations</b>	<b>11,737</b>	<b>-2,041</b>
Income taxes	39	323
<b>Earnings after taxes from discontinued operations</b>	<b>11,698</b>	<b>-2,364</b>

**(26) Earnings per share**

Earnings per share are calculated as follows:

		<b>2019</b>	<b>2018</b>
Number of shares outstanding (weighted average)	shares	2,756,351	2,756,351
Earnings after taxes	€	14,132,734	-5,976,671
<b>Earnings per share</b>	<b>€/share</b>	<b>5.13</b>	<b>-2.17</b>
thereof from continued operations	€/share	(0.88)	(-1.31)
thereof from discontinued operations	€/share	(4.25)	(-0.86)

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

### (27) Cash flow statement

Cash flow from operating activities includes the following payments:

	2019 € '000	2018 € '000
Interest received	83	284
thereof from continued operations	(42)	(264)
Interest paid	733	551
Income tax paid	274	121

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Interest paid primarily relates to investment financing.

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

	2019 € '000	2018 € '000
Raising of financial liabilities	290	10,887
Repayment of financial liabilities	-3,106	-4,040
	<b>-2,816</b>	<b>6,847</b>

Cash flow from financing activities includes payments in the amount of € 18.868 million from the sale of the 50% stake in OOO A.S. & Palitra and the sale of the shareholder loans.

## (28) 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 Divison		Fabrics Divison		Consolidation		Group	
	2019 € '000	2018 adjusted € '000	2019 € '000	2018 € '000	2019 € '000	2018 € '000	2019 € '000	2018 adjusted € '000
External sales	129,438	122,850	11,619	11,635	0	0	141,057	134,485
Intra-Group sales	56	70	30	32	-86	-102	0	0
Total sales	129,494	122,920	11,649	11,667	-86	-102	141,057	134,485
EBITDA <sup>1</sup>	9,747	2,788	471	387	0	0	10,218	3,175
EBITDA-margin	7.5%	2.3%	4.0%	3.3%			7.2%	2.4%
Depreciation	5,484	5,879	231	184	0	-3	5,715	6,060
EBIT <sup>2</sup>	4,263	-3,091	240	203	0	3	4,503	-2,885
EBIT-margin	3.3%	-2.5%	2.1%	1.7%			3.2%	-2.1%
Interest income <sup>3</sup>	62	42	0	0	-17	-19	45	23
Interest expenses	934	744	80	82	-17	-19	997	807
Earnings before taxes <sup>3</sup>	3,391	-3,793	160	121	0	3	3,551	-3,669
Return on sales (before taxes) <sup>3</sup>	2.6%	-3.1%	1.4%	1.0%			2.5%	-2.7%
Income taxes <sup>3</sup>	1,065	-93	50	36	0	1	1,115	-56
Capital expenditures <sup>4</sup>	5,836	8,217	97	87	0	0	5,933	8,304
Cash flow <sup>3</sup>								
from operating activities	-2,554	2,819	411	561	0	0	-2,143	3,380
from investing activities	-5,685	-8,104	-57	-73	0	0	-5,742	-8,177
from financing activities	-2,452	7,272	-364	-425	0	0	-2,816	6,847
Segment assets 31.12. <sup>5</sup>	99,055	109,577	6,105	5,958	-29	-28	105,131	115,507
thereof non-current assets	(41,229)	(50,557)	(1,299)	(1,152)	(0)	(0)	(42,528)	(51,709)
Segment liabilities 31.12. <sup>6</sup>	16,510	26,413	1,300	1,314	-29	-28	17,781	27,699
Employees (average)	686	690	64	65			750	755

<sup>1</sup> EBITDA is the common international abbreviation of earnings before interest, taxes, depreciation and amortisation.

<sup>2</sup> EBIT is the common international abbreviation of earnings before interest and taxes. It is equivalent to the segment result.

<sup>3</sup> These values refer to continued operations.

<sup>4</sup> Capital expenditures correspond to the cash flow statement.

<sup>5</sup> 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.

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



EBIT and EBIT-margin are the main key figures for corporate controlling.

The breakdown of Group sales by region is shown in Note No. 17 (Sales).

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	
	31.12.19 € '000	31.12.18 € '000	31.12.19 € '000	31.12.18 € '000	31.12.19 € '000	31.12.18 € '000
Germany	62,902	76,073	43,864	47,547	19,038	28,526
EU (excl. Germany)	20,646	19,425	11,447	10,640	9,199	8,785
Other Eastern Europe	21,583	20,009	7,292	5,611	14,291	14,398
	<b>105,131</b>	<b>115,507</b>	<b>62,603</b>	<b>63,798</b>	<b>42,528</b>	<b>51,709</b>

### (29) Research and development expenses

In the past fiscal year, € 2.160 million (previous year: € 2.249 million) were spent on the development of new designs.

### (30) Contract fulfilment costs

In the reporting year, contract fulfilment costs as defined in IFRS 15 amounted to € 1.823 million (previous year: € 1.866 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 has been recorded in full, these costs were immediately written off in full in the reporting period.

### (31) Audit expenses

In the past fiscal year, € 0.210 million (previous year: € 0.204 million) were spent on the audit of the financial statements of the fully consolidated companies as well as on the audit of the consolidated financial statements. The Group auditor received € 0.205 million (previous year: € 0.199 million) as well as an additional € 0.032 million (previous year: € 0.034 million) for tax consulting services, € 0.003 million (previous year: € 0.006 million) for other services and € 0.002 million for other confirmation services.

**(32) Risks from financial instruments**

€ 2.072 million or 14.3% (previous year: € 2.156 million or 14.1%) of the total interest-bearing financial liabilities of € 14.532 million (previous year: € 15.257 million) represent variable-interest loans. Of the variable-interest financial liabilities, an amount of € 1.740 million (previous year: € 2.000 million) is interest hedged in such a way that the interest rate risk is capped at 0.4 percentage points compared to the current interest rate ("interest rate cap"). Accordingly, a rise in interest rates by one percentage point would increase interest expenses by € 0.010 million and reduce earnings after taxes by € 0.007 million. Most of the fixed-interest loans are medium-term or long-term loans and are repaid during their terms (see Notes No. 12). Overall, A.S. Création is not subject to a material interest rate risk.

At the operating level, currency risks may occur whenever procurement and/or sales activities are not denominated in euros but in foreign currencies. Such foreign currency transactions are still negligible in the A.S. Création Group, so that operations are not exposed to a material currency risk. But this risk will increase as the activities in Russia and in Belarus are expanded. Further currency risks result from the financing activities if loans are denominated in a currency other than the local currency, i.e. from foreign-currency loans. A depreciation of the rouble against the euro leads to translation-related non-cash exchange losses. A depreciation of the rouble by one percent would reduce earnings after taxes by approx. € 0.143 million.

In the A.S. Création Group, interest rate or currency hedges as well as financial derivatives play only a minor role. Such hedges are generally taken out only for specific underlying transactions. An interest rate swap with a term until March 31, 2021, an interest rate swap and currency swap with a term until June 30, 2026 and an interest rate cap with a term until April 28, 2023 existed as of the balance sheet date. These hedges and the underlying loans form an economic unit. In this case, however, IFRS 9 does not provide for the cash flows from the two transactions to be offset against each other but requires a separate valuation of the hedges at fair market value (hedge accounting). Accordingly, the negative market values resulting from these hedges (after deferred taxes) in the amount of € -0.332 million (previous year: € -0.032 million) as well as the positive market values (after deferred taxes) in the amount of € 0.001 million (previous year: € 0.348 million), i.e. a total amount of € -0.331 million (previous year: € 0.316 million),

were recognised in revenue reserves as at the balance sheet date. The statement of comprehensive income of the reporting year includes a change in the market values (after deferred taxes) in the amount of € -0.647 million (previous year: € 0.399 million). Going forward, these hedges will have no impact on the earnings after taxes.

Credit and default risks from financial instruments arise from the possibility that contractual partners may fail to meet their (payment) obligations towards A.S. Création. The creditworthiness of the contractual partner therefore plays an important role in assessing the default risks. At the operational level, default risks primarily result from trade receivables. A.S. Création's risk policy aims to limit the inherent risk. The company therefore uses available means such as credit insurance and bank guarantees to transfer the risk to third parties. These instruments do not always make economic sense, as they entail costs, and are not always available. Great importance is therefore attached to the monitoring of the agreed payment deadlines and credit lines in the context of internal debtor management. Despite these measures, not all default risks can be eliminated. The residual default risk is mitigated by allowances on trade receivables. The potential effects which a default could have on the net worth, financial and earnings position of A.S. Création can be assessed on the basis of the concentration of debtors. In this context, A.S. Création has identified no very high potential risk that could jeopardise its continued existence. Of the total trade receivables in an amount of € 22.543 million (previous year: € 23.090 million), € 5.787 million or 25.7% (previous year: € 6.331 million or 27.4%) were accounted for by the five largest debtors. At the financial level, default risks mainly relate to cash with banks. To minimise the default risk, A.S. Création only cooperates with banks that have excellent credit ratings and/or are connected to a deposit guarantee fund.

The liquidity risk is the risk of the company being unable to meet existing or future payment obligations due to a lack of cash or cash equivalents. To ensure that A.S. Création is able to meet its payment obligations, sufficient credit lines and cash and cash equivalents are maintained on the basis of the financial planning and systematic liquidity monitoring. As of the balance sheet date, the company had cash and cash equivalents in the amount of € 20.649 million (previous year: € 11.890 million) and unused credit lines of € 9.098 million (previous year: € 11.257 million). Liquidity bottlenecks are not expected.

### (33) Additional disclosures on financial instruments

The table below shows the carrying amounts and the amounts recognised as well as the fair values of the financial instruments:

	Amount recognised according to IFRS 9		Amount recognised according to IFRS 16		Carrying amount		Fair value	
	31.12.19 € '000	31.12.18 € '000	31.12.19 € '000	31.12.18 € '000	31.12.19 € '000	31.12.18 € '000	31.12.19 € '000	31.12.18 € '000
Financial assets	0	5,553	-	-	0	5,553	0	5,553
Trade receivables	22,543	23,090	-	-	22,543	23,090	22,543	23,090
Other receivables	1,480	7,738	-	-	1,480	7,738	1,480	7,738
Cash and cash equivalents	20,649	11,890	-	-	20,649	11,890	20,649	11,890
<b>Loans and receivables measured at amortised cost</b>	<b>44,672</b>	<b>48,271</b>	<b>-</b>	<b>-</b>	<b>44,672</b>	<b>48,271</b>	<b>44,672</b>	<b>48,271</b>
Financial liabilities	13,499	15,257	-	-	13,499	15,257	14,942	16,524
Other liabilities	2,981	2,318	-	-	2,981	2,318	2,981	2,318
Trade payables	5,380	5,367	-	-	5,380	5,367	5,380	5,367
Liabilities from lease agreements	0	0	1,033	0	1,033	0	1,033	0
<b>Financial liabilities measured at amortised cost</b>	<b>21,860</b>	<b>22,942</b>	<b>1,033</b>	<b>0</b>	<b>22,893</b>	<b>22,942</b>	<b>24,336</b>	<b>24,209</b>
<b>Financial derivative</b>	<b>-481</b>	<b>457</b>	<b>-</b>	<b>-</b>	<b>-481</b>	<b>457</b>	<b>-481</b>	<b>457</b>

The balance sheet items correspond to the classes of financial assets and liabilities, as the instruments combined in the balance sheet items have the same properties and characteristics.

The loans to 000 A.S. & Palitra are shown under financial assets less the offsetting amount resulting from at-equity accounting (see notes No. 3 and No. 4). The fair values correspond to the present values of the payments resulting from the underlying contracts. Current refinancing rates with matching maturities were used as discount factors.

Trade receivables, other receivables and cash mostly have short remaining maturities. As a result, the carrying amounts on the closing date approximate the fair values.

The fair values of the financial liabilities are equivalent to the present values of the payments under the underlying contracts. The current long-term capital market interest rate plus a company-specific surcharge is used as the discount factor. The carrying amounts of the liabilities from lease agreements on the reporting date approximate the fair values.

Due to the short remaining maturities of most of the trade payables and the other liabilities, the carrying amounts on the closing date approximate the fair values.

The financial derivatives are interest rate and currency hedges (see Note No. 32), which are measured according to level 2 as defined in IFRS 13.81, i.e. at a derived fair value. The fair values of the other financial instruments are determined using unobservable inputs according to level 3. No reclassifications between the IFRS 13 hierarchy levels were made in the fiscal year.

In the fiscal year, net losses of € 0.359 million (previous year: € 0.254 million) resulted from bad debts and the change in financial asset write-downs.

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Interest income totalling € 0.164 million (previous year: € 1.059 million) and interest expenses totalling € 0.755 million (previous year: € 0.565 million) resulted from the financial instruments in fiscal year.

### **(34) Disclosures on capital management**

The financial policy of A.S. Création is aimed at securing the company's ability to meet its payment obligations at all times as well as at minimising financial risks. Accordingly, A.S. Création has a high equity ratio, which stood at 62.1% on December 31, 2019 (previous year: 56.1%). When it comes to raising debt capital, the financing policy of A.S. Création generally provides for long-term loans with fixed interest rates and repayments during the term of the loans. As a result, A.S. Création's equity capital and debt capital are more than sufficient to finance assets that are tied up in the long term. As of December 31, 2019, the debt-to-equity ratio was 237.3% (previous year: 186.8%). Under its financial policy, A.S. Création additionally maintains liquidity reserves and free credit lines to be able to cover short-term financing requirements arising from its operating activities.

### (35) Managing Board

The Managing Board had the following members in FY 2019:

	Responsible for	Supervisory Board member
Daniel Barth Chairman	Strategy and international Sales	-
Roland Bantel	Domestic Sales and Marketing	-
Maik Krämer	Finance and Controlling	-
Antonios Suskas	Production and Logistics	-

As of the balance sheet date, members of the Managing Board held 2,633 shares (previous year: 2,633 shares) in the company.

### (36) Supervisory Board

In FY 2019, the Supervisory Board was comprised as follows:

	Profession practised	Supervisory Board member
Jochen Müller Chairman	Managing Board Member of the LSG Lufthansa Service Holding AG, Neu-Isenburg	Alpha LSG Ltd., Manchester/UK
Jella Susanne Benner-Heinacher Vice Chairwoman	Lawyer and Vice Managing Director of the DSW e. V., Düsseldorf (a German Shareholders's Association)	K+S AG, Kassel
Dr. Volker Hues	Managing Board Member of the Jungheinrich AG, Hamburg	-
Peter Mourschinetz Employee representative	Works council member released from productive working duties	-
Rolf Schmuck Employee representative	Works council member released from productive working duties	-
Dr. Stephan Zilkens (since August 9, 2019)	Managing Partner of Zilkens GmbH Versicherungsmakler, Cologne	Alberdingk-Boley GmbH, Krefeld
Franz Jürgen Schneider Chairman (until May 9, 2019)	Businessman	-

As of the balance sheet date, members of the Supervisory Board held 1,900 shares (previous year: 885,646 shares) in the company.

### (37) Compensation of the Board / Loans to the Board

The annual salaries of the Managing Board members in fiscal 2019 totalled € 1.139 million (previous year: € 0.735 million). In addition, the payments to a relief fund resulted in net expenses in an amount of € 0.072 million (previous year: € 0.050 million).

The compensation of the Supervisory Board members in fiscal 2019 totalled € 0.152 million (previous year: € 0.163 million).

Details of the compensation of the Supervisory Board and the Managing Board are presented in the management report.

No credit agreements with members of the Supervisory Board or the Managing Board existed as of the balance sheet date.

Provisions for pensions for former members of the Managing Board and their surviving dependents amounted to € 2.247 million (previous year: € 2.182 million) as of the balance sheet date. Pension payments to former members of the Managing Board and their surviving dependents amounted to € 0.128 million (previous year: € 0.127 million).

### (38) 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 the joint venture 000 A.S. & Palitra. Details of the business relationship are shown below:

	2019 € '000	2018 € '000
Sales	0	42
Purchases	870	1,312
Interest income	124	1,040

The 50% stake in the company was sold in the year under review. The figures for the year under review therefore only represent the business relations in the first quarter of 2019.

Mr Franz Jürgen Schneider, A.S. Création Tapeten-Stiftung, Gummersbach and Franz Jürgen Schneider-Stiftung, Cologne, have signed a voting agreement under which the three parties coordinate the exercising of their respective voting rights. The shares of the other two parties are therefore indirectly attributable to each party of the voting agreement, so that the share of voting rights of A.S. Création Tapeten Stiftung in A.S. Création Tapeten AG – like the share of Mr Schneider and the share of Franz Jürgen Schneider-Stiftung – amounts to 35.27%. In the year under review, the non-profit A.S. Création Tapeten-Stiftung received a donation of € 0.015 million (previous year: € 0.015 million) from A.S. Création Tapeten AG in support of its work.

A.S. Création Tapeten AG has signed an agreement with Franz Jürgen Schneider, under which he is released from potential penalties and claims for damages in conjunction with the anti-trust proceedings. Moreover, the company has undertaken to bear any defence counsel and/or court expenses. These release agreement was approved by the Annual General Meeting of Shareholders on May 3, 2013. Expenses in an amount of € 0.097 million (previous year: € 0.013 million) incurred in this context in the fiscal year.

### **(39) Declaration of conformity with the German Corporate Governance Code**

On January 29, 2020, the Managing Board and the Supervisory Board issued the declaration of conformity for the fiscal year 2020 in accordance with section 161 of the German Stock Corporation Act (Aktiengesetz AktG), which has been made permanently available to the public on its website.



**(40) Post balance sheet events**

No events that require reporting have occurred.

The Managing Board of A.S. Création Tapeten AG has today released the consolidated financial statements and the group management report for being passed on to the Supervisory Board. The latter has the task to review the consolidated financial statements and the group management report and will declare whether it approves the consolidated financial statements and the group management report in its meeting on March 19, 2020.

Gummersbach, March 18, 2020

**A.S. Création Tapeten AG**

The Managing Board

Barth      Bantel      Krämer      Suskas

## Independent auditor's report

### Report on the audit of the consolidated financial statements and of the group management report

#### Opinions

We have audited the consolidated financial statements of A.S. Création Tapeten AG, Gummersbach and its subsidiaries (the Group), which comprise the consolidated balance sheet as at December 31, 2019, the consolidated income statement, the consolidated statement of other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the fiscal year from January 1, 2019 to December 31, 2019, as well as the notes to the financial statements, including a summary of significant accounting policies. In addition, we have audited the group management report of A.S. Création Tapeten AG for the fiscal year from January 1, 2019 to December 31, 2019. In accordance with the German legal requirements we have not audited the non-financial group report and the corporate governance statement of the group management report in section 4.2. and 9.1. of the group management report.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying consolidated financial statements comply, in all material respects, with the IFRS as adopted by the EU and the additional requirements of German commercial law pursuant to section 315e (1) HGB and, in compliance with these requirements, give a true and fair view of the net asset and financial position of the Group as at December 31, 2019 and of its earnings position for the fiscal year from January 1, 2019 to December 31, 2019 and
- the accompanying group management report as a whole provides an appropriate view of the Group's position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. We have not audited the non-financial group report of the group management report, and the corporate governance statement of the group management report in section 4.2. and 9.1.

Pursuant to section 322 (3) Sentence 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the group management report.

### **Basis for the opinions**

We conducted our audit of the consolidated financial statements and of the group management report in accordance with section 317 HGB and the EU Audit Regulation (No 537/2014, referred to subsequently as "EU Audit Regulation") and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). We performed the audit of the consolidated financial statements in supplementary compliance with the International Standards on Auditing (ISA). Our responsibilities under those requirements, principles and standards are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements and of the group management report" section of our auditor's report. We are independent of the Group entities in accordance with the requirements of European law and German commercial and professional law and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2) f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions on the consolidated financial statements and on the group management report.

### **Key audit matters in the audit of the consolidated financial statements**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the fiscal year from January 1, 2019 to December 31, 2019. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and in forming our opinion thereon; we do not provide a separate opinion on these matters.

Below, we describe what we consider to be the key audit matters:

## **1. Impairment testing of goodwill**

### **1.1 Reasons why the matter was determined to be a key audit matter**

A.S. Création Tapeten AG carries out the impairment test prescribed under IAS 36 "Impairment of Assets" at least once a year with effect from December 31 of the fiscal year or as and when required. In this context, the carrying amount of a cash-generating unit carrying goodwill is compared with the recoverable amount. This is done using a discounted cash flow method. In light of the associated complexity and the discretion used, the impairment test of goodwill was a key audit matter. The impairment test is based on assumptions that are derived from the company's plans and budgets and are influenced by expected future market and economic conditions. The impairment test is also essentially based on the proper identification of cash-generating units carrying goodwill. The recoverable amount is primarily dependent on future cash flows in the plans of the cash-generating units and the assumed discount rates and growth rates. The determination of these parameters is the responsibility of the legal representatives and is at their discretion. There is a risk that changes in these discretionary decisions entail material changes in the impairment tests of the respective cash-generating units.

### **1.2 Audit procedure**

As part of our audit we reviewed the process established by the company to test impairment with regard to its suitability for determining the potential need for write-downs for impairment. We also assessed the suitability of the controls implemented in the process to identify relevant risks of error. In this context, we discussed the material planning assumptions with the legal representatives. The focus was placed on assessing the expected future cash flows in the plans of the material cash-generating units as well as on the discount rates and growth rates used. For this purpose, we analysed the premises on which the impairment test was based as to whether they are consistent with general and industry-specific market expectations. By comparing the plans of the previous years with the actual figures of the respective fiscal years, we also examined the accuracy of the plans of the legal representatives. We also compared the plan assumptions

regarding the business trend used in the impairment tests with the plans and budgets approved by the Supervisory Board and reviewed the mathematical correctness of the valuation models on the basis of random samples. We found the assumptions underlying the plans to be sufficiently documented and consistent with our expectations. In view of the material importance of goodwill, we also carried out our own sensitivity analyses (carrying amount in comparison with recoverable amount) of the material cash-generating unit in order to understand the influence of changes in certain parameters on the valuation model. In addition, we reviewed the disclosures in the notes to the consolidated financial statements.

Our procedures did not lead to any reservations relating to the valuation of goodwill.

### **1.3 Reference to related disclosures**

The Company provides information on goodwill in section "(2) Intangible fixed assets" of the notes to the consolidated financial statements.

## **2. Realisation of revenues**

### **2.1. Reasons why the matter was determined to be a key audit matter**

The material revenue streams in the consolidated financial statements of A.S. Création Tapeten AG result from the sale of wallpapers through different sales channels. Due to their complexity, the proper recognition and distinction of these revenue streams are subject to a special risk of incorrect accounting. Against this background, we determined the recognition of various revenue streams to be a key audit matter.

### **2.2. Audit procedure**

In the context of our audit of the recognition of revenues in the fiscal year, we addressed the process for the full and accrual-based recognition and valuation of the material revenue streams. In this context, we assessed the respective control environment with a view to the criteria of IFRS 15 as to whether the process-inherent controls are effective with regard to the full and

accrual-based recognition and valuation of the material revenue streams. To check the correctness of the accrual of revenues as of the reporting date, we examined material contracts, obtained confirmations from external customers and carried out random checks of delivery notes, customer invoices and incoming payments based on the criteria defined in IFRS 15 as of the reporting date. With the help of analytical evaluations of the complete revenue-relevant database of the fiscal year 2019, we carried out correlation analyses using data analysis tools and retraced revenue entries to the exact day by comparing these analyses with our expectations on the basis of industry-related and market-related data as well as historical experience. The results of the data analyses are consistent with our expectations. To counter-act the risk that management makes manual revenue entries besides the standardised revenue process, we based our audit opinion on extensive interviews with the legal representatives and used data analysis tools. In this context, we performed random checks of the database with regard to unauthorised or process-unrelated accesses in the fiscal year 2019.

Our procedures did not lead to any reservations relating to the recognition of revenues.

### **2.3. Reference to related disclosures**

The company's disclosures on the recognition of revenues are contained in "Accounting and valuation principles" and in paragraph 17 "Sales" of the notes to the consolidated financial statements.

### **Other information**

The legal representatives are responsible for the other information. The other information comprises the non-financial group report in accordance with section 315b HGB and the group corporate governance statement in accordance with section 315d HGB in section 4.2. and 9.1. of the group management report, of which we have received a version, intended for publication, before the issuance of the audit opinion.

Our opinions on the consolidated financial statements and on the group management report do not cover the other information and consequently we do not express an opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

- is materially inconsistent with the consolidated financial statements, with the group management report or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

### **Responsibilities of the legal representatives and the Supervisory Board for the consolidated financial statements and the group management report**

The legal representatives are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRS as adopted by the EU and the additional requirements of German commercial law pursuant to section 315e (1) HGB and for ensuring that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the net asset, financial and earnings position of the Group. In addition, the legal representatives are responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the legal representatives are responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting, unless there is an intention to liquidate the Group or to cease operations or there is no realistic alternative but to do so.

Furthermore, the legal representatives are responsible for the preparation of the group management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. In addition, the legal representatives are responsible for such arrangements and

measures (systems) as they have considered necessary to enable the preparation of a group management report that is in accordance with the applicable German legal requirements and to be able to provide sufficient appropriate evidence for the assertions in the group management report.

The Supervisory Board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the group management report.

#### **Auditor's responsibilities for the audit of the consolidated financial statements and of the group management report**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the group management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development as well as to issue an auditor's report that includes our opinions on the consolidated financial statements and on the group management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with section 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) and supplementary compliance with the ISA will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this group management report.

We exercise professional judgment and maintain professional scepticism throughout the audit.



We also:

- identify and assess the risks of material misstatement of the consolidated financial statements and of the group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control;
- obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures relevant to the audit of the group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems;
- evaluate the appropriateness of accounting policies used by the legal representatives and the reasonableness of estimates made by the legal representatives and related disclosures;
- conclude on the appropriateness of the legal representatives' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the group management report or, if such disclosures are inadequate, to modify our respective opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern;
- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial

statements give a true and fair view of the net asset, financial and earnings position of the Group in compliance with IFRS as adopted by the EU and the additional requirements of German commercial law pursuant to section 315e (1) HGB;

- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express opinions on the consolidated financial statements and on the group management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions;
- evaluate the consistency of the group management report with the consolidated financial statements, its conformity with German law and the view of the Group's position it provides;
- perform audit procedures on the prospective information presented by the legal representatives in the group management report. On the basis of sufficient appropriate audit evidence, we evaluate, in particular, the significant assumptions used by the legal representatives as a basis for the prospective information and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements and discuss with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, related safeguards.

From the matters discussed with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the

current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

### **Other legal and regulatory requirements**

#### **Further information pursuant to Art. 10 of the EU Audit Regulation**

We were elected as group auditor by the Annual General Meeting of Shareholders on May 9, 2019. We were engaged by the Supervisory Board on November 19, 2019. We have been the group auditor of A.S. Création Tapeten AG without interruption since the fiscal year 2014.

We declare that the opinions expressed in this auditor's report are consistent with the additional report to the Audit Committee pursuant to Art. 11 of the EU Audit Regulation (long-form audit report).

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#### **German Public Auditor responsible for the engagement**

The German Public Auditor responsible for the engagement is Hans Jörg Galden.

Cologne, March 19, 2020

Ernst & Young GmbH  
Wirtschaftsprüfungsgesellschaft

Galden  
Wirtschaftsprüfer  
[German Public Auditor]

Vasilev  
Wirtschaftsprüfer  
[German Public Auditor]

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April 2, 2020	Annual Report 2019
May 14, 2020	Interim report for the three-month period ended March 31, 2020
August 6, 2020	Interim report for the six-month period ended June 30, 2020
November 5, 2020	Interim report for the nine-month period ended September 30, 2020

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**Cover photo:**

Dominating, dreamy, playful or classy: the motifs from the digital print collection WALLS PY PATEL create a stage for what takes place in the ambience. They generate atmosphere and give an existing architecture a new structure visually, in both private and public areas.



