

AS CREATION

INTERIM REPORT FOR THE PERIOD
ENDED MARCH 31, 2020

A.S. CRÉATION TAPETEN AG

		2016	2017	2018	2019	2020
Sales	€ '000	44,651	41,720	40,424	38,234	37,814
EBIT	€ '000	4,528	2,068	1,033	2,193	-1,453
Earnings after income taxes	€ '000	3,884	1,914	26	3,431	-2,255
Earnings per share	€/share	1.41	0.69	0.01	1.24	-0.82
Cash-flow from operating activities	€ '000	1,982	-3,178	-972	1,576	-2,742
Capital expenditures	€ '000	1,292	792	1,826	1,074	1,179
Depreciation	€ '000	1,947	1,857	1,523	1,530	1,533
Number of employees		770	757	742	749	764

A.S. Création Tapeten AG, Gummersbach

Interim Management Report

on the business performance for the three-month period ended March 31, 2020

Sales performance

While the eurozone economy grew by 1.2% in the full year 2019, a growth rate of only 0.9% was projected for 2020 in view of the decline in exports. Because of the coronavirus crisis, very far-reaching measures were taken in many EU countries from mid-March onwards to contain the spread of the virus. These lockdowns led to a collapse of the economies in the respective countries and of international trade. The first available forecasts for 2020 project a significant decline in economic output in the EU. The same is expected for Germany, which is the largest output market of A.S. Création. This means that the economic conditions in the eurozone have deteriorated dramatically. At this stage, it is impossible to reliably assess whether these forecasts for the full year will actually materialise.

Growth in the Russian economy had already slowed to 1.3% in 2019, down from 1.6% in 2018. Besides the unresolved political tensions between Russia and the USA and the European Union, this is mainly attributable to the VAT hike from 18% to 20% as of January 1, 2019 and the lower crude oil price. These problems are continuing in the current year. They are being exacerbated by the coronavirus crisis, which is hitting Russia hard with high infection rates and in response to which the country has imposed a strict lockdown. As a result of these many adverse factors, the exchange rate of the Russian rouble against the euro has collapsed. In the course of the first quarter of 2020, the Russian currency depreciated by around 24% – from RUB 69.34/€ at the beginning of the year to RUB 85.74/€ at the end of March 2020 – with the largest part of this devaluation occurring in the month of March alone. On balance, Russia's gross domestic product is projected to drop significantly in the full year 2020.

The macroeconomic environment has changed dramatically since March 2020 and is having an adverse impact on A.S. Création. While A.S. Création still recorded strong revenue growth of 8.5% in the first two months of the fiscal year, the company suffered a sharp 18.3% drop in revenues in March, which offset the growth achieved in first two months. At € 37.8 million, total Group revenues for the first quarter of 2020 were down by € 0.4 million or 1.1% on the previous year's € 38.2 million. While revenues in the Wallpaper Division fell by 0.8%, the Furnishing Fabrics Division lost 4.2% in revenues. Without the outbreak of the coronavirus pandemic, A.S. Création would have continued to grow its revenues in the first quarter of 2020.

The analysis of revenues by regions shows that A.S. Création was able to increase or stabilise its revenues in all regions except the European Union (EU) excluding Germany in the first quarter of 2020.

A.S. Création's domestic revenues increased by a moderate 0.5% from € 19.9 million in the previous year to € 20.0 million in the first three months of the current fiscal year. This reflects the success of the company's two campaigns "New Walls" and "Neue Bude 2.0", which were presented at the International Partner Days in autumn 2019 and for which deliveries were mostly made in the first two months of 2020. Moreover, the lockdown initiated in Germany in March did not cover all sales channels and thus not all domestic customers of A.S. Création, which means that sales of wallpapers and furnishing fabrics continued in March, albeit at a slightly lower level than in the same month of the previous year. As the sales channels were affected to different extents by the lockdown, there was a shift in sales revenues towards DIY stores and the online segment.

The slightly higher revenues in Germany contrasted with declining revenues in the rest of the EU, where A.S. Création suffered a noticeable decline in gross revenues; in the first three months of 2020, revenues thus fell by 5.1% from € 16.5 million in the previous year to € 15.6 million. This reduction is primarily attributable to the situation in France, the second largest wallpaper market in the EU behind Germany. As a result of the complete lockdown, sales of wallpapers and furnishing fabrics in France came to an almost complete standstill in the second half of March. In contrast to Germany, all sales channels were affected by the lockdown in France. In the United Kingdom, however, revenues increased in the first quarter of 2020, as A.S. Création benefited from top-up orders of an international DIY store chain and was able to grow its revenues with new customers. But these positive effects were insufficient to fully offset the revenue shortfall in France.

Strong revenue growth was achieved by A.S. Création in Eastern European countries outside the EU, where gross revenues in the first three months of 2020 amounted to € 4.0 million, up 5.2% on the previous year's € 3.8 million. This positive trend is the result of two effects. Thanks to the additional revenue contributions made by the second production plant that was taken into operation by Profistil in autumn 2019, the Belarusian subsidiary was able to expand its sales. In addition, A.S. Création (RUS), the Russian distribution company, increased its sales revenues with products made in Germany. By contrast, export sales to third-party customers in this region declined in both the Wallpaper Division and the Furnishing Fabrics Division.

The political and economic crises and the effects of the coronavirus pandemic also prevented an increase in revenues in the remaining countries outside Western and Eastern Europe. In this region, A.S. Création generated gross revenues of € 2.3 million in Q1 2020, which was more or less on a par with the previous year.

The consolidated revenues generated in the first quarter of 2020 are in line with the plans for the fiscal year 2020, according to which full-year revenues will amount to between € 143 million and € 153 million, with first-quarter revenues projected at between € 37 million and € 39 million.

Earnings performance

For the first quarter of 2020, A.S. Création posted an operating loss of € -1.5 million, compared to an operating profit of € 2.2 million in the same period of the previous year. The reported loss and the decline in earnings are attributable to the Wallpaper Division, whereas the Furnishing Fabrics Division generated a slightly positive operating result as in the previous year.

The operating loss in the reporting period is exclusively due to exchange losses resulting from the massive depreciation of the Russian and Belarusian rouble against the euro in the course of the first three months of 2020. As the Eastern European subsidiary is financed in euros, this depreciation resulted in a translation-related exchange loss of € 3.5 million, whereas a translation-related exchange gain of € 0.7 million was generated in the first three months of the previous year. Adjusted for these currency effects, the operating result in the first quarter of 2020 amounted to € 2.0 million, up € 0.5 million on the € 1.5 million generated in the same period of the previous year. This higher result is also reflected in an improved adjusted EBIT margin, which stood at a gratifying 5.4% in the first quarter of 2020 (previous year: 3.8%).

The improvement in the operating result (excluding currency effects) achieved in the first three months of 2020 is slightly above the plans for 2020, which project an operating result (excluding currency effects) of between € 4 million and € 5 million for the full year and between € 1.2 million and € 1.5 million for the first quarter.

The gross profit generated from the sales process in the first quarter amounted to € 20.3 million, up € 0.2 million on the previous year's € 20.1 million. The gross profit margin deteriorated slightly by 0.4 percentage points from 53.4% in the previous year to 53.0% in the year under review. The slight decline in the gross profit margin is mainly attributable to the increase in inventories in the first three months of 2020, which contrasted with a € 0.6 million reduction in inventories in the same period of the previous year. Despite the moderate deterioration, the gross profit margin is still at a gratifying level. This 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. The Managing Board therefore considers this to be a great success.

At € 9.8 million, personnel expenses in the first three months of 2020 were up by € 0.4 million or 3.7% on the previous year's € 9.4 million. As this increase exceeded the 1.7% rise in total output, the personnel expense ratio (personnel expenses as a percentage of total output) deteriorated to 25.5% in the reporting period (previous year: 25.0%). This means that the company has been unable in the first quarter of 2020 to improve this performance indicator as planned for the fiscal year 2020, which is attributable to the sharp drop in revenues which started in mid-March as a result of the coronavirus pandemic. The number of employees in the A.S. Création Group increased to 764 in the reporting period (previous year: 749). On the one hand, the Belarus production company Profistil began hiring new people for the second production line in the first quarter of 2019, which resulted in an average headcount of 116 people at this company in the reporting period, 17 more than in the first three months of 2019 (previous year: 99 people). The other entities of the A.S. Création Group reduced their

average headcount by two people from 650 in the first quarter of 2019 to 648 in the first quarter of 2020.

At € 1.5 million, depreciation in the first three months of 2020 was exactly on a par with the previous year.

Other operating expenses rose by € 2.6 million from € 8.2 million in the previous year to € 10.8 million in the reporting period. Of this increase, € 3.5 million is attributable to the above-mentioned exchange losses in the reporting period. Adjusted for the exchange losses, other operating expenses amounted to € 7.3 million, € 0.9 million below the previous year's € 8.2 million, while the ratio of other operating expenses to total output improved to 19.0% (previous year: 21.7%). This improvement is essentially attributable to two effects. First, cost savings were achieved; second, the strong year-on-year decline in trade receivables led to reduced default risks and thus to a lower need for write-downs in the first quarter of 2020.

At € -0.2 million, the financial result showed no particulars in the first quarter of 2020 (previous year: € -0.2 million).

EBIT and the financial result sent earnings before taxes falling into negative territory, at € -1.6 million, compared a positive € 2.0 million in the previous year. Earnings before taxes were impacted by the currency effects described above. Adjusted for these currency effects, earnings before taxes amounted to € 1.9 million, which is € 0.6 million higher than the previous year's € 1.3 million.

As the currency losses did not have a significant tax impact in the reporting period, income taxes were incurred in the first quarter of 2020 in spite of the reported loss before taxes. At € -2.3 million, the loss after taxes is therefore higher than the loss before taxes. Adjusted for the currency effects explained above, earnings after taxes from continuing operations amounted to € 0.9 million (previous year: € 0.7 million). This slightly improved result after taxes from continuing operations (excl. currency effects) is in line with the plans for 2020, which projected between € 2.5 million and € 3.5 million for the full year and between € 0.8 million and € 1.1 million for the first quarter.

In the course of 2019, the 50% stake in A.S. & Palitra, the Russian joint venture, was sold, which means this company was no longer included in the basis of consolidation in the reporting period – in contrast to the previous year. Accordingly, the consolidated net income for the first quarter of 2020 does not include any earnings contributions from this company. The earnings contribution of € 2.0 million made by A.S. & Palitra in the first quarter of 2019 is reported as income after taxes from discontinued operations. This additional earnings component led to commensurately higher earnings before taxes in the previous year.

In summary, it can be said that only the unusually high volatility and depreciation of the Russian and Belarusian rouble against the euro in March 2020 led to A.S. Création posting a loss in the first quarter of 2020. Adjusted for the exchange losses, A.S. Création's earnings position improved as planned in the first three months of the current fiscal year.

Financial and net assets position

At € -2.7 million, operating cash flow in the first quarter of 2020 was down by € 4.3 million on the previous year's € 1.6 million. This negative operating cash flow is primarily attributable to the deterioration in earnings after taxes from continuing operations and the typical seasonal increase in net working capital. However, at € 8.6 million, the typical seasonal increase in trade receivables in the first quarter of 2020 was significantly lower than the previous year's € 9.1 million. This led to a decline in days of sales outstanding from 65 days in Q1 2019 to 63 days in the reporting period. Because of a moderate increase in inventories, inventory turnover deteriorated slightly from 4.5x per year in the previous year to 4.3x per year in the first quarter of 2020.

Financing requirements for investments amounted to € 1.2 million in the reporting period, which was more or less on a par with the previous year's € 1.1 million. Capital expenditures in the first quarter primarily comprised investments in printing tools for new wallpaper collections as well as replacement investments. Due to the negative operating cash flow, parts of the funds tied up in net working capital as well as investments and the scheduled repayment of financial liabilities had to be financed from cash and cash equivalents. Accordingly, the net credit position (difference between cash and cash equivalents as well as current financial assets and interest-bearing financial liabilities) declined by € 1.6 million in the first three months from € 6.1 million as of December 31, 2019 to € 4.5 million as of March 31, 2020. It is composed of cash and cash equivalents in the amount of € 17.3 million and interest-bearing financial liabilities in the amount of € 12.8 million, which means that very high liquidity is still guaranteed. Besides this net credit position, the high equity ratio of 61.1% on the balance sheet date (March 31, 2019: 52.4%) also underlines the very solid and robust financial structure of A.S. Création.

In the opinion of the Managing Board, A.S. Création also has a solid net worth position. As at March 31, 2020, the A.S. Création Group's total assets amounted to € 128.6 million (previous year: € 139.3 million), of which 88.9% (previous year: 80.1%), i.e. by far the biggest portion, was composed of property, plant and equipment, inventories, trade receivables as well as cash and cash equivalents. By contrast, intangible assets (including goodwill) carried in the consolidated balance sheet as of the reporting date played a minor role and represented only 6.5% (previous year: 6.4%) of the Group's total assets and 10.7% (previous year: 12.2%) of its equity capital.

Important events in the interim reporting period

Roland Bantel, who joined A.S. Création in 1997 and was appointed member of the Managing Board of A.S. Création on April 1, 2015, left the Managing Board by mutual agreement with effect from March 31, 2020. After having worked for A.S. Création for more than 23 years and having contributed to the successful development of the company, Mr Bantel would like to follow a new career path. Mr Bantel's responsibilities will be assumed by CEO Daniel Barth. Going forward, Mr Barth will thus be responsible for Corporate Strategy, Marketing and Sales. Besides Mr Barth, the Managing Board continues to be composed of

Mr Maik Krämer (Finance and Controlling) and Mr Antonios Suskas (Production and Logistics).

Forecast

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

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

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

In April, the largest wallpaper markets in Europe – Germany, England, France and Russia – were in a lockdown, with the extent of the restrictions varying from country to country. It is expected that in the course of May, these countries will begin to ease some of the restrictions in order to gradually return to normality. This means, however, that the month of May as a whole will still be marked by the restrictions on private, public and economic life resulting from the coronavirus crisis. It remains to be seen to what extent the month of June will still be affected by restrictions. It is unlikely, however, that the month of June will offset the slump in revenues in April and the expected decline in revenues in May. The Managing Board therefore expects sales revenues to decline sharply in the second quarter of 2020. To adjust the cost structure to the lower sales revenues, the A.S. Création Group reduced the production capacity at the two plants in Germany and Belarus as well as the resources in administration, sales and development. In addition to the reduction of overtime accumulated in working time accounts in the past, the instrument of short-time work is also being used in some areas. There have been no significant numbers of redundancies to date. The Managing Board believes that the effect of the measures taken will not keep pace with the extent of the decline in sales revenues in the second quarter and therefore expects its

operating performance (excluding currency effects) to deteriorate. The question of whether A.S. Création will still be able to achieve the plans for the full year 2020 will therefore depend on developments in the second half of 2020.

The Managing Board considers two basic scenarios to be possible in the second half of the year. In a positive scenario, demand for wallpaper and furnishing fabrics will increase as the contact bans and stay-at-home orders imposed in the context of the coronavirus crisis and the corresponding concerns will cause people to rediscover the pleasures of their own homes, which will lead to a wave of renovation. This effect will be reinforced by the fact that holiday travel is expected to be severely restricted in 2020, so that large parts of the population will spend their holidays at home and thus the financial resources normally used for holiday travel will be available for renovation purposes, among other things. In a negative scenario, however, demand for wallpapers will continue to decline. The negative economic consequences of the lockdown in the countries affected are so substantial that it will lead to a deep recession with numerous insolvencies and a sharp rise in unemployment. As a result of spreading concern about the future and financial worries, private households will severely restrict their consumer spending. Given that wallpaper and furnishing fabrics are not essential goods and that renovations can easily be postponed, this consumer restraint will lead to a decline in A.S. Création's sales revenues.

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

Except for the potential consequences of the coronavirus crisis described above, the risk and opportunity profile of A.S. Création Tapeten AG has not changed materially as compared to the presentation in the 2020 Annual Report.

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

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

Gummersbach, May 8, 2020

A.S. Création Tapeten AG

The Managing Board

Barth

Krämer

Suskas

A.S. Création Tapeten AG, Gummersbach

Consolidated balance sheet

as per March 31, 2020

Assets			
	Notes No.	31.03.2020 € '000	31.12.2019 € '000
Tangible fixed assets		31,492	33,884
Intangible fixed assets		8,384	8,399
Other assets		745	245
Deferred tax assets		1,834	1,968
Non-current assets		42,455	44,496
Inventories		34,921	34,788
Trade receivables		30,592	22,543
Other assets		3,123	5,272
Income tax receivables		217	252
Cash and cash equivalents		17,328	20,649
Current assets		86,181	83,504
Total assets		128,636	128,000
Equity and liabilities			
	Notes No.	31.03.2020 T€	31.12.2019 T€
Capital stock		9,000	9,000
Capital reserves		13,757	13,757
Revenue reserves		59,323	58,188
Profit / loss carried forward		-542	-15,030
Earnings after taxes		-2,255	14,133
Adjustment for own shares		-4,021	-4,021
Currency translation differences		3,332	2,400
Equity		78,594	79,427
Financial liabilities (interest-bearing)		9,235	10,765
Other liabilities		679	910
Provisions	(1)	14,799	14,487
Non-current liabilities		24,713	26,162
Financial liabilities (interest-bearing)		3,591	3,766
Other liabilities		14,332	11,291
Trade payables		6,044	5,380
Provisions	(1)	160	200
Tax liabilities		1,202	1,774
Current liabilities		25,329	22,411
Total equity and liabilities		128,636	128,000

A.S. Création Tapeten AG, Gummersbach

Consolidated income statement

for the three-month period ended March 31, 2020

	Notes No.	2020 € '000	2019 € '000
Sales	(2)	37,814	38,234
Increase or decrease in unfinished and finished goods		455	-617
Other own work capitalized		0	12
Total output		38,269	37,629
Cost of materials		17,982	17,537
Gross profit		20,287	20,092
Other income		346	1,265
		20,633	21,357
Personnel expenses		9,756	9,410
Depreciation		1,533	1,530
Other operating expenses		10,797	8,224
Operating expenses		22,086	19,164
Earnings before interest and taxes (EBIT)		-1,453	2,193
Interest and similar income		7	11
Interest and similar expenses		176	242
Financial result		-169	-231
Earnings before income taxes		-1,622	1,962
Income taxes	(3)	633	526
Earnings after taxes from continued operations		-2,255	1,436
Earnings after taxes from discontinued operations	(4)	0	1,995
Earnings after taxes		-2,255	3,431
Earnings per share	(5)	-0.82 €	1.24 €

A.S. Création Tapeten AG, Gummersbach

Consolidated statement of comprehensive income

for the three-month period ended March 31, 2020

	2020 € '000	2019 € '000
Earnings after taxes	-2,255	3,431
Items, that will never be reclassified to profit or loss:		
Actuarial gains/losses from pension provisions	-329	-1,370
Deferred taxes on other comprehensive income	101	421
	-228	-949
Items, that are or may be reclassified to profit or loss:		
Foreign currency translation differences for fully consolidated companies	932	-336
Foreign currency translation differences for investments accounted for at equity	0	-887
Change in fair value of an interest rate hedge	1,041	-476
Deferred taxes on other comprehensive income	-323	148
	1,650	-1,551
Other comprehensive income (outside profit or loss)	1,422	-2,500
Total comprehensive income	-833	931

A.S. Création Tapeten AG, Gummersbach

Consolidated statement of changes in equity

for the three-month period ended March 31, 2020

	Capital stock	Capital reserves	Revenue reserves	Profit/ loss carried forward	Earnings after taxes	Adjust- ment for own shares	Currency trans- lation diffe- rences	Total
	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000
January 1, 2019	9,000	13,757	73,345	-21,421	-5,977	-4,021	7,550	72,233
First adoption of IFRS 16	0	0	-143	0	0	0	0	-143
Earnings after taxes 2018	0	0	0	-5,977	5,977	0	0	0
Dividend payments	0	0	0	0	0	0	0	0
Allocation to revenue reserves	0	0	0	0	0	0	0	0
Total comprehensive income 2019	0	0	-1,277	0	3,431	0	-1,223	931
March 31, 2019	9,000	13,757	71,925	-27,398	3,431	-4,021	6,327	73,021

	Capital stock	Capital reserves	Revenue reserves	Profit/ loss carried forward	Earnings after taxes	Adjust- ment for own shares	Currency trans- lation diffe- rences	Total
	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000
January 1, 2020	9,000	13,757	59,188	-15,030	14,133	-4,021	2,400	79,427
Earnings after taxes 2019	0	0	0	14,133	-14,133	0	0	0
Dividend payments	0	0	0	0	0	0	0	0
Allocation to revenue reserves	0	0	-355	355	0	0	0	0
Total comprehensive income 2020	0	0	490	0	-2,255	0	932	-833
March 31, 2020	9,000	13,757	59,323	-542	-2,255	-4,021	3,332	78,594

A.S. Création Tapeten AG, Gummersbach

Consolidated cash-flow statement

for the three-month period ended March 31, 2020

	2020 € '000	2019 € '000
Operating activities		
Earnings after taxes	-2,255	3,431
+ Depreciation on tangible and intangible fixed assets	1,533	1,530
+/- Increase/decrease in long-term provisions	-18	46
-/+ Income/expenses from investments accounted for at equity	0	-1,910
- Non-cash decrease in financial liabilities	-36	0
-/+ Income/expenses from changes in deferred taxes	-152	-134
-/+ Profit/losses from disposal of tangible and intangible fixed assets	28	33
-/+ Increase/decrease in inventories	-788	-505
-/+ Increase/decrease in trade receivables	-8,633	-9,113
+/- Increase/decrease in trade payables	830	4,036
-/+ Increase/decrease in other net working capital	6,749	4,162
Cash-flow from operating activities	-2,742	1,576
thereof from continued operations	(-2,742)	(1,534)
Investing activities		
- Cash outflows for capital expenditures on tangible and intangible fixed assets	-1,179	-1,074
Capital expenditures	-1,179	-1,074
+ Proceeds from credits and bonds granted	0	90
+ Proceeds from the disposal of tangible and intangible fixed assets	10	36
Cash-flow from investing activities	-1,169	-948
thereof from continued operations	(-1,169)	(-1,038)
Financing activities		
+/- Raising/repayment of financial liabilities (interest-bearing)	-819	-93
Cash-flow from financing activities	-819	-93
thereof from continued operations	(-819)	(-93)
Net change in cash and cash equivalents	-4,730	535
+/- Change in cash and cash equivalents due to exchange rate fluctuations	1,409	104
+ Cash and cash equivalents at January 1	20,649	11,890
Cash and cash equivalents at March 31	17,328	12,529

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

A.S. Création Tapeten AG, Gummersbach

Notes to the consolidated financial statements

for the three-month period ended March 31, 2020

General

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

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

A.S. Création Tapeten AG has a policy of applying new IFRS as soon as they become effective. The IFRS that were first adopted in the period under review did not have a material impact on the consolidated financial statements of A.S. Création as of March 31, 2020:

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

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

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

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

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

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

Notes on the basis of consolidation

In addition to A.S. Création Tapeten AG, nine subsidiaries were fully consolidated as of the balance sheet date. The scope of consolidation has not changed compared to the 2019 consolidated financial statements.

Currency translation

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

In accordance with IAS 21, foreign currencies of subsidiaries in non-EMU countries are translated according to the functional currency concept using the modified closing rate method. Besides, the following exchange rates come to the use:

	Closing rate of the period		Average rate of the period	
	31.03.2020	31.12.2019	2020	2019
Pound Sterling (GBP/€)	0.88643	0.85080	0.86225	0.87251
Russian Rouble (RUB/€)	85.73890	69.34060	73.41285	74.68387
Belarus Rouble (BYN/€)	2.87930	2.35240	2.46999	2.43903

Notes to the balance sheet

(1) Provisions

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

Notes to the income statement

(2) Sales

A breakdown of Group sales by region is provided below:

	Wallpaper Division		Fabrics Division		Consolidation		Group	
	2020 € '000	2019 € '000	2020 € '000	2019 € '000	2020 € '000	2019 € '000	2020 € '000	2019 € '000
Germany	17,431	17,319	2,630	2,637	-18	-18	20,043	19,938
EU (excl. Germany)	15,116	15,902	535	582	-8	-5	15,643	16,479
European Union (EU)	32,547	33,221	3,165	3,219	-26	-23	35,686	36,417
Other Eastern Europe	4,019	3,795	17	43	0	0	4,036	3,838
Other countries	2,236	2,174	83	134	0	0	2,319	2,308
Sales (gross)	38,802	39,190	3,265	3,396	-26	-23	42,041	42,563
Reduction in revenues	-4,032	-4,136	-195	-193	0	0	-4,227	-4,329
Sales (net)	34,770	35,054	3,070	3,203	-26	-23	37,814	38,234

(3) Income taxes

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

	2020 € '000	2019 € '000
Income taxes	785	659
Deferred income taxes	-152	-133
	633	526

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

(4) Earnings after taxes from discontinued operations

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

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

(5) Earnings per share

Earnings per share are calculated as follows:

		2020	2019
Number of shares outstanding (weighted average)	shares	2,756,351	2,756,351
Net profit	€	-2,254,910	3,430,667
Earnings per share	€/share	-0.82	1.24
thereof from continued operations	€/share	(-0.82)	(0.52)
thereof from discontinued operations	€/share	(0.00)	(0.72)

Given that no stock options or similar equity instruments exist that may lead to a change in the number of shares (so-called "capital dilution"), earnings per share represent both basic and diluted earnings per share.

Complementary information

(6) Cash-flow statement

Cash-flow from operating activities includes the following payments:

	2020 € '000	2019 € '000
Interest received	6	52
thereof from discontinued operations	(0)	(42)
Interest paid	148	185
Income tax received	73	37
Income tax paid	1,432	97

Interest paid primarily relates to investment financing.

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

	2020 € '000	2019 € '000
Raising of financial liabilities	59	406
Repayment of financial liabilities	-878	-499
thereof from financial lease contracts	(-108)	(-22)
	-819	-93

(7) Contract fulfilment costs

In the reporting period, contract fulfilment costs as defined in IFRS 15 amounted to € 0.452 million (previous year: € 0.470 million); these are provided continuously over the term of the underlying contract. As the performance for the contract fulfilment costs capitalised in the contractual period, these costs were immediately written off in full in the reporting period.

(8) Segment reporting

According to IFRS 8, segment reporting must reflect the Group's internal organisational and reporting structures. Based on A.S. Création's products and services, the corporate structure comprises two segments, i.e. the Wallpaper Division and the Furnishing Fabrics Division. Prices charged for intragroup deliveries and services are set in line with general market prices.

A breakdown of key figures by segments is provided below:

	Wallpaper Division		Fabrics Division		Consolidation		Group	
	2020 € '000	2019 € '000	2020 € '000	2019 € '000	2020 € '000	2019 € '000	2020 € '000	2019 € '000
External sales	34,753	35,038	3,061	3,196	0	0	37,814	38,234
Intra-Group sales	17	16	9	7	-26	-23	0	0
Total sales	34,770	35,054	3,070	3,203	-26	-23	37,814	38,234
EBITDA ¹	-42	3,614	122	109	0	0	80	3,723
EBITDA-margin	-0.1 %	10.3 %	4.0 %	3.4 %			0.2 %	9.7 %
EBIT ²	-1,523	2,143	70	50	0	0	-1,453	2,193
EBIT-margin	-4.4 %	6.1 %	2.3 %	1.6 %			-3.8 %	5.7 %
Interest income ³	11	16	0	0	-4	-5	7	11
Interest expenses	164	225	16	22	-4	-5	176	242
Earnings before taxes ³	-1,676	1,934	54	28	0	0	-1,622	1,962
Return on sales (before taxes) ³	-4.8 %	5.5 %	1.8 %	0.9 %			-4.3 %	5.1 %
Income taxes ³	616	517	17	9	0	0	633	526
Capital expenditures ⁴	1,174	1,041	5	33	0	0	1,179	1,074
Depreciation	1,481	1,471	52	59	0	0	1,533	1,530
Cash-flow ³								
from operating activities	-2,741	1,581	-1	-47	0	0	-2,742	1,534
from investing activities	-1,170	-1,010	1	-28	0	0	-1,169	-1,038
from financing activities	-745	-105	-74	12	0	0	-819	-93
Segment assets (closing date) ⁵	102,770	118,528	6,520	6,488	-34	-26	109,256	124,990
thereof non-current assets	(39,362)	(40,058)	(1,259)	(1,360)	(0)	(0)	(40,621)	(41,418)
Segment liabilities (closing date) ⁶	19,594	32,839	1,655	1,483	-34	-26	21,215	34,296
Employees (average)	699	686	65	63	0	0	764	749

A breakdown of Group sales by geographical regions is provided in the notes on sales (see No. 3).

-
- 1 **EBITDA** is the common international abbreviation of earnings before interest, taxes, depreciation and amortisation.
 - 2 **EBIT** is the common international abbreviation of earnings before interest and taxes. It is equivalent to the segment result.
 - 3 These **values** refer to continued operations.
 - 4 **Capital expenditures** correspond to the cash flow statement.
 - 5 **Segment assets** are the total assets of the segment less interest-bearing intercompany loans, cash and cash equivalents, deferred tax assets and income tax receivables.
 - 6 **Segment liabilities** are the business segment's total liabilities less shareholders' equity, long-term provisions, tax liabilities, deferred tax liabilities and financial liabilities.

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

	Total		Remaining term of up to 1 year		Remaining term of over 1 year	
	31.03.2020 € '000	31.12.2019 € '000	31.03.2020 € '000	31.12.2019 € '000	31.03.2020 € '000	31.12.2019 € '000
Germany	70,051	62,902	50,749	43,864	19,302	19,038
EU (excl. Germany)	21,283	20,646	12,077	11,447	9,206	9,199
Other Eastern Europe	17,922	21,583	5,809	7,292	12,113	14,291
	109,256	105,131	68,635	62,603	40,621	42,528

(9) Managing Board

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

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

(10) Related party transactions

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

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

(11) Post balance sheet events

No events that require reporting occurred.

Gummersbach, May 08, 2020

A.S. Création Tapeten AG

The Managing Board

Barth

Krämer

Suskas

Investor Relations

Maik Krämer, Director of Finance
Südstraße 47, D-51645 Gummersbach-Derschlag
Phone: +49-2261-542 387
fax: +49-2261-542 304
e-mail: m.kraemer@as-creation.de