



2020

ANNUAL REPORT

AS CREATION

A.S. CRÉATION: KEY FIGURES

		2016	2017	2018	2019	2020
Sales	€ '000	152,608	143,329	134,485	141,057	144,869
Earnings before interest and taxes (EBIT)	€ '000	5,917	-15,808	-2,885	4,503	4,430
Earnings after income taxes	€ '000	7,435	-17,771	-5,977	14,133	1,453
Cash-flow from operating activities	€ '000	17,095	3,231	3,321	-2,139	7,009
Capital expenditures	€ '000	5,014	10,218	8,304	5,933	3,724
Depreciation	€ '000	7,612	6,538	6,060	5,715	5,497
Non-current assets	€ '000	50,270	52,785	52,502	44,496	41,864
Shareholders' equity	€ '000	96,502	75,715	72,233	79,427	78,881
Non-current liabilities	€ '000	22,951	18,060	25,831	26,162	24,090
Total assets	€ '000	140,273	130,714	128,650	128,000	127,492
Earnings per share	€/share	2.70	-6.45	-2.17	5.13	0.53
Dividend	€/share	1.25	0.00	0.00	0.90	0.90
Number of employees (average)		768	761	755	750	752



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METROPOLITAN STORIES
Designed & Manufactured by A.S. Création Tapeten AG | Germany



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This English translation of the annual report 2020 is merely a convenience translation.
The German version is the prevailing one.

Dear readers, dear shareholders,

In 2020, the coronavirus pandemic was clearly the dominant topic and the business trend of A.S. Création was also very much influenced by the consequences of the pandemic – in both positive and negative terms.

We had a very good start to the fiscal year 2020. As reported last year, we had decided not to present our new collections for 2020 at the Heimtextil trade fair in January 2020, but to present them in autumn 2019 as part of the International Partner Days in our showroom in Gummersbach-Derschlag. Both the new collections and the marketing concept of our two lighthouse collections "Neue Bude 2.0" and "New Walls" targeted at the end consumer met with a very positive response and we were able to deliver the new collections to our customers from the beginning of January. This strong start to the fiscal year in terms of revenues came to an abrupt end in March 2020, when strict lockdowns were imposed in A.S. Création's important foreign markets in order to contain the spread of the coronavirus. As a result, our international business collapsed. The measures taken in Germany at this time led only to a partial lockdown, as DIY stores, for instance, remained open. Consequently, the growing demand from end consumers for

interior design products could still be met in Germany during this first coronavirus wave. While this also benefited A.S. Création and its wallpapers and furnishing fabrics, it was insufficient to offset the slump in revenues outside Germany. As the coronavirus restrictions were gradually eased in many countries starting mid-May 2020, A.S. Création's situation improved noticeably, with very high revenues generated in the following months, which were characterised both by catch-up effects and by the fact that customers have come to appreciate their own homes much more in view of the uncertainties caused by the pandemic.

On balance, we reported revenue growth of 2.7% and consolidated revenues of € 144.9 million for the fiscal year 2020 (previous year: € 141.1 million). This means that we have reached our original revenue forecast for the year 2020, which had projected consolidated revenues of between € 143 million and € 153 million. Against the background of the extraordinary circumstances in the past year, we regard this revenue trend as a success.

It is even more gratifying to see that we were able to exceed our earnings forecast for the fiscal year 2020, which means that we have further improved A.S. Création's

earnings position. EBIT adjusted for currency effects rose from € 3.4 million in the previous year to € 8.8 million in 2020 and thus clearly exceeded the earnings forecast, which had been raised to € 6 million to € 7 million in the course of the year. The adjusted EBIT margin stood at 6.1% in 2020 (previous year: 2.4%), a level last reached in 2014. The main reasons for the improved earnings position in the fiscal year 2020 include A.S. Création's increased focus on higher-quality product ranges and the expansion of the high-margin low-volume business. Moreover, A.S. Création benefited from the decline in commodity and energy prices resulting from the weak world economy. These factors are reflected in the strong gross profit margin of 53.0% (previous year: 50.5%).

At the bottom line, i.e. in terms of reported earnings after tax, we were unable in the fiscal year 2020 – as had been expected – to match the record year of 2019, in which the sale of our shares in the Russian company A.S. & Palitra had resulted in extraordinary, one-time income. At € 1.5 million, consolidated net income after taxes in the fiscal year 2020 thus remains clearly below the previous year's € 14.1 million, although our earnings performance has improved significantly, as described above.

It is fact that A.S. Création closed the fiscal year 2020, which was special in more respects than one, with increased revenues and a profit. This would not have been possible without the commitment and flexibility of our staff. The quarterly revenue performance is a good example to illustrate the challenges faced by the A.S. Création team in 2020. While consolidated revenues in the first three months of 2020 were still more or less on a par with the previous year, they dropped by almost 18% in the second quarter. This was followed by 13% revenue growth in the third quarter and 20% growth in the fourth quarter, with the number of infections increasing again in the course of the final quarter of 2020 and this second COVID-19 wave leading to a renewed lockdown in many countries.

In this time of uncertainty, we were guided by three maxims:

- quick and consistent implementation of a comprehensive hygiene policy including organisational measures to protect the health of our employees,
- maintain our ability to deliver to our customers and meet our obligations, in particular to our suppliers, in order to prove the reliability of A.S. Création to

our business partners, especially in this crisis situation and

- implement the investment and development projects that are important for the future of A.S. Création as planned to ensure an excellent competitive position for our company also for post-COVID times.

In the past fiscal year, we therefore not only focused on crisis management, which was necessary during certain phases of 2020, but also continued to develop A.S. Création.

In France, we have restructured the sales organisation. The three former distribution companies were merged into a single company, which was renamed CREALIS S.A.S. on June 1, 2020. The objective of this restructuring is to improve the market positioning of the "A.S. Création", "Lutèce" and "Montecolino" brands in the French wallpaper market and to make them more attractive for the different distribution channels by clearly distinguishing them. In addition, the merger and the related standardisation of internal processes will lead to a more efficient organisation in the interest of the French customers.

In Germany, we expanded A.S. Création Tapeten AG's machine park by adding a new, highly innovative printing system at the end of 2020. Developed in cooperation with a

mechanical engineering company, this printing system combines state-of-the-art digital printing technology with traditional rotary printing and opens up new possibilities in terms of both the production process and the design and marketing of the products. We intend to use the system, for instance, to produce exclusive smaller collections for the high-end market segment as well as entire murals of the quality of embossed wallpaper. We believe both to be interesting segments for A.S. Création.

In Belarus, the production facility taken into operation in 2018 was further expanded according to plan, which means that the investments planned for the first expansion stage were completed in 2020. In spite of the restrictions imposed in the context of the coronavirus crisis, the Belarusian company Profistil was able to grow its revenues by roughly 46% in local currency in 2020.

The year 2020 has clearly illustrated the importance of high-performance IT and logistics. It was only thanks to the modernisation of our small parts warehouse in 2018 that we were able to reliably process the sharp increase in small orders during the coronavirus pandemic. We are therefore pushing ahead with the projects aimed at a comprehensive modernisation of the A.S. Création Group's IT systems and logistic capacities. In the past fiscal

year, for instance, we began to modernise our warehouse management system and our high-bay warehouse. We are convinced that the strong growth with our sales partners in the online sector will continue in the coming years and that more and more physical retailers will discover the Internet as an additional sales channel.

Digitisation is happening in all areas. This is why we have revised our online shop (tapetenshop.de) from scratch. Besides the new design, customers also benefit from new functions. These include a digital tool which customers can use to simulate the effect of different wallpapers in their own home. All customers have to do to benefit from this online function is take a photo of the room in question. This provides valuable orientation for end users, especially in view of the very large selection of available wallpapers. We are convinced that we are making it much easier to choose the right wallpaper especially for customers who are less familiar with our products.

As you can see from the forward-looking projects described above, we firmly believe in the potential of wallpaper and in the opportunities it offers for A.S. Création. Even before the coronavirus pandemic, we experienced a renaissance of our product as our customers are increasingly recognising the decorative

benefits of wallcoverings but also the functional ones. There is hardly a product that is better suited than wallpaper to transform not only your own home but also offices, hotels and other facilities. This trend even intensified during the lockdown, as this time was used intensively for renovations. We believe that this trend will continue in 2021, as people have come to attach greater value to their home.

We want to support this positive trend with strong collections as well as innovative products and marketing concepts. On the occasion of our virtual Partner Days in autumn 2020, we therefore presented various new collections. In this context, we took advantage of all the possibilities of digitisation and gave our customers an overview of the collections by means of a virtual tour through our showroom and also presented the individual collections virtually. Both the professional way in which we conducted the virtual Partner Days during the COVID-19 restrictions and the new collections themselves met with a very positive response from our customers.

The highlights of our new product presentation for 2021 were our Karl Lagerfeld licensed collection and the "Metropolitan Stories II" collection. The Karl Lagerfeld licence complements our offerings in the luxury brand segment, where we have so far had a presence

in the form of the Versace licence. This move will improve our competitive position in this segment. "Metropolitan Stories II" is the follow-up collection to the very successful first "Metropolitan Stories" collection launched in 2019. Once again, the lifestyle of international metropolitan cities is transferred to the wallpaper, with the focus this time on New York, Cape Town, Tokyo, Saint Petersburg, Barcelona and Marrakech. Some original wallpaper samples and room pictures from the "Metropolitan Stories II" collection can be found in this annual report. This very catchy concept forms the ideal basis for effective marketing measures. We therefore plan to continue and expand the advertising, POS and social media campaigns launched two years ago.

Besides the aforementioned collections, we will present further collections in the course of 2021. These include, for instance, new collections with our important licencing partners Versace and Michalsky. Moreover, we will use our new production system to expand our range of digitally printed wallcoverings. Overall, we plan to increase the number of new products again in 2021, which were at a low level in 2020 due to the COVID-related restrictions.

We have taken important steps for A.S. Création

and left the loss-making years 2017 and 2018 behind us. The A.S. Création Group has changed significantly, but this process of adapting to the changing environment has not been completed yet. Right on the contrary, we are in the midst of an exciting phase for our company, in which we will for example

- consistently align our product range policy with the topics of internationalisation and sustainability,
- comprehensively modernise our existing production and logistics facilities to increase efficiency and meet increased customer demands in this regard,
- aggressively use the possibilities of digitisation for our internal processes and for our sales to become faster and better and to inspire the younger generation for our products and our company and
- clearly expand our production capacities in Eastern Europe to regain market share in this important wallpaper region.

The aim is to increase our growth momentum in the next five years and to bring A.S. Création's operating profitability back close to 10%.

The fiscal year 2021 will therefore be a year

of transition, also against the background of the prevailing uncertainty about the adverse effects the coronavirus pandemic will have this year.

Although the massive restrictions imposed in connection with the pandemic and the fear of a third wave meant that the start to the year 2021 was different from what we had expected for A.S. Création, we are generally starting this year with optimism. As already explained, we are building on a very strong foundation in terms of products and distribution. And as our balance sheet ratios for the period ended December 31, 2020 show, our financial structure is so solid that we will remain able to take action even if the crisis persists.

Our plans for 2021 envisage further revenue growth of around 5% from € 144.9 million to between € 147 million and € 157 million. All Group companies are expected to contribute to this growth. Under these conditions, our earnings before interest and taxes (excluding currency effects) will increase disproportionately and range between € 9 million and € 11 million in 2021, resulting in a further improved EBIT margin. According to our projections, A.S. Création will close the fiscal year 2021 with earnings after taxes (excluding currency effects) of between € 6 million and € 7.5 million. In the context of the afore-described

long-term positioning of A.S. Création, we plan to expand our capital expenditures in the fiscal year 2021, especially in IT and digitisation.

The positive performance of A.S. Création has also been reflected in the price of our share. Since the beginning of 2020, the share price has increased by approx. 21% or € 3.40 from € 16.10 to approx. € 19.50 (on February 26, 2021). It is equally pleasing that we were able to pay a dividend of € 0.90 per share in May 2020, after two years in which no dividend was distributed, and that we also intend to pay a dividend again in May 2021 thanks to the good earnings position in the fiscal year 2020.

In view of this good performance and the promising prospects for A.S. Création, 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 2021

Daniel Barth
Chairman of the Managing Board

Managing Board

Daniel Barth
Chief Executive Officer
Corporate Strategy, Marketing and Sales

Maik Krämer
Finance and Controlling

Antonios Suskas
Production and Logistics

Roland Bantel
Domestic Sales and Marketing
(until March 31, 2020)

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Supervisory Board

Jochen Müller ^{1),2),3)}
Chairman

Jella Susanne Benner-Heinacher ³⁾
Vice Chairwoman

Dr. Volker Hues ^{1),2)}

Peter Mourschinetz
Employee representative

Rolf Schmuck ²⁾
Employee representative

Dr. Stephan Zilkens ^{1),3)}

¹⁾ Member of Committee for Managing Board Matters

²⁾ Member of Audit Committee

³⁾ Member of Nomination Committee

- January** The A.S. Création share starts the new year at € 16.30 and reaches its annual high of € 17.30 on January 9.
- May** Due to the contact restrictions imposed in the context of the coronavirus crisis, the Annual General Meeting of Shareholders of A.S. Création Tapeten AG was held for the first time as a virtual meeting without the physical presence of shareholders.
- June** The French former companies A.S. Création (France) S.A.S., SCE – Société de conception et d'édition S.A.S. and MCF Investissement S.A.S. were merged and renamed CREALIS S.A.S.. The objective of this restructuring is to improve the competitive position in the French wallpaper market.
- September** Relaunch of the completely revised and improved online shop of A.S. Création (tapetenshop.de). The new functions include e.g. the motif and room configurator. Digital prints can now be applied precisely to the individual wall and wallpapers can be simulated individually.
- November** The second „International Partner Days“ take place in the showroom in Gummersbach-Derschlag, where the new products are presented to customers from all over the world. Due to the contact and travel restrictions imposed in the context of the coronavirus crisis, customers are able to take a virtual tour of the showroom for the first time. The focus is on the second edition of the successful “Metropolitan Stories” collection and the presentation of the new “KARL LAGERFELD” license collection.
- December** An innovative printing system was taken into operation by A.S. Création Tapeten AG. This printing system combines state-of-the-art digital printing technology with traditional rotary printing and opens up new possibilities in terms of both the production process and the design of the products.
- The A.S. Création share closes the stock market year at a price of € 15.50 on December 30.

14 REPORT OF THE SUPERVISORY BOARD

The activities of the Supervisory Board in the fiscal year 2020 were – like those of the company as a whole – clearly influenced by the effects of the COVID-19 pandemic. Not only the Annual General Meeting of Shareholders, but also several Supervisory Board meetings were held as virtual events or as conference calls in order to ensure the continuous performance of the supervisory task. The Supervisory Board also sought close coordination with the Managing Board to identify and assess the effects of the pandemic at an early stage.

Compared to the previous year, there were no

personnel changes on the Supervisory Board in 2020. Only the confirmation of Dr. Zilkens by the 2020 Annual General Meeting of Shareholders following his court appointment in August 2019 should be mentioned in this context. Dr. Zilkens was supported by the company, in particular by the Chairman of the Supervisory Board and by the Managing Board, in his inauguration in 2019 and 2020.

In the fiscal year 2020, the Supervisory Board met on March 19, on May 14, on September 23 and on December 16 for a total of four meetings. In addition, the Supervisory Board passed two

resolutions by way of written votes. Due to the pandemic, the March meeting was held as a conference call and the May meeting as a combined video and telephone conference. The September meeting was held on site at the company's headquarters in compliance with infection control regulations, with one member of the Supervisory Board joining in via video. The December meeting was again held as a video conference. The meetings in March, May and September were attended by all members of the Supervisory Board that were in office at the respective times. Dr. Hues was excused from attending the December meeting.

The company continues to comply with the recommendation of the German Corporate Governance Code according to which the Supervisory Board shall include an adequate number of independent members.

In accordance with the corresponding recommendation of the German Corporate Governance Code, the Supervisory Board members of A.S. Création Tapeten AG immediately 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 individual Supervisory Board members to the Supervisory Board and be reported to the Annual General Meeting of Shareholders.

The company supports its Supervisory Board members in further training. The members of the Supervisory Board are informed about new developments in Supervisory Board procedures by means of regular specialist publications. The Supervisory Board members may also participate in external further training courses. In the fiscal year 2020, the members of the Supervisory Board were informed internally about the amendments to the German Corporate Governance Code.

The Supervisory Board has formed the following permanent 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,
- the Audit Committee, composed of Dr. Volker Hues (Chairman), Jochen Müller and Rolf Schmuck and
- the Nomination Committee, composed of Jochen Müller (Chairman), Jella Susanne Benner-Heinacher and Dr. Stephan Zilkens.

The committees prepare the resolutions to be passed by the Supervisory Board as well as the topics that need to be addressed by the Super-

visory 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 two meetings in the fiscal year on March 19, 2020 and May 14, 2020. 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, for assessing the quality of the audit as well as for monitoring the effectiveness of the internal risk management system, also held two meetings in the fiscal year, on March 19, 2020 and on September 23, 2020. These meetings were attended by all members of the committee that were in office at the respective times as well as by representatives of the auditors.

The **Nomination Committee**, whose tasks include proposing suitable candidates for the election

of new shareholder representatives to the Supervisory Board, held no physical meeting in the fiscal year due to the pandemic. However, several telephone exchanges took place between all committee members, e.g. with regard to the election proposal and the election of Dr. Zilkens at the 2020 Annual General Meeting of Shareholders as well as with regard to the election of new shareholder representatives scheduled for 2021.

In the fiscal year 2020, 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. The Managing Board informs 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 or the rules of procedure of the Managing Board, appropriate resolutions were passed.

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, 2019;
- addressing the compensation system of the Managing Board and the compensation of the individual Board members;
- analysis, discussion and resolution on the current Managing Board contracts;
- discussion and resolution on the current schedule of responsibilities of the Managing Board;
- addressing the economic situation and development of the company as well as the general risk situation, especially with regard to the pandemic situation;
- analysis and discussion of the greatly increased importance of the online business as well as discussion and resolution on individual projects;
- discussion and resolution to hold the 2020 Annual General Meeting of Shareholders as a virtual event;
- execution of a self-evaluation of the Supervisory Board;
- discussion and resolution on the revision of the rules of procedure of the Supervisory Board, and
- discussion and resolution on the Group's plans and budgets for 2021/2022 including the investment plan.

The Supervisory Board also addressed the company's corporate governance principles again during the fiscal year. The declaration of conformity published on January 29, 2020 was based on the German Corporate Governance Code as amended on February 7, 2017. At the meetings in September and December, the Supervisory Board then addressed the new version of the Code as last amended on December 16, 2019, which came into force on March 20, 2020.

The financial statements of A.S. Création Tapeten AG prepared by the Managing Board and the consolidated financial statements for the fiscal year 2020, 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 14, 2020 elected Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft auditors of the financial statements and the consolidated financial statements for the fiscal year 2020. 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 2020 on the basis of a resolution adopted on September 23, 2020.

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 18, 2021 and at the Supervisory Board's annual accounts meeting on March 18, 2021. 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 and of the assessment of the quality of the audit. 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, 2020 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.

The Supervisory Board would like to expressly 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 special, COVID-19-influenced fiscal year 2020.

At the end of the next Annual General Meeting of Shareholders which is scheduled for May 6, 2021, the current term of office of the members

of the Supervisory Board will end and there will be changes in the composition of the Supervisory Board. Ms Benner-Heinacher, who has been shareholder representative on the Supervisory Board of A.S. Création Tapeten AG since April 7, 1998 and Deputy Chairwoman of the Supervisory Board since May 7, 2015, will not stand for re-election. Ms Benner-Heinacher made this decision in particular against the background that the revised German Corporate Governance Code now stipulates that a Supervisory Board member is no longer considered independent after having served on the Supervisory Board for more than twelve years. In Ms Benner-Heinacher, A.S. Création will lose a Supervisory Board member who has been with our company since the IPO and who, with her capital market experience, her legal expertise and her balancing manner, has provided important impulses for the development of the company. Besides Ms Benner-Heinacher, the two employee representatives on the Supervisory Board, Mr Schmuck and Mr Mourschinetz, have also decided not to stand for another term of office, which means that the employees of A.S. Création will be represented by two new persons on the Supervisory Board in future. Having joined the Supervisory Board on April 7, 1998, Mr Schmuck has also been "on board" since the IPO, and Mr Mourschinetz, who became a

Supervisory Board member on June 28, 2001, also looks back on a long Supervisory Board career. Over the past years, Mr Schmuck and Mr Mourschinetz, with their professional experience and their level-headed manner, have ensured that the interests of the workforce were sufficiently taken into account without disregarding the interests of the company. On behalf of A.S. Création – but also on a very personal level – I would like to thank Ms Benner-Heinacher, Mr Schmuck and Mr Mourschinetz for the very good cooperation, for their commitment and for

the heart and soul they have put into this company and wish them all the best.

Gummersbach, March 18, 2021

A.S. Création Tapeten AG

On behalf of the Supervisory Board

Jochen Müller

Chairman of the Supervisory Board

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 Government Commission revised the Code from scratch in 2019. The version of the Code dated December 16, 2019 (hereinafter referred to as the "Code 2019") is a fundamentally reformed version of the Code, which also takes into account and implements the legal changes resulting from the Act Implementing the Second Shareholders' Rights Directive. The Code 2019 was published in the official section of the Federal Gazette on March 20, 2020 and has been effective since that date. The current version of the Code can be viewed at 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)

CORPORATE GOVERNANCE STATEMENT

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requires 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 can be found below.

The Managing Board and the Supervisory Board of A.S. Création Tapeten AG consider the recommendations and suggestions of the Code 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).

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

The latest declaration of conformity was issued on January 26, 2021 with the following wording:

The Managing Board and the Supervisory Board of A.S. Création Tapeten AG declare,

1. for the period from January 29, 2020 to March 20, 2020, that the recommendations of the Government Commission on the German Corporate Governance Code as amended on February 7, 2017 ("Code 2017") were complied with, save for the following exceptions:

- Pursuant to number 4.2.3 of the Code 2017, 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 Code 2017 came into force. The variable Managing Board compensation implemented by the company is not consistent with the wording of the recommendation of the Code 2017, as the defined multi-year assessment basis does not have essentially forward-looking characteristics.

- Pursuant to number 5.4.1 of the Code 2017 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.

and

2. for the period commencing March 20, 2020, that the recommendations of the Government Commission on the German Corporate Governance Code as amended on December 16, 2019 ("Code 2019") have been and will continue to be complied with, save for the following exceptions:

- Recommendation A.2 of the Code 2019 requires the main features of the compliance management system to be disclosed. As the last corporate gover-

nance statement was issued on March 19, 2020, i.e. prior to the publication of the Code 2019, it does not contain such a disclosure. The Managing Board and the Supervisory Board intend to implement this recommendation of the Code 2019 in the next corporate governance statement, which is expected to be issued in March 2021.

- Pursuant to recommendation B.2 of the Code 2019, the Supervisory Board shall, together with the Managing Board, ensure that there is long-term succession planning and describe the approach in the corporate governance statement. The Supervisory Board of A.S. Création Tapeten AG is convinced that long-term succession planning for the Managing Board members is an internal and confidential matter, especially if there are potential candidates in the company who may still need to develop their personality or leadership skills. If the approach to long-term succession planning is published, there is a risk that conclusions may be drawn at a very early stage of the process about those persons who, according to the Managing Board and the Supervisory Board, should be considered for succession. This is why the Supervisory Board of A.S. Création Tapeten AG does

not comply with this recommendation of the Code 2019.

- Pursuant to recommendation B.5 of the Code 2019, the age limit for members of the Managing Board shall be disclosed in the corporate governance statement. The last corporate governance statement was issued on March 19, 2020, i.e. prior to the publication of the Code 2019, and does not contain such a disclosure. The Managing Board and the Supervisory Board intend to implement this recommendation of the Code 2019 in the next corporate governance statement, which is expected to be issued in March 2021.
- Pursuant to recommendation C.1 of the Code 2019, the names of the independent Supervisory Board members representing shareholders shall be published in the corporate governance statement. As the last corporate governance statement was issued on March 19, 2020, i.e. prior to the publication of the Code 2019, it does not contain such information. The Managing Board and the Supervisory Board intend to implement this recommendation of the Code 2019 in the next corporate governance statement, which is expected to be issued in March 2021.
- Pursuant to recommendation C.2 of the Code 2019, an age limit shall be specified for members of the Supervisory Board. 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 the latter does not depend on age, the Supervisory Board does not comply with this recommendation of the Code 2019.
- Pursuant to recommendation C.14 of the Code 2019, a detailed curriculum vitae of each Supervisory Board member shall be published on the company's website. The Supervisory Board of A.S. Création Tapeten AG is convinced that the brief curricula vitae of the Supervisory Board members published on the company's website provide a sufficient basis for the presentation of the Supervisory Board members. This means that the Supervisory Board does not fully comply with this recommendation of the Code 2019.
- Pursuant to recommendation D.1 of the Code 2019, the rules of procedure of the Supervisory Board shall be published

on the company's website. The rules of procedure of the Supervisory Board are a document that solely serves the internal organisation of the Supervisory Board. As the report of the Supervisory Board and the corporate governance statement include detailed information on the work of the Supervisory Board and its committees, we see no added value and, hence, no justified interest of the investors in such publication. This is why the Supervisory Board does not comply with this recommendation of the Code 2019.

- Pursuant to recommendation D.11 of the Code 2019, the Audit Committee shall conduct an evaluation of the quality of the annual audit on a regular basis. To date, the Audit Committee of A.S. Création Tapeten AG has regularly reviewed the quality of the annual audit in discussions and talks with the Managing Board and the auditor. There is, however, no formalised evaluation process. This means that the Supervisory Board does not fully comply with this recommendation of the Code 2019. The Audit Committee intends to implement a formalised process with objectively assessable indicators starting with the evaluation of the 2020 annual audit.
- Recommendations G.1 to G.16 of the Code 2019 contain detailed recommendations regarding the remuneration of the Managing Board. In this respect, the Code 2019 differs very clearly from previous versions. The system of Managing Board remuneration set out in the current Managing Board contracts and approved by the Annual General Meeting of Shareholders on April 28, 2016 was developed before the Code 2019 came into force. This is why the current remuneration system for the Managing Board does not comply with all recommendations of the Code 2019. For example, the current remuneration system does not provide for target total remuneration (recommendations G.1 and G.2) and does not distinguish between short-term and long-term targets (recommendations G.6 and G.7). Moreover, the company has no share-based variable remuneration components (recommendation G.10). While the employment contracts of the Managing Board members provide for the variable remuneration components to be adjusted in the event of a material change in the economic or legal framework conditions, they do not provide for the variable remuneration to be reclaimed (recommendation G.11).

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), Corporate Strategy, Marketing and Sales
- Maik Krämer, Finance and Controlling
- Antonios Suskas, Production and Logistics

Mr Roland Bantel resigned from the Managing Board of A.S. Création Tapeten AG with effect from March 31, 2020. The Domestic Sales and Marketing Departments, for which Mr Bantel had previously been responsible, are now the responsibility of Mr Barth.

The tenure of the current Board members will end on March 31, 2025 for Mr Suskas, on November 18, 2021 for Mr Barth and on March 31, 2021 for Mr Krämer. The Supervisory Board has already reappointed Mr Barth for a further term of office running until October 31, 2026 and Mr Krämer for a further term of office running until March 31, 2024.

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

While there were no changes in the composition of the Supervisory Board in the fiscal year 2020, the Annual General Meeting of Shareholders confirmed the court appointment of Dr. Zilkens.

The terms of office of the 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 on May 6, 2021.

The Supervisory Board of A.S. Création Tape-

ten 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 Mr Müller (Chairman), Ms Benner-Heinacher 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.

The Supervisory Board regularly assesses how effectively the Supervisory Board as a whole and its committees perform their duties. This self-assessment is carried out by means of questionnaires for the entire Supervisory Board and for its committees, which are completed by the Supervisory Board members and evaluated anonymously. The results of the survey are discussed by the Supervisory Board and, if necessary, the latter defines measures to be implemented to improve the work of the Supervisory Board. The last self-assessment was carried out in the fiscal year 2020.

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 had specified a share of women of 16.7% for the Supervisory Board of A.S. Création Tapeten AG, which was to be reached by December 31, 2020. This share corresponds to the composition of the Supervisory Board as of December 31, 2020, when it was composed of one woman and five men. This means that the target specified was reached for the period ended December 31, 2020. For the next five years, i.e. until December 31, 2025, the Supervisory Board has specified an unchanged target of 16.7% for the share of women on the Supervisory Board of A.S. Création Tapeten AG. This is due, on the one hand, to the legal provision in

Article 111 (5) Sentence 2 AktG, according to which no target may be specified that is lower than the share achieved if the share of women is below 30%. On the other hand, this target takes into account that there will be a change with regard to the currently only female member of the Supervisory Board when this year's regular election of Supervisory Board members is held.

With the Code 2019 now stipulating that a Supervisory Board member is no longer considered independent if he/she has been a member of the Supervisory Board for more than twelve years, Ms Benner-Heinacher no longer counts as an independent Supervisory Board member from a corporate governance point of view, as she has been a member of the Supervisory Board of A.S. Création Tapeten AG since April 7, 1998. Against the background of her professional activities as Deputy Managing Director of Deutsche Schutzvereinigung für Wertpapierbesitz e.V., Ms Benner-Heinacher will not stand for re-election. Mr Kämper, who had been a member of the board of A.S. Création Tapeten AG from 1998 until 2016, having been in charge of sales and marketing and having been chairman of the board as of 2001, will stand for election. The Supervisory Board will make no proposals for further changes to the shareholder representatives on the

Supervisory Board. If Mr Kämper is elected by the Annual General Meeting of Shareholders scheduled for May 6, 2021 and if the other shareholder representatives standing for election are re-elected, the share of women among the shareholder representatives will be 0%. Besides Ms Benner-Heinacher, the two employee representatives on the Supervisory Board, Mr Schmuck and Mr Mourschinetz, have also decided not to stand for another term of office as they have both been in office for over 20 years. The employees will elect their future representatives on the Supervisory Board on April 13, 2021, with both women and men standing for election from today's point of view. Provided that (at least) one female candidate is elected, the future share of women among the employee representatives will be 50% and thus the share of women on the full Supervisory Board of A.S. Création Tapeten AG will be 16.7%. This would correspond to the target of 16.7% now set for the Supervisory Board as a whole.

The Supervisory Board had specified a share of women of 0% for the Managing Board of A.S. Création Tapeten AG, which was to be reached by December 31, 2020. The actual figure on December 31, 2020 was in line with this target. The Managing Board in its current composition has led A.S. Création Tapeten AG only since April 1, 2020. 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. This is why the Supervisory Board has again set the new target at 0%. This target has been specified until December 31, 2025.

The Managing Board of A.S. Création Tapeten AG had specified a share of women of 14.3% for the first management level below the Managing Board, to be reached by December 31, 2021. In the course of the year 2018, the share of women at the first management level had declined to 0.0% on December 31, 2018 due to women terminating their employment contracts and suspending their employment because of parental leave. This share was increased to 7.1% as of December 31, 2020. 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. It is currently impossible to predict whether

the target set will be reached by the end of the period for which it was specified. By the end of that period, the Managing Board will determine a new target for the period until December 31, 2026 on the basis of current developments.

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. The share of women at the second management level already stood at 20.0% as at December 31, 2020. While this means that the target set for December 31, 2021 is already clearly exceeded, it is possible that this figure will change before the end of 2021, i.e. by the end of the deadline set. By the end of that period, the Managing Board will determine a new target for the period until December 31, 2026 on the basis of current developments.

Diversity policy

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.

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.

The Supervisory Board is of the opinion that the current composition of the Managing Board meets the key objectives of the diversity policy.

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 special knowledge and experience in the application of accounting principles and internal control procedures and be familiar with audits of financial statements.
- 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.
- More than half of the shareholder representatives on the Supervisory Board should be independent within the meaning of recommendation C.6 of the Code 2019.
- 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.

In the opinion of the shareholder representatives on the Supervisory Board, Mr Müller, Dr. Hues and Dr. Zilkens are independent from the company within the meaning of recommendation C.7 of the Code 2019. By contrast, Ms Benner-Heinacher has served on the Supervisory Board for more than twelve years, which means that she is no longer considered an independent member of the Supervisory Board as defined in the Code 2019. The company thus currently complies with recommendation C.7 of the Code 2019, according to which more than half of the shareholder representatives should be independent.

The Supervisory Board is of the opinion that its current composition meets all key objectives of the diversity policy.

Compliance management system

To ensure compliance with the relevant legal provisions and the company's internal guidelines, the Managing Board of A.S. Création Tapeten AG has established a compliance management system for the company and its subsidiaries, which is the responsibility of the Legal and Compliance Department; the latter reports to the Managing Board member in charge of Finance and Controlling. The Head of Legal and Compliance is also the person to contact for all suspicious events throughout the Group. In the context of the compliance management system, the relevant legal provisions are identified against the background of A.S. Création's business model and prioritised in the context of a risk assessment. Depending on this classification, appropriate measures are defined in consultation with the Managing Board to ensure compliance with rules and regulations in all areas of the

company. This may involve, for example, the development of procedural instructions or the implementation of training courses. The Legal and Compliance Department regularly carries out random checks throughout the Group to verify compliance with the rules by individual employees. Furthermore, the internal control systems of the Group companies are subjected to regular reviews by external specialists. The Head of Legal and Compliance regularly directly informs the Audit Committee of the Supervisory Board about the compliance measures taken and of any compliance violations. While the compliance management system is designed to minimise the risk of compliance violations in the Group, it cannot provide absolute security, as compliance with rules and regulations depends not only on the technical and organisational measures implemented, but also on the behaviour of each individual.

Gummersbach, March 18, 2021

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



(Original sample item no. 37912-3)

MIO
TOKYO



METROPOLITAN STORIES
Designed & Manufactured by A.S. Création Tapeten AG | Germany



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 2020 Group sales, it is the larger of the two divisions. The wallpapers are primarily produced in Germany at A.S. Création Tapeten AG. In addition, wallpapers have also been produced by the Belarus Group company OOO Profistil since spring 2018. 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 as well as products from the sun protection sector, such as pleated blinds, roller blinds and vertical blinds.

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 2020, the countries of the European Union (EU) accounted for 82.5% of the Group's gross sales revenues, while non-EU Eastern European countries accounted for 11.4%. Representing 43.2%, 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 2020, the company spent € 2.1 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 1.3% in the full year 2019, the year 2020 was completely different from what had been expected. Because of the coronavirus crisis, very far-reaching measures were taken in many EU countries – as well as worldwide – from mid-March 2020 onwards to contain the spread of the virus. These lockdowns led to both a collapse in economic output in the respective countries and a decline in international trade. After the easing of the restrictions in the summer due to declining infection figures, the economy recovered slightly. Then another strong increase in new coronavirus infections, the so-called second wave, led to the restrictions being tightened noticeably again in autumn and winter. In many European countries, strict lockdown measures and contact bans were again introduced and extended beyond the turn of 2020/2021. In the eurozone, these developments plunged the economy into recession in 2020. Accordingly,

the original forecasts, which projected slight economic growth of 0.9% for the eurozone, have not materialised. Instead, the eurozone recorded a decline in gross domestic product of about 7.3%. The increase in private consumer spending recorded in the eurozone in the previous year did not continue in 2020. Due to reduced consumption opportunities during the lockdowns and concerns about future with regard to the further spread of the pandemic and its economic impact, private consumer spending in the eurozone declined by 7.9% in 2020. Despite the economic slump, the jobless rate in the eurozone has risen only slightly so far, reaching a level of 8.0% in 2020 (previous year: 7.6%).

Compared to the eurozone as a whole, the German economy proved somewhat more robust and resilient in 2020. Nevertheless, Germany also had to cope with a significant decline in gross domestic product of 5.0% in 2020, after 0.5% growth in the previous year. An even stronger decline was prevented by the recovery of industry in the second half of the year as well as the positive trend of foreign trade with the world's two largest economies, China and the USA. As in the eurozone, the restrictions related to the coronavirus pandemic and growing concerns about the future had a drastic impact on private consumer spending, which slumped by 6.2% in 2020, after a growth rate of 1.6% in 2019. Even though the labour market policy instrument of short-time work

was widely used in Germany, the increase in the jobless rate from 5.0% in 2019 to 6.0% in 2020 was stronger than in the eurozone. The gratifying development of the jobless rate in the previous years was halted by the coronavirus pandemic.

The economic situation in Russia deteriorated considerably in 2020. While GDP increased by 1.6% in 2018 and 1.3% in 2019, the Russian economy contracted by 4.0% in 2020. In addition to the outbreak of the coronavirus pandemic and the resulting economic slump as well as the unresolved political tensions between Russia and the USA and the EU, the main reason for this development is the dramatically lower price of crude oil. Russia being one of the largest oil producers, the oil price trend is an important success factor for the Russian economy. Private consumer spending showed a similar picture as in Germany and the other eurozone countries. While private consumer spending in Russia picked up by 1.9% in the previous year, it fell by 6.7% in 2020. As a result of these many adverse economic and political factors, the exchange rate of the Russian rouble against the euro has collapsed in the course of 2020. Although the rouble temporarily recovered in the second quarter, the currency depreciated noticeably during the course of 2020, falling by 30.8% from RUB/€ 69.34 at the beginning of the year to RUB/€ 90.68 at the end of December 2020. Compared to the stable exchange

rates of RUB/€ 40 to RUB/€ 45 seen prior to the start of the Ukraine crisis in 2014, the Russian currency has now halved.

Prices in the international commodity and energy markets dropped notably in 2020. According to the Hamburg Institute of International Economics (HWWI), global commodity and energy prices declined by 27.2% on a euro basis. The oil price trend was the main reason for this decline. While the average oil price of the year 2019 stood at approx. USD 64 per barrel, it dropped to an average of approx. USD 43 in 2020, which represents a decline by approx. 32%. This price decline reflects the worldwide drop in demand for oil as a result of the weakening of the global economy and the political crises. Accordingly, the aforementioned 27.2% drop in the HWWI overall index in 2020 is composed of a 32.0% decline in the sub-index for energy raw materials and a 3.7% 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 2020 only to a limited extent.

2.2. Industry-specific environment

For both the Wallpaper Division and the Furnishing Fabrics Division, the industry-specific environment was influenced by the coronavirus pandemic in 2020.

The numerous contact, exit and travel restrictions as well as the higher number of people working from home and the increase in short-time work and the partial closure of industrial, trading and commercial enterprises have led to people spending more time at home in 2020. This has strengthened the trend towards returning to one's own home (hiving, cocooning). Products all around the house, which include wallpapers and furnishing fabrics, benefited from this trend.

By contrast, the lockdowns, which – depending on the country – led to the partial or complete closure of physical retail stores, A.S. Création's most important distribution channel, had a negative impact. In countries with a full lockdown, consumers could only buy wallpapers and furnishing fabrics to a very limited extent during this phase, and the catch-up effects after the end of the lockdown did not fully offset these shortfalls in all cases. Moreover, the closure of physical retail stores led to a sharp increase in online trade, to which consumers had to turn to buy goods. As in many other product categories, this trend was also observed in the wallpaper and furnishing fabrics sectors.

Even though the Global Wallcoverings Association (IGI) has not yet released the 2020 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 grew slightly in 2020 overall, with the development in the individual national markets varying widely – depending on the scope and duration of the imposed lockdowns. This assumption is confirmed by the first data that are available from some national wallpaper associations. According to market statistics of the Association of German Wallpaper Manufacturers (VDT), the market volume in Germany increased by around 11% in 2020 compared to the previous year. In contrast, national market statistics for Russia only show a market growth of 1.3%. No data are available yet for France, but the Managing Board expects wallpaper sales in 2020 to be below the previous year's level due to the strict and prolonged lockdown in spring.

In this environment, sales revenues of the Wallpaper Division increased by 3.2% from € 129.5 million in the previous year to € 133.7 million in the year under review.

While the year 2019 was marked by further declines in sales, no figures are available yet from the Association of German Home Textiles Manufacturers for 2020, but only for the first half of 2020. According to these figures, 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 19.8% year-on-year in the first six months of 2020. Domestic operations accounted for 16.9%

of this drop, while international operations accounted for 23.5%. Like the wallpaper industry, the home textiles industry is also affected by the slump in demand due to the impact of the coronavirus pandemic. In this market environment, sales revenues of the Furnishing Fabrics Division of € 11.3 million were slightly below the previous year's € 11.6 million.

2.3. Overview of the business trend

Even though A.S. Création had to cope with a significant decline in sales revenues by 9.3% in the first half of 2020 due to the coronavirus pandemic, A.S. Création managed to more than offset this drop by a 16.6% increase in consolidated revenues in the second half of the year. At € 144.9 million, consolidated revenues for the fiscal year 2020 were up by € 3.8 million or 2.7% on the previous year's € 141.1 million. This revenue growth was realised in Germany, while foreign sales revenues declined slightly.

At € 144.9 million, Group revenues were in line with the company's original 2020 projections of between € 143 million and € 153 million. A.S. Création moreover gained market shares in important markets.

The improvement in earnings envisaged in the projections for 2020 was also achieved. Adjusted for exchange losses of € 4.4 million,

which are included in the operating result (EBIT) reported for 2020 of € 4.4 million, the operating profit excluding currency effects for the year under review stood at € 8.8 million, compared to € 3.4 million in the previous year. This significantly exceeds the last forecast published by the Managing Board for 2020, which projected earnings before interest and taxes excluding currency effects between € 6 million and € 7 million. The return on sales based on the adjusted operating result was increased by a factor of 2.5 from 2.4% in the previous year to 6.1% in the fiscal year 2020. Besides the increase in revenues, A.S. Création's significantly improved profitability in the fiscal year 2020 is mainly attributable to the higher gross profit margin.

Given that the company generated a high extraordinary profit in 2019, earnings after taxes of € 1.5 million fall short of the previous year's € 14.1 million, as expected, despite the improved results from operations. Adjusted for the previous year's extraordinary profit and the exchange effects included in earnings before interest and taxes, earnings after taxes from continuing operations excluding currency effects amounted to € 5.5 million in the fiscal year 2020 (previous year: € 1.4 million).

Overall, the Managing Board is very satisfied with the business trend in 2020, which – despite the unexpectedly difficult environment – confirmed the ambitious plans and underlines

A.S. Création's positive prospects for the future.

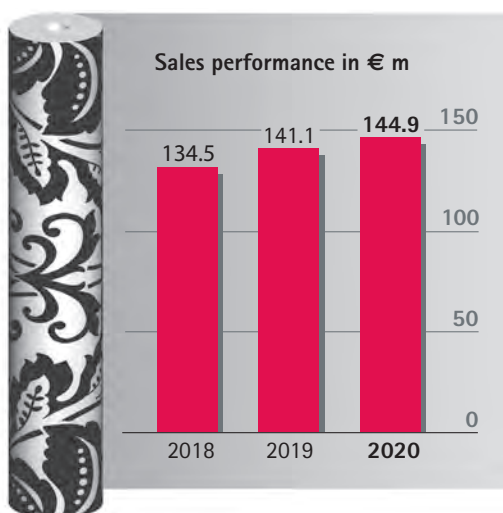
3. Net assets, financial and earnings position

3.1. Earnings position

3.1.1. Sales performance

A.S. Création's sales revenues increased by € 3.8 million or 2.7% from € 141.1 million in the previous year to € 144.9 million in the fiscal year 2020. The changes in the exchange rates of the Russian and Belarusian rouble as well as the British pound had a negative impact of € 2.9 million on the Group's sales revenues in the fiscal year. Adjusted for this effect, sales revenues increased by € 6.7 million or 4.8%.

As described in chapter 2.3. "Overview of the business trend", revenues showed completely different trends in the first and second half of the year. In the first six months of 2020, A.S. Création suffered revenue losses in all regions except Germany due to the restrictions imposed in connection with the coronavirus pandemic, which sent consolidated revenues falling by € 7.0 million or 9.3% from € 75.6 million in the first half of 2019 to € 68.6 million in the first half of 2020. As the coronavirus restrictions in the individual countries were gradually loosened as of June and demand for wallpapers and furnishing



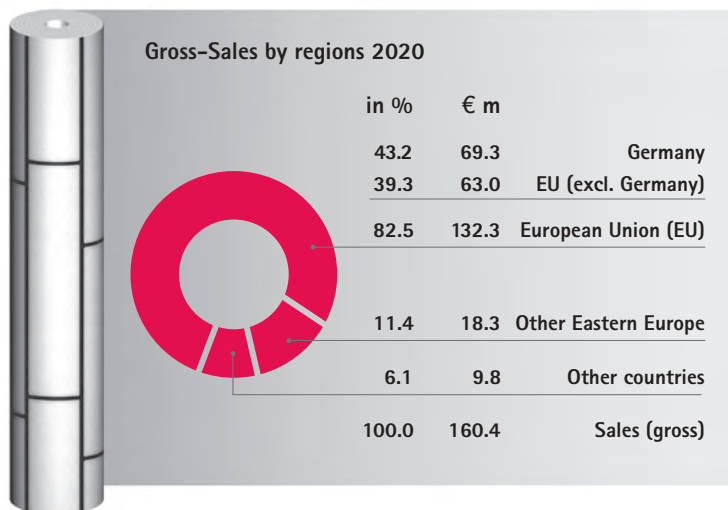
fabrics picked up, A.S. Création was able to grow its revenues in the second half of 2020, namely by € 10.8 million or 16.6% from € 65.5 million in the respective prior year period to € 76.3 million. All regions recorded double digit growth rates. The strong increase in revenue in the second half of the year thus more than offset the decline in the first six months. Total consolidated revenues in the fiscal year amounted to € 144.9 million, which was € 3.8 million or 2.7% above the previous year's € 141.1 million.

In the interim report for the period ended September 30, 2020, the Managing Board had reduced the original revenue forecast for the full year 2020 from between € 143 million and € 153 million to between € 135 million and € 140 million, as it was clear at this time that a new lockdown would be imposed and the final quarter is usually a seasonally weaker quarter. However, the

seasonal revenue trend in the pandemic year 2020 was anything but normal. Having dropped by 1.1% in the first three months and by 17.7% in the second quarter, sales revenues increased by 13.3% in the third quarter. With revenues growing by 19.8%, the fourth quarter surprisingly turned out to be the strongest quarter of the fiscal year 2020. Due to the unexpectedly strong fourth quarter, Group revenues for 2020 exceeded the interim forecast, and A.S. Création achieved the original revenue target in spite of all the challenges.

While the Wallpaper Division's revenues of € 133.7 million exceeded the prior year level of € 129.5 million by € 4.2 million or 3.2%, the Furnishing Fabrics Division's revenues of € 11.3 million were € 0.3 million or 3.1% below the previous year's € 11.6 million. The Wallpaper Division accounted for 92.3% (previous year: 91.7%) of total 2020 revenues, while the Furnishing Fabrics Division accounted for 7.7% (previous year: 8.3%).

The breakdown of revenues by regions shows that A.S. Création's revenues in the European Union (EU) increased in the fiscal year 2020. Gross revenues in the EU were up by 5.3% on the previous year, with growth rates in Germany and the rest of the EU differing substantially. In Germany, A.S. Création's gross revenues increased by a strong 10.0% from € 63.1 million in the previous year to € 69.3 million



in the reporting year. This breaks down into almost unchanged revenues in the Furnishing Fabrics Division and a pleasant 11.8% increase in revenues in the Wallpaper Division. A.S. Création benefited not only from the success of the "New Walls" and "Neue Bude 2.0" campaigns presented on the occasion of the International Partner Days in November 2019 but also from the fact that the lockdown initiated in Germany in March 2020 did not affect all distribution channels and, hence, not all domestic customers of A.S. Création. Unlike other European countries, Germany left its DIY stores open in the spring, which benefited the Wallpaper Division. This did not apply to the Furnishing Fabrics Division, for which this distribution channel is not of significant importance.

In the reporting year, the strong growth in revenues in Germany contrasted with moder-

ate growth of 0.6% from € 62.6 million in the previous year to € 63.0 million in all remaining EU countries. The situation in this region was inconsistent. In France, the second largest wallpaper market in the EU behind Germany, sales of wallpaper and furnishing fabrics came to an almost complete standstill in the second half of March and in April as a result of the lockdown. In contrast to Germany, all sales channels were affected by the lockdown in France. Sales revenues in Poland were also noticeably lower in the reporting period than in the previous year. By contrast, A.S. Création was able to clearly increase its revenues in Great Britain and the Benelux countries in the reporting year. Besides its successful product policy, A.S. Création benefited from the fact that it had expanded its own sales organisation in the Benelux countries in late 2019.

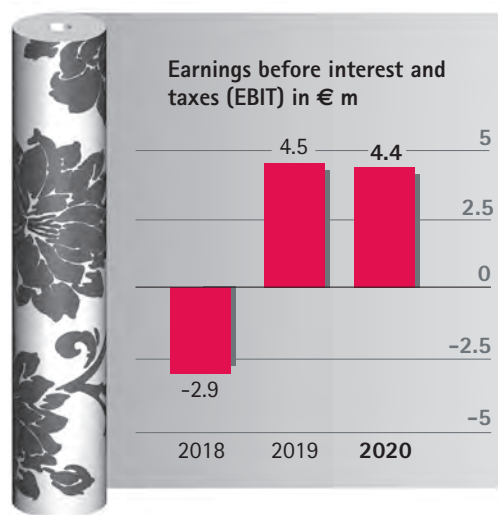
As a result of the above developments, gross revenues in the EU including Germany were up by € 6.7 million or 5.3% on the previous year's € 125.6 million in the reporting year and amounted to € 132.3 million. The EU thus accounted for 82.5% (previous year: 81.0%) of the Group's revenues in 2020.

A.S. Création's gross revenues in non-EU Eastern European countries fell by € 1.1 million or 5.5% from € 19.4 million in the previous year to € 18.3 million in 2020. As explained above, the depreciation of the Russian and Belarusian

rouble had a negative impact of € 2.8 million on gross revenues in this region in the reporting year. If the exchange rates of both currencies had remained unchanged, gross revenues in the region would have increased by € 1.7 million or 8.9% to € 21.1 million. The revenue trend in non-EU Eastern European countries was driven by two opposite effects. While sales of wallpapers made in Belarus increased by approx. 46% in local currency and by approx. 23% in euros in 2020, sales of wallpapers made in Germany again dropped sharply in this region in the reporting year. This was not least due to the fact that the depreciation of the Eastern European currencies against the euro made these products more expensive for end consumers. This vindicates the decision made in 2017 to set up our own, fully consolidated production company in this region.

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 € 9.8 million in the fiscal year, down by 2.0% on the previous year's € 10.0 million.

With sales revenues in the EU growing and revenues in the rest of the world declining, Europe remains the focus of A.S. Création's revenues. In the fiscal year 2020, Western



and Eastern European countries accounted for 93.9% (previous year: 93.6%) of the Group's revenues. The close to 70 other countries in which A.S. Création generates revenues represented only 6.1% of total Group revenues in 2020 (previous year: 6.4%).

3.1.2. Earnings performance

At € 4.4 million, earnings before interest and taxes reported by A.S. Création for the fiscal year 2020 are down by € 0.1 million on the previous year's € 4.5 million. The EBIT margin of 3.1% was more or less on a par with the previous year's 3.2%.

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 a translation-related exchange gain or loss. Exchange rate developments in the fiscal year 2019 led to translation-related exchange gains of € 1.1 million, while translation-related exchange losses of € 4.4 million were recorded in the reporting year. Adjusted for these currency effects, EBIT for the year under review improved by € 5.4 million from € 3.4 million in the previous year to € 8.8 million, while the adjusted EBIT margin reached 6.1% (previous year: 2.4%). This even exceeds the forecast recently upgraded by the Managing Board for 2020, which projected earnings before interest and taxes between € 6 million and € 7 million.

An analysis of the earnings situation shows that the improvement in earnings in the year under review is primarily attributable to the 2.7% growth in revenues, which went hand in hand with an increase in the gross profit margin (gross profit in relation to total output) from 50.5% in the previous year to 53.0% in the fiscal year 2020. Gross profit increased by 7.3% from € 71.3 million in 2019 to € 76.6 million in 2020, which means that the sales process yielded € 5.3 million more in gross profit to cover other expense items in the fiscal year. The consistent increase in the share

of higher-value and higher-priced products in the overall product range and, hence, the success of the product policy of the past years as well as the increase in the share of high-margin low-volume business in total sales revenues in the fiscal year 2020 – which is attributable to consumers' changed shopping behaviour caused by the coronavirus pandemic – had a positive effect on the gross profit margin. To a limited extent, A.S. Création benefited from the temporary decline in the prices of raw materials and energy in 2020 caused by the global economic slump (see chapter 2.1. "Macroeconomic environment").

At € 38.8 million, personnel expenses in the fiscal year 2020 were up by € 1.4 million on the previous year's € 37.4 million. As the 3.8% increase in personnel expenses exceeded the 2.3% rise in total output, the personnel expense ratio (personnel expenses as a percentage of total output) deteriorated slightly to 26.9% in the reporting period (previous year: 26.5%). This means that the company failed to achieve the planned improvement in this performance indicator to around 25% in the fiscal year 2020. This is attributable to the following reasons:

- At € 144.9 million, sales revenues generated in the fiscal year 2020 were within the planned range of € 143 million to € 153 million but only at the lower end due to the depreciation of the Russian and Bela-

rusian rouble and the British pound against the euro as well as to the consequences of the coronavirus pandemic. The depreciation of these currencies alone reduced consolidated revenues by € 2.9 million.

- At most of the Group companies, the performance-based compensation component in the reporting year clearly exceeded the prior year level due to the improved results from operations in the fiscal year 2020. Moreover, special bonuses were paid in 2020 in recognition of the great commitment shown during the coronavirus pandemic. Furthermore, the change in the multi-year assessment basis that is used to calculate the Managing Board bonus led to an increase in the performance-based compensation of the Managing Board (see chapter 9.2. "Compensation report").

Even though the personnel expense ratio was not reduced as planned, personnel expenses improved in relation to gross profit. This ratio declined from 52.5% in the previous year to 50.7% in the reporting year, which means that the deterioration in the personnel expense ratio was more than offset by the improvement in the gross profit margin in the fiscal year 2020.

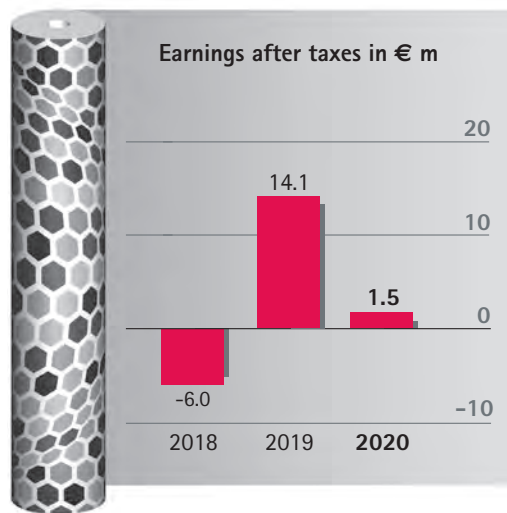
Other operating expenses increased sharply by € 2.9 million or 11.0% from € 26.6 million in the previous year to € 29.5 million in 2020. However, other operating expenses in the

reporting period include exchange losses in the amount of € 4.5 million. Adjusted for the exchange losses, other operating expenses amounted to € 25.0 million, € 1.6 million below the previous year's € 26.6 million, while the ratio of other operating expenses to total output improved to 17.3% (previous year: 18.8%). This improvement is essentially attributable to a reduction in general selling expenses such as trade fair and travel costs. A further reduction in other operating expenses was prevented, in particular, by the strong increase in freight and transport costs, higher waste management costs as well as increased write-downs of trade receivables.

As a result of the reduced investments, depreciation of € 5.5 million was down by € 0.2 million on the previous year's € 5.7 million in 2020, which helped to improve earnings before interest and taxes in the fiscal year 2020.

Between them, the factors described above resulted in earnings before interest and taxes of € 4.4 million in the fiscal year 2020 (previous year: € 4.5 million). Adjusted for exchange gains and losses included in EBIT, an operating profit of € 8.8 million was posted for the fiscal year (previous year: € 3.4 million).

At € -0.7 million (previous year: € -1.0 million), the financial result improved in the fiscal year as financial liabilities and interest expenses on pension provisions declined.



Earnings before interest and taxes and the financial result lead to earnings before taxes of € 3.7 million in the fiscal year 2020, up by € 0.2 million on the previous year's € 3.5 million. The currency effects already explained in connection with the operating result also affected earnings before taxes. Adjusted for these currency effects, earnings before taxes amounted to € 8.1 million, which is € 5.7 million higher than the previous year's € 2.4 million.

Given that only part of the translation-related exchange losses in the reporting period have a tax-reducing effect, income taxes of € 2.2 million were incurred on a profit before taxes of € 3.7 million. This resulted in a profit after taxes of € 1.5 million in the reporting period, compared to a profit after taxes from continuing operations of € 2.4 million in the previous year. Adjusted for the currency effects explained above, earnings after taxes

from continuing operations amounted to € 5.5 million (previous year: € 1.4 million). This clearly improved result after taxes from continuing operations (excl. currency effects) exceeds the latest forecast, which projected between € 4 million and € 5 million for the full year.

In the course of 2019, the 50% stake in A.S. & Palitra, the Russian joint venture, was sold, which means this company was no longer included in the basis of consolidation in the reporting year – in contrast to the previous year. This sale resulted in extraordinary income of € 9.7 million. Together with the at-equity result from the first quarter of 2019 and interest income totalling € 2.0 million, A.S. Création thus reported earnings after taxes from discontinued operations of € 11.7 million in 2019. At the bottom line, continuing and discontinued operations resulted in earnings after taxes in the amount of € 14.1 million in the fiscal year 2019, whereas earnings after taxes from continuing operations in the amount of € 1.5 million correspond to earnings after taxes in the reporting year.

Based on the number of shares outstanding, which remained unchanged at 2,756,351 in 2020, the consolidated result after taxes of € 1.5 million (previous year: € 14.1 million) resulted in earnings per share of € 0.53 (previous year: € 5.13). The comparable prior year figure from continuing operations was € 0.88.

In summary, the revenue losses in the first half of the year caused by the coronavirus crisis as well as by the resulting depreciation of the Russian and Belarusian rouble against the euro prevented an improvement in the result reported. If the currency effects are disregarded, A.S. Création successfully mastered the challenges of the coronavirus pandemic in the fiscal year and its business model is intact. As the recently published forecast figures have been exceeded, the Managing Board is very satisfied with the performance of A.S. Création in the fiscal year 2020.

3.1.3. Appropriation of profits

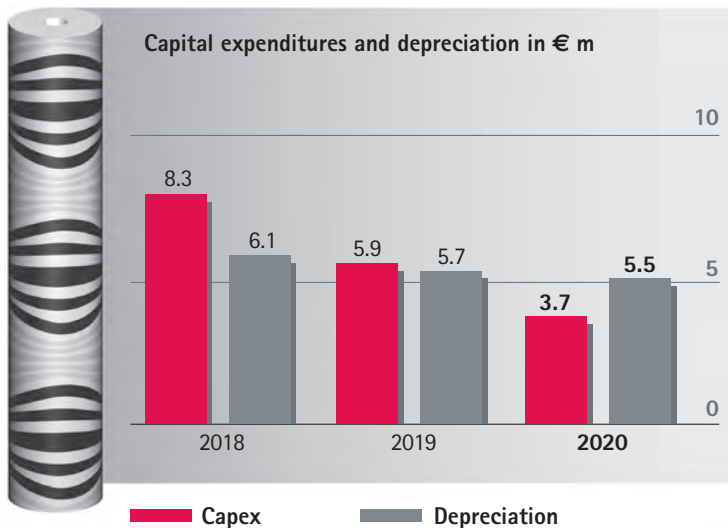
A.S. Création's dividend policy has historically provided for a payout ratio of approx. 45% of earnings per share, as long as this is permitted by the company's financial situation. In the fiscal year 2019, earnings per share were influenced by extraordinary income from the sale of the shares in the Russian joint venture A.S. & Palitra. Moreover, the Managing Board and the Supervisory Board were of the opinion that it was not possible at the time to reliably predict and quantify the effects of the coronavirus crisis on A.S. Création's financial and earnings position. Against this background, the Annual General Meeting of Shareholders decided to leave a higher proportion of the profit in the company than in the past. The dividend for the fiscal year 2019 of € 0.90

per share corresponded to a payout ratio of 17.5% of the company's earnings per share of € 5.13. Fortunately, the company has been able so far to master the coronavirus crisis very well, which is reflected in a further improvement in the results from operations and the very good financial position of A.S. Création in the fiscal year 2020. After the reduced dividend of the previous year, the Managing Board therefore considers it reasonable to pay out a higher dividend for the fiscal year 2020 than the € 0.24 per share that would result from applying the 45% payout ratio on the company's earnings per share of the fiscal year 2020 in the amount of € 0.53. Accordingly, the Managing Board proposes to distribute a dividend of € 0.90 per share for the fiscal year 2020, which would thus remain unchanged from the previous year. The total distribution would thus amount to € 2.5 million.

3.2. Financial and net assets position

3.2.1. Capital expenditures

At € 3.7 million, capital expenditures in the fiscal year were down by € 2.2 million on the previous year's € 5.9 million. This decline is mainly attributable to the fact that major investment projects were completed in the reporting year. First, the first stage of setting up a wallpaper production facility in Belarus was completed in early 2020. Consequently,



capital expenditures of Belarusian company OOO Profistil were € 1.6 million lower than in 2019. Second, a new, innovative printing system was taken into operation by A.S. Création Tapeten AG in the course of 2020. This printing system combines state-of-the-art digital printing technology with traditional rotary printing and opens up new possibilities in terms of both the production process and the design of the products. It had been developed in cooperation with a mechanical engineering company since 2018, with the bulk of the investments made in the previous years. Consequently, investments in this project in 2020 were down by € 1.1 million on the previous year.

Besides the projects mentioned above, most of the remaining investments in FY 2020 were replacement and modernisation investments as well as investments in printing tools for

the new wallpaper collections. Moreover, the first advance payments for the modernisation of the warehouse software and the high-bay warehouse in Wiehl-Bomig were made in the reporting year.

As of the balance sheet date, the company had financial obligations from order commitments for investments in the amount of € 4.3 million (previous year: € 0.3 million).

3.2.2. Cash flow statement and net financial liabilities

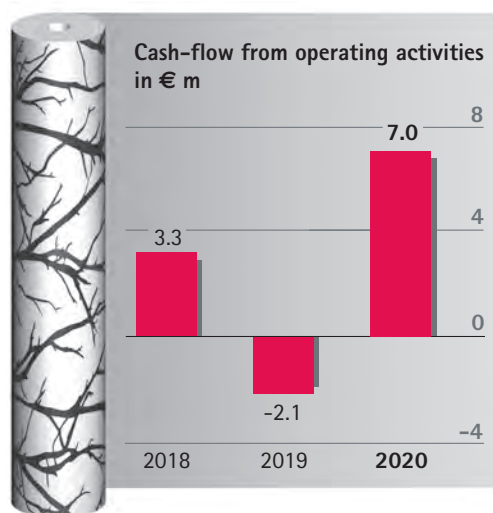
At € 7.0 million, operating cash flow in the reporting year exceeded the previous year's € -2.1 million by € 9.1 million. In this comparison, it should be noted that the negative cash flow from operating activities in the fiscal year 2019 resulted from the penalty of € 11.9 million that A.S. Création had to pay after the conclusion of the antitrust proceedings. Adjusted for this effect, cash flow from operating activities in 2019 amounted to € 9.8 million. This means that the cash flow from operating activities in the fiscal year 2020 is € 2.8 million lower than in the previous year, in spite of the improved results from operations.

This is attributable to the fact that more capital was tied up in trade receivables. As

already explained in Chapter 3.1.1. "Sales performance", the distribution of sales revenues over the course of the year 2020 differed noticeably from the normal distribution that is typical of A.S. Création because of the coronavirus pandemic. The fourth quarter of 2020, for instance, was not a weak quarter but actually the strongest quarter in the past fiscal year as far as sales revenues are concerned. Consequently, the seasonally typical reduction in trade receivables in Q4 2020 was noticeably lower than in the previous year; at € 25.4 million, A.S. Création's receivables on the balance sheet date therefore exceeded the prior year level (€ 22.5 million). As a result, days of sales outstanding increased to 60 from the previous year's 58 days.

Despite the revenue growth realised in fiscal 2020, inventories on the balance sheet date were below the previous year's level, resulting in slightly improved inventory turnover of 4.2x per year (previous year: 4.1x).

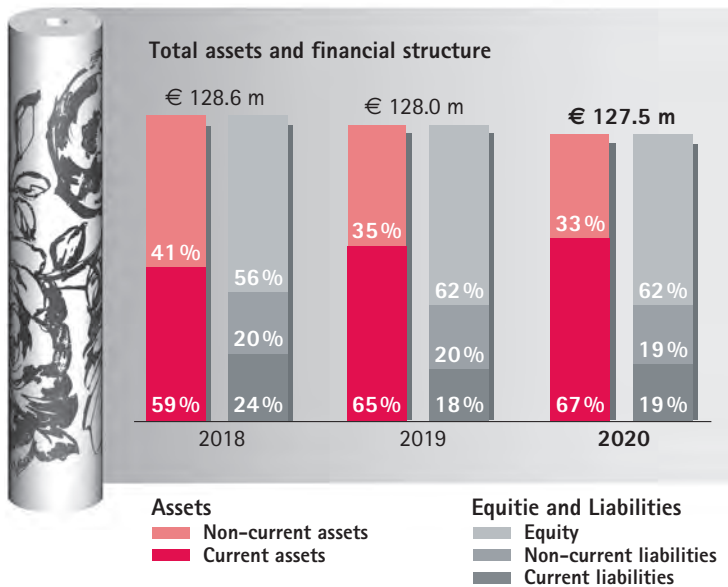
Cash flow from operating activities in the reporting year was more than sufficient to cover the financing requirements resulting from capital expenditures and the dividend payment. As a result, A.S. Création's financial structure continued to improve in the course of the fiscal year 2020. Cash and cash equivalents and current financial assets rose by € 1.3 million from € 20.6 million on December 31, 2019 to € 21.9 million on the balance sheet date.



At the same time, financial liabilities were reduced by € 4.0 million from € 14.5 million to € 10.5 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 € 11.4 million as of December 31, 2020, which exceeded the € 6.1 million reported in the balance sheet for the period ended 31 December 2019 by € 5.3 million.

3.2.3. Balance sheet structure

A.S. Création's conservative financing policy is characterised by long-term debt at fixed interest rates as well as by repayments during the term of the loans and has proven its worth during the past years. As a result, A.S. Création's financial structure is robust,



as evidenced by following balance sheet figures:

- With equity amounting to € 78.9 million at December 31, 2020 (previous year: € 79.4 million), A.S. Création has an equity ratio of 61.9% (previous year: 62.1%), which in the opinion of the Managing Board is an exceptionally high level.
- Equity and non-current liabilities are more than sufficient to finance non-current assets. Because of the moderate reduction in non-current assets, the respective ratio improved to 246.0% as at December 31, 2020 (previous year: 237.3%).
- On balance, A.S. Création is not indebted but has a net credit position. As described

in Chapter 3.2.2. "Cash flow statement and net financial liabilities", this position was increased in the course of 2020 to € 11.4 million on December 31, 2020 (previous year: € 6.1 million).

As of December 31, 2020, the Group's total assets amounted to € 127.5 million (previous year: € 128.0 million) of which 86.6% (previous year: 87.4%) 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 6.7% (previous year: 6.6%) of total assets and 10.8% (previous year: 10.6%) 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

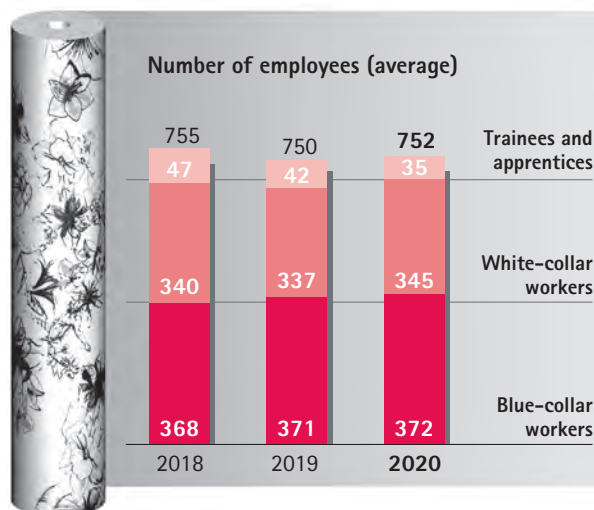
The A.S. Création Group employed an average of 752 people (previous year: 750 people) in the fiscal year 2020. 689 employees (previous year: 686) worked in the Wallpaper Division and 63 (previous year: 64) in the Furnishing Fabrics Division. A majority of 528 people or

70.3% (previous year: 529 people or 70.4%) are employed by the domestic Group companies.

The almost unchanged average headcount in the reporting year is essentially attributable to two opposite effects.

- In connection with the commissioning of the second production facility in Belarus, OOO Profistil hired additional employees in the course of the second half of 2019. As a result, this company employed an average of 116 people in 2020 (previous year: 110), six more than in the same period of the previous year.
- In France, the restructuring of A.S. Création's sales organisation was initiated in 2019. In the reporting year, the three existing distribution companies were merged into a single legal entity named CREALIS S.A.S.. As a result of the restructuring, the average headcount in France was reduced by another 5 people in 2020.

Due to the fact that the headcount remained almost constant while revenues increased by 2.7% at the same time, employee productivity was increased further in 2020. Sales revenues per employee rose by 2.6% from € 0.188 million in the previous year to € 0.193 million in the reporting year. Even though this level does not come close to the historical highs of between € 0.245 million and € 0.250 million,



the Managing Board is satisfied that this key figure has improved for the second consecutive year, after A.S. Création reported the lowest employee productivity in its recent past in the fiscal year 2018, when sales revenues per employee stood at € 0.178 million.

Due to the difficult environment, A.S. Création's traditionally strong vocational training activities were restricted in the fiscal year 2020. In 2020, A.S. Création trained an average of 35 (previous year: 42) young people in one of the 14 occupations for which A.S. Création offers vocational training. At 6.5% (previous year: 7.8%), the number of trainees/apprentices as a percentage of the domestic workforce therefore fell short of the company's target of 7%. 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, A.S. Création wants to keep the percentage of trainees/apprentices in relation to the workforce at a high level of at least 7%.

4.2. Sustainability report

At its meeting on March 18, 2021, 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 2020

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

In the context of the restructuring of the distribution network in France, the former distribution companies A.S. Création (France) S.A.S., SCE – Société de conception et d'édition S.A.S. and MCF Investissement

S.A.S. were merged and the remaining company was renamed CREALIS S.A.S. as of June 1, 2020. The objective of this restructuring is to improve the market positioning of the "A.S. Création", "Lutèce" and "Montecolino" brands in the French wallpaper market and to make them more attractive for the different distribution channels by clearly distinguishing them. In addition, the merger and the related standardisation of internal processes will lead to a more efficient organisation in the interest of the French customers.

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 contact and travel restrictions and the lockdowns imposed in the context of the coronavirus pandemic have changed both society and the economy; this process of change is not yet over. In 2020, wallpapers and furnishing fabrics, as well as other interior design and furnishing products, benefited from people's growing appreciation of their own

homes (hiving/cocooning), the increasing amount of time people spent at home and the change in consumer spending. From the point of view of A.S. Création's Managing Board, however, there is a short and medium-term risk that the economy will slide into an extended recession entailing many insolvencies, growing unemployment and reduced consumer spending. This could entail high potential damage for A.S. Création in the form declining revenues, bad debts and production stoppages resulting from disruptions or interruptions in the supply chains. The Managing Board is of the opinion that the probability of occurrence of such a scenario cannot be reliably assessed at this point in time.

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 over-capacities in the wallpaper industry. Due to the decline in demand in Western Europe seen over the past years 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, which have resulted in excess capacities also in this region. 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. The Managing Board sees high risk potential in this regard,

whose probability of occurrence is considered to be low, though.

A 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 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 com-

panies 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. This means that there is a high potential risk, whose probability of occurrence the Managing Board does not consider to be high, though.

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.

The anti-trust proceedings in Germany and France have been concluded and all penalties have been paid, which means that no more risks arise from this. However, there remains a risk that third parties may claim damages, which may adversely affect A.S. Création's results and financial position. The Managing Board considers the probability of occurrence of this risk to be very low, however.

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 on risks from financial instruments, please refer to No. 30 in the Notes to the consolidated financial statements.

7.2.5. 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 seven 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 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 seven of the eight Group companies were audited or reviewed by Ernst & Young in 2020.

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 completeness 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.

In Germany the accounts prepared by capital market-oriented companies are audited not only by the auditor to be elected by the Annual General Meeting of Shareholders but additionally also by Deutsche Prüfstelle für Rechnungslegung e.V. (DPR) (Financial Reporting Enforcement Panel, FREP). In this context, companies listed in a selection index (DAX, MDAX, SDAX or TECDAX) are subjected to a random examination every five to four years, with all other companies subjected to such an examination every eight to ten years. In addition, the FREP conducts event-driven examinations whenever there are indications of violations of accounting regulations. In the period from December 2019 to May 2020, the FREP subjected the consolidated financial statements and the Group management report of A.S. Création for the fiscal year 2018 to a random examination and did not identify any accounting faults. It was the second examination of this kind for A.S. Création, and both examinations were completed without any faults being identified. The above mentioned 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.

7.2.6. 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

The outlook for 2021 is subject to great uncertainty, as it is not possible at this point in time to reliably estimate what impact the ongoing coronavirus pandemic and the measures taken to fight it will have on society and the economy. It is also difficult to assess the political and economic effects that the realignment of the international balance of power between the USA, China, Russia, the EU and the emerging countries will bring. Most forecasts nevertheless project a global economic recovery for 2021, based on the assumption that the coronavirus pandemic will be kept under control. The World Bank's most recent downgraded forecast expects the world economy to grow by 4.0% in 2021.

Eurozone GDP is expected to grow by 5.0% in 2021, compared to a 7.3% slump in 2020. This growth will primarily be driven by private consumer spending, which is expected to increase by 5.2%, and by increased corporate investment activity. For Germany, where the

A.S. Création Group generated almost 43% of its revenues in 2020, an economic growth rate of 4.5% and an increase in consumer spending of also 4.5% are projected for 2021. Despite the strong economic growth, the forecasts for the eurozone assume that the jobless rate will increase from 8.0% in 2020 to 8.9% in 2021, with Germany's jobless rate expected to climb from 6.0% to 6.6%. One of the reasons is the increase in company insolvencies that is expected in spite of the numerous economic stimulus and aid packages. Estimates for Germany assume that the number of insolvencies in Germany will exceed the pre-COVID level of the year 2019 by about 24% in 2021.

A slower recovery is projected for Eastern European countries outside the European Union. A GDP growth rate of between 2.5% and 3.5% is projected for Russia – which, together with China, is one of the world's two biggest wallpaper markets – for 2021, which means that the Russian economy will probably not recover from the coronavirus crisis before 2022. At 4.7%, the increase in private consumer spending in 2021 is likely to be quite strong, as major catch-up effects are expected. The Russian rouble should appreciate against the euro in the course of 2021, as the Russian currency is believed to be supported not only by the slight recovery in Russia but also by a rising oil price.

Where commodity and energy prices in 2021 are concerned, a noticeable upward trend has been evident since the end of 2020. Due to the increased demand resulting from the recovery of the world economy and the reduction in production capacities during the coronavirus crisis, metal prices, in particular, are currently picking up strongly. An upward price trend can also be observed for energy commodities.

Although the macroeconomic environment in 2021 is subject to great uncertainty, the Managing Board of A.S. Création projects a cautiously optimistic scenario for the further development of A.S. Création in 2021. Assuming that the physical retail stores in Germany will reopen in the course of March, that there will be no third COVID-19 wave in the course of the year that would lead to renewed lockdowns in the major European wallpaper markets and that there will only be a moderate price increase for the commodities and energies used by A.S. Création, the Managing Board expects A.S. Création to achieve moderate revenue growth and a further improvement in the results from operations in 2021.

In the fiscal year 2020, A.S. Création's growth was driven by the German market, whereas the revenues generated in all other EU countries merely reached the level of the previous year. The Managing Board does not assume

that Germany will again be a strong growth driver for A.S. Création in the fiscal year 2021. On the one hand, it is not clear when the stationary distribution channels selling wallpapers and furnishing fabrics are allowed to open again. On the other hand, it is impossible to predict in what direction consumer spending will move when the COVID-19 restrictions are gradually lifted. A high savings rate due to fears about the future is just as conceivable as an increase in consumer spending due to catch-up effects. And even if private consumer spending picks up again, it is unclear whether interior design products will again benefit from this or whether consumer spending will focus on other areas, such as restaurants, travel or outdoor activities. From the point of view of the Managing Board, it is therefore uncertain to what extent the revenue declines caused by the strict lockdown imposed in Germany in the first two months of 2021 can be offset in the further course of the year. By contrast, the Managing Board expects revenues in the other EU countries to grow in 2021. This is suggested, on the one hand, by the fact that the distribution channels for wallpapers and furnishing fabrics in the important European wallpaper markets such as the UK and France are open and, on the other hand, by the positive response to the international collections presented in autumn 2020. Finally, the restructuring of the French sales organisation in 2020 should stimulate growth

both in the traditional distribution channels and in online commerce in 2021. On the whole, the Managing Board assumes that A.S. Création will be able to generate slight revenue growth in the EU in 2021. The development of new market segments that can be addressed with the products made on the new digital printing press should also contribute to this growth.

While the non-EU Eastern European markets did not contribute to the growth in Group revenues in the fiscal year 2020 due to the depreciation of the local currencies against the euro, the Managing Board expects them to make a corresponding contribution in 2021. On the one hand, it is planned to expand the production and sales volumes of Profistil, the Belarusian subsidiary. Provided there is no reduction in production volumes due to renewed lockdown, 2021 will be the first year in which the company can utilise the capacity of both its production facilities. Russian distribution company A.S. Création (RUS) should also be able to increase its sales volumes compared to 2020 provided there are no COVID-related closures in the Russian retail sector in 2021. On the other hand, the Managing Board expects the Russian and Belarusian rouble to appreciate against the euro, which means that the planned revenue growth in local currency should also be reflected in euro-denominated Group revenues.

As outlined above, the Managing Board expects adverse effects on the company's operating performance to arise from rising commodity and energy prices in 2021. 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 number of employees will increase in 2021, especially in the commercial sector, as a higher average number of production facilities will be in operation in Germany and Belarus in 2021. On the other hand, the improvement in earnings planned for 2021 will increase the performance-linked compensation. In view of the planned revenue growth, the employee productivity and the personnel expense ratio are nevertheless expected to improve further in 2021. Where other operating expenses are concerned, savings are to be realised in non-revenue-related expenses in 2021. These contrast, however, with an upward price trend in some expense items, e.g. freight expenses. Adjusted for potential currency losses, the ratio of other operating expenses to total output should improve slightly.

The fact that the Eastern European Group companies are mostly financed with debt capital denominated in euros and the increased volatility of the Russian and Belarusian currencies in relation to the euro result in translation related exchange losses or gains. Although these are non-cash items, they have an impact on the reported result of A.S. Création. To reduce the impact of exchange rate fluctuations, the Managing Board intends to adjust the financing structure of the two Eastern European subsidiaries as soon as the value of the Russian and Belarusian rouble against the euro returns to normal. This will reduce the forecast uncertainty with regard to the future results of A.S. Création.

With regard to the key performance indicators, the Managing Board expects the following for 2021:

- Group sales revenues should amount to between € 147 million and € 157 million in 2021, compared to € 144,9 million in the past fiscal year.
- Earnings before interest and taxes should come in at between € 9 million and € 11 million in 2021. 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 compared to 2020, when EBIT amounted to € 8.8 million (excl. currency effects).
- Earnings after taxes from continuing operations – excluding extraordinary factors such as currency effects – could reach between € 6 million and € 7.5 million in 2021, compared to € 5.5 million in 2020.

The above forecasts do not take into account any extreme negative effects that may result from a significant prolongation or tightening of the currently applicable restrictions or from the introduction of new restrictions in the further course of 2021, e.g. as a consequence of a third COVID wave, in the markets that are essential for A.S. Création. The Managing Board is of the opinion that such effects cannot be reliably predicted and quantified at this time. Against this background, there is a certain probability that the above forecasts will have to be adjusted in the further course of 2021.

Despite all the short-term uncertainties and risks, the Managing Board believes that A.S. Création is very well positioned for the medium term, i.e. for post-COVID times.

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

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

- A.S. Création is established in all important distribution channels and is therefore able to respond to market changes. Its own innovative strength provides the basis for rapid adaptation to such changes.
- A.S. Création has a robust financial structure, high internal financial resources and sufficient liquidity to make the necessary modernisation investments in logistics, production and IT. Such investments form the basis for both meeting customers' changing requirements and seizing the new opportunities and possibilities offered by digitisation.

The Managing Board therefore considers the medium-term future prospects of A.S. Création to be positive, regardless of how the fiscal year 2021 will ultimately turn out.

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

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) is published on the website of A.S. Création (www.as-creation.com) under "Investor Relations – Corporate Governance" and in the chapter "Corporate governance statement" of the 2020 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 € 2.500 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 declined

to € 0.816 million in the fiscal year (previous year: € 0.979 million). This is primarily due to the fact that the Managing Board of A.S. Création was reduced from four to three members as of April 1, 2020.

The performance-linked component of the Managing Board compensation increased to € 0.692 million in the fiscal year (previous year: € 0.160 million). 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. The fact that the high consolidated loss after taxes posted for the fiscal year 2017 no longer had to be taken into account in the determination of this assessment basis for the year under review and that A.S. Création was in the profit zone in the fiscal year 2020 – as in the previous year already – led to a strong increase in the assessment basis and, consequently, in the performance-linked component of the Managing Board compensation.

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 the fiscal year 2020, the payments to the external relief fund led to expenses of € 0.067 million (previous year: € 0.072 million).

The table below shows the total compensation of the Managing Board for the fiscal year 2020:

	2020	2019
	€ '000	€ '000
Fixed salary	769	880
Side benefits	47	99
Non-performance-linked component	816	979
Performance-linked component (bonus)	692	160
Annual compensation	1,508	1,139
Payment to an external relief fund	67	72
Pension expenses	67	72
	1,575	1,211

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 14, 2020), the members of the Supervisory Board receive a basic compensation in an amount of € 12,500 in addition to the reimbursement of their expenses. In deviation from

this rule, the Chairman of the Supervisory Board receives three times this amount, while the Vice Chairman of the Supervisory Board and the Chairman of the Audit Committee receive 1.5 times this amount as basic compensation. In addition to this basic compensation, each member of a committee formed by the Supervisory Board receives an amount of € 6,250 for each committee membership. The total compensation for committee work is capped at € 25,000. In accordance with these regulations, the compensation of the Supervisory Board members for the past fiscal year totalled € 168,750 (previous year: € 152,226) and breaks down as follows:

	2020	2019
	€ '000	€ '000
Mr Müller (Chairman)	56	45
Ms Benner-Heinacher (Vice Chairwoman)	25	25
Dr. Hues	31	25
Mr Mourschinetz	13	13
Mr Schmuck	19	19
Dr. Zilkens (since August 9, 2019)	25	6
Mr Schneider (until May 9, 2019)	0	19
	169	152

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 14, 2020), 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, share-

holders' 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 2, 2021

A.S. Création Tapeten AG
The Managing Board

Barth Krämer Suskas

Stock markets in 2020 under the spell of COVID-19

With its massive impact on social and economic life, the coronavirus pandemic was the dominant factor in 2020 and thus also had a strong influence on price movements on the global stock exchanges. While at the beginning of the year the stock markets were clearly marked by the discussions about the economic consequences of Brexit, the worldwide restrictions and lockdowns imposed in response to the first coronavirus wave led to a historic slump in Germany's leading index, the DAX®, which lost about 40% between mid-February and mid-March 2020, falling from approx. 13,750 points to approx. 8,440 points. This was followed by a relatively stable phase of recovery, which lasted until about mid-October, before in particular the second coronavirus wave sent share prices plunging again. However, this plunge was far less severe than the one in spring and was more than offset by strong price gains by the end of the year. The DAX® closed the year 2020 at 13,719 points, 3.7% higher than the 13,234 points with which it had started the year. But Germany's second and third-tier stocks recorded much higher value gains in 2020. The SDAX® and the MDAX®, Germany's small and mid-cap indices, gained 18.0% and 8.8%, respectively.

The fact that, despite the coronavirus shock, 2020 was a positive stock market year in the

end is not only attributable to fundamental company data, which turned out better overall than was feared by the capital markets at the beginning of the COVID-19 crisis. Macroeconomic factors, such as the numerous economic stimulus programmes launched worldwide to mitigate the economic consequences of the pandemic, and political factors, such as the great expectations associated with the outcome of the presidential election in the USA, also had a positive impact. The same applies to the successful development of vaccines,

THE SHARE AND OUR SHAREHOLDERS

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which fuelled hopes for a foreseeable end to the pandemic. With their accommodative monetary policies and negative interest rates, the central banks also continued to make shares appear as an attractive form of investment in 2020. For investors in search of returns, equities will remain the only alternative in the future.

A.S. Création share on an upward trend since November

The A.S. Création share was unable to escape the strong impact of the coronavirus pandemic on the stock markets. Accordingly, the A.S. Création share price showed a very similar



trend to the SDAX® in 2020. After a good start to the year 2020, the A.S. Création share reached its high for the year at € 17.30 already on January 9, which represented a 6.1% increase since the beginning of the year. In the wake of the general stock market slump in February 2020, the A.S. Création share also experienced a steep decline and hit its low for the year of € 9.30 on March 18. In the weeks that followed, A.S. Création attracted attention with positive reports on the successful fiscal year 2019 and the planned dividend payment of € 0.90 per share. The report on the first three months of 2020 published in mid-May and the positive outlook for A.S. Création's business model were also well received by investors, sending the A.S. Création share price rising to € 14.80 by June 11. There-

after, the A.S. Création share showed a slight downward movement until mid-October, i.e. until the general price correction in connection with the second coronavirus wave and thus underperformed the SDAX®, which showed a slight upward trend. It was not until the beginning of November that the A.S. Création share showed a dynamic upward trend again. Building on the published good business figures of A.S. Création for the third quarter of 2020 and the increased earnings forecast for the full year 2020, the price of the A.S. Création share climbed to € 15.50 on December 30, 2020. Compared to the opening price of € 16.30 at the beginning of the year, the A.S. Création share thus lost € 0.80 or 4.9% in 2020 and thus clearly underperformed the SDAX®, which gained 18.0% during the same period. The

A.S. Création share was able, however, to make up for this clear underperformance already in the first two months of 2021, as the share price improved by 25.8% to € 19.50 by the end of February 2021. Apparently, more and more investors are arriving at the conclusion that wallpapers and furnishing fabrics will, in the medium term, benefit from the fact that people are attaching greater value to their own homes again and that A.S. Création will be able to satisfy this demand with its innovative product portfolio. And A.S. Création is also well prepared to benefit from another effect of the COVID-19 pandemic, as its efficient small parts warehouse, its great experience in connecting customers via IT interfaces and its own online shop mean that A.S. Création was and is in a position to swiftly respond to consumers' changing purchasing behaviour. These are the reasons why interest in the A.S. Création share has grown, which is also reflected in the increased trading volume, which, at an average of 1,734 shares per day in the first two months of 2021, clearly exceeded the 1,496 shares per day traded in 2020 on average.

As the chart on previous page shows, the A.S. Création share gained 19.6% and the SDAX® 20.4% between the beginning of January 2020 and the end of February 2021, which represents more or less the same increase in value.

Unsatisfactory market capitalisation

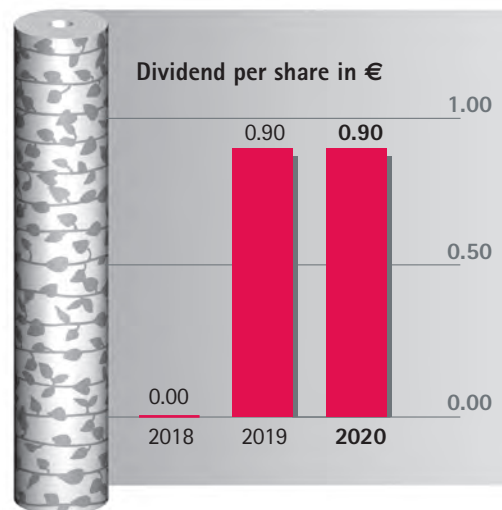
Based on the year-end closing price of € 15.50 and the 2,756,351 shares outstanding as of December 31, 2020, the market values A.S. Création at € 42.7 million. The current market capitalisation corresponds to a 45.9% discount on the equity capital of € 78.9 million carried in the company's balance sheet on December 31, 2020. 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 good results of operation and the positive growth prospects, the current capitalisation of A.S. Création is not satisfactory.

The Managing Board is of the opinion that one of the reasons for this unsatisfactory capitalisation is the major impact of the exchange rate trend of the Russian and Belarusian rouble on A.S. Création's consolidated result. The fact that the Eastern European Group companies are mostly financed with debt capital denominated in euros and the increased volatility of the two currencies in relation to the euro result in translation related exchange losses or gains. Although these are non-cash items, they have an impact on the reported result of A.S. Création. Thus, the company reported earnings per share of € 0.53 for the fiscal year 2020. Based on the year-end price of the

A.S. Création share of € 15.50, this results in a very high price-earnings ratio of 29.2. Adjusted for the non-cash exchange losses of the fiscal year 2020, earnings per share amount to € 1.98 and the price-earnings ratio is a very moderate 7.8. To reduce the impact of exchange rate fluctuations, the Managing Board intends to adjust the financing structure of the two Eastern European subsidiaries as soon as the value of the Russian and Belarusian rouble against the euro returns to normal. This will reduce the forecast uncertainty with regard to the future results of A.S. Création and thus also with regard to the dividend amount for investors. This should have a positive impact on A.S. Création's market capitalisation.

Constant dividend for 2020

A.S. Création's dividend policy has historically provided for a payout ratio of approx. 45% of earnings per share, as long as this is permitted by the company's financial situation. In the fiscal year 2019, earnings per share were influenced by extraordinary income from the sale of operations. Moreover, the Managing Board and the Supervisory Board were of the opinion that it was not possible at the time to reliably predict and quantify the effects of the coronavirus crisis on A.S. Création's financial and earnings position. Against this



background, the May 2020 Annual General Meeting of Shareholders decided to leave a higher proportion of the profit in the company than in the past. The dividend for the fiscal year 2019 of € 0.90 per share corresponded to a payout ratio of 17.5% of the company's earnings per share of € 5.13. Fortunately, the company was able to master the coronavirus crisis very well, which is reflected in a further improved earnings position and a very good financial position of A.S. Création in the fiscal year 2020. After the reduced dividend of the previous year, the Managing Board and the Supervisory Board therefore consider it reasonable to pay out a higher dividend for the fiscal year 2020 than the € 0.24 per share that would result from applying the 45% payout ratio on the company's earnings per share of the fiscal year 2020 in the amount of

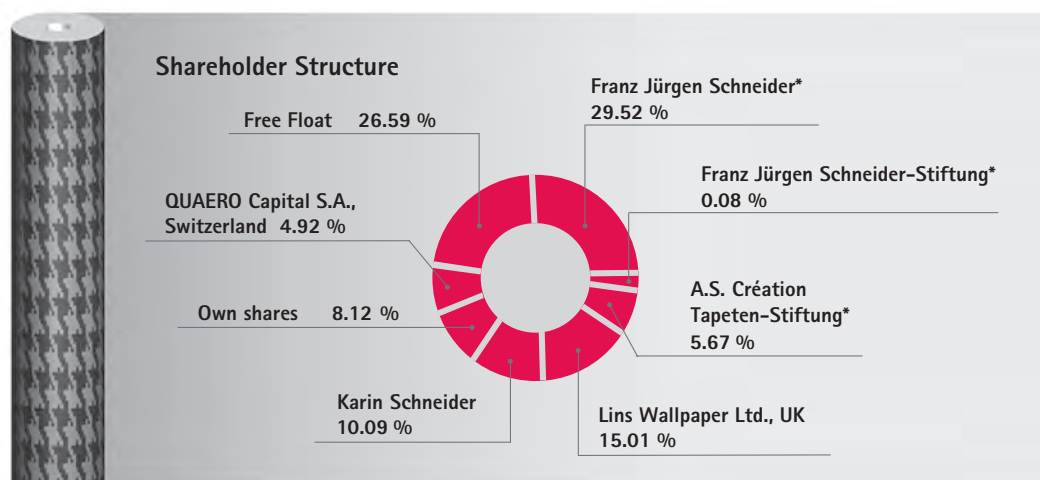
€ 0.53. Accordingly, the Managing Board and the Supervisory Board propose to distribute a dividend of € 0.90 per share for the fiscal year 2020, which would thus remain unchanged from the previous year. The total distribution would thus amount to € 2.5 million.

Increased free float and trading volume

In the course of 2020, the free float increased from 22.6% to 26.6% as HANSAINVEST Hanseatische Investment GmbH, Hamburg, sold its

share in A.S. Création. Together with the generally increased interest in the A.S. Création share, this higher free float sent the daily trading volume rising from an average of 1,141 shares in the previous year to 1,496 shares in 2020. This is the highest trading volume of the A.S. Création share since 2011.

Even with the increased free float, A.S. Création's shareholder structure remains stable. Based on the voting rights notifications received by A.S. Création, the shareholder structure is as follows:



* Pursuant to section 22 (2) WpHG (former version), the voting rights of Mr Schneider, A.S. Création Tapeten-Stiftung and Franz Jürgen Schneider-Stiftung are mutually attributable.

Change to the General Standard

The A.S. Création share is currently admitted to the so-called Prime Standard, a sub-segment of the Regulated Market with extended

follow-up obligations. For years, the Managing Board of A.S. Création has seen a trend toward increasing formal requirements for companies listed in the Regulated Market, which means that the effort associated with a stock

exchange listing is growing constantly. As these formal requirements need to be met regardless of the size of the company, the cost-benefit ratio of the listing for smaller companies like A.S. Création is lower than for larger enterprises. In view of this trend and against the background of the shareholder structure of A.S. Création, the Managing Board has decided to no longer fulfil the additional obligations associated with the voluntary listing in the Prime Standard.

Therefore, the admission of the A.S. Création share to the Prime Standard will end on May 12, 2021, and the A.S. Création share will be listed in the General Standard as of May 13, 2021. As a capital market-oriented company, A.S. Création will thus continue to be subject to the very high regulatory requirements of the Regulated Market. However, requirements beyond this, such as bilingual publications, will no longer be fulfilled.

Key figures of the A.S. Création share		2016	2017	2018	2019	2020
Earnings per share	€/share	2.70	-6.45	-2.17	5.13	0.53
Dividend	€/share	1.25	0.00	0.00	0.90	0.90
Payout ratio	%	46.3	n.a.	n.a.	17.5	169.8
Year-closing-price	€/share	29.86	20.32	10.60	16.10	15.50
High	€/share	32.10	35.13	22.80	16.70	17.30
Low	€/share	24.00	20.32	10.50	10.40	9.30
Shares outstanding (year end)	million	2.756	2.756	2.756	2.756	2.756
Average trading volume *	pieces	667	1,031	768	1,141	1,496
Market value (year-end)	€ '000	82,305	56,009	29,217	44,377	42,723
Equity	€ '000	96,502	75,715	72,233	79,427	78,881
Market value/Equity	%	85.3	74.0	40.4	55.9	54.2
Price-earnings-ratio		11.1	n.a.	n.a.	3.1	29.2
Dividend yield	%	4.2	0.0	0.0	5.6	5.8

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



(Original sample item no. 37855-1)

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CONSOLIDATED FINANCIAL STATEMENTS ACCORDING TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

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This English translation of the annual report 2020 is merely a convenience translation.
The German version is the prevailing one.

A.S. Création Tapeten AG, Gummersbach

Consolidated balance sheet

as per December 31, 2020

Assets			
	Notes No.	31.12.2020 €	31.12.2019 €
Tangible fixed assets	(1)	29,540,809.16	33,883,929.36
Intangible fixed assets	(2)	8,549,082.45	8,398,798.36
Other assets	(3)	965,255.80	245,060.26
Deferred tax assets	(4)	2,808,797.14	1,968,220.86
Non-current assets		41,863,944.55	44,496,008.84
Inventories	(5)	33,540,380.49	34,788,057.56
Trade receivables	(6)	25,372,059.19	22,543,216.12
Other assets	(3)	4,653,012.28	5,272,311.61
Income tax receivables	(7)	146,281.05	250,919.27
Cash and cash equivalents	(8)	21,916,281.16	20,649,318.49
Current assets		85,628,014.17	83,503,823.05
Total assets		127,491,958.72	127,999,831.89

Equity and Liabilities			
	Notes No.	31.12.2020 €	31.12.2019 €
Capital stock		9,000,000.00	9,000,000.00
Capital reserves		13,756,740.32	13,756,740.32
Revenue reserves		60,176,587.03	59,188,530.57
Profit / loss carried forward		-4,431,526.33	-15,030,111.06
Earnings after taxes		1,453,402.45	14,132,733.63
Adjustment for own shares		-4,020,836.57	-4,020,836.57
Currency translation differences		2,946,814.40	2,399,628.65
Equity	(9)	78,881,181.30	79,426,685.54
Financial liabilities (interest-bearing)	(10)	7,936,380.49	10,765,186.65
Other liabilities	(11)	451,038.12	910,016.07
Provisions	(12)	15,702,126.39	14,486,845.51
Non-current liabilities		24,089,545.00	26,162,048.23
Financial liabilities (interest-bearing)	(10)	2,534,014.54	3,766,342.25
Other liabilities	(11)	13,486,329.77	11,291,222.15
Trade payables		5,711,313.22	5,380,140.63
Provisions	(13)	319,342.88	199,680.68
Tax liabilities	(7)	2,470,232.01	1,773,712.41
Current liabilities		24,521,232.42	22,411,098.12
Total equity and liabilities		127,491,958.72	127,999,831.89

A.S. Création Tapeten AG, Gummersbach

Consolidated income statement

for the period from January 1, 2020 to December 31, 2020

	Notes No.	2020 €	2019 €
Sales	(15)	144,868,571.72	141,057,305.87
Increase or decrease in unfinished and finished goods		-382,985.21	74,907.79
Other own work capitalized		0.00	100,031.47
Total output		144,485,586.51	141,232,245.13
Cost of materials	(16)	67,930,439.71	69,917,702.54
Gross profit		76,555,146.80	71,314,542.59
Other income	(17)	1,697,754.50	2,887,527.40
		78,252,901.30	74,202,069.99
Personnel expenses	(18)	38,837,598.92	37,420,618.48
Depreciation	(19)	5,496,730.47	5,715,399.72
Other operating expenses	(20)	29,488,521.76	26,563,306.09
Operating expenses		73,822,851.15	69,699,324.29
Earnings before interest and taxes (EBIT)		4,430,050.15	4,502,745.70
Interest and similar income		19,092.74	44,999.10
Interest and similar expenses		754,564.71	996,702.18
Financial result	(21)	-735,471.97	-951,703.08
Earnings before income taxes		3,694,578.18	3,551,042.62
Income taxes	(22)	2,241,175.73	1,116,480.06
Earnings after taxes from continued operations		1,453,402.45	2,434,562.56
Earnings after taxes from discontinued operations	(23)	0.00	11,698,171.07
Earnings after taxes		1,453,402.45	14,132,733.63
Earnings per share (diluted/undiluted)	(24)	0.53	5.13

A.S. Création Tapeten AG, Gummersbach
Consolidated statement of comprehensive income
for the period from January 1, 2020 to December 31, 2020

	Notes No.	2020 € '000	2019 € '000
Earnings after taxes		1,453	14,133
Items, that will never be reclassified to profit or loss:			
Actuarial gains/losses from pension provisions	(12)	-1,166	-1,633
Deferred taxes on other comprehensive income		364	504
		-802	-1,129
Items, that are or may be reclassified to profit or loss:			
Foreign currency translation differences for fully consolidated companies		547	-521
Foreign currency translation differences for investments accounted for at equity		0	-4,629
Change in fair value of interest rate hedges	(30)	1,069	-938
Deferred taxes on other comprehensive income		-332	291
		1,284	-5,797
Other comprehensive income (outside profit or loss)	(9)	482	-6,926
Total comprehensive income		1,935	7,207

A.S. Création Tapeten AG, Gummersbach
Consolidated statement of changes in equity
for the period from January 1, 2020 to December 31, 2020

	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
January 1, 2019	9,000	13,757	73,345	-21,421	-5,977	-4,021	7,550	72,233
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
December 31, 2019	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
Dividends	0	0	0	-2,481	0	0	0	-2,481
Allocation of retained earnings	0	0	1,054	-1,054	0	0	0	0
Total comprehensive income 2020	0	0	-65	0	1,453	0	547	1,935
December 31, 2020	9,000	13,757	60,177	-4,432	1,453	-4,021	2,947	78,881

A.S. Création Tapeten AG, Gummersbach

Consolidated cash flow statement

for the period from January 1, 2020 to December 31, 2020

	2020 € '000	2019 € '000
Operating activities		
Earnings after taxes	1,453	14,133
+ Depreciation on tangible and intangible fixed assets	5,497	5,715
+/- Increase/decrease in long-term provisions	49	138
-/+ Income/expenses from investments accounted for at equity	0	-1,910
+ Non-cash increase in financial liabilities	10	23
-/+ Income/expenses from changes in deferred taxes	-902	-459
-/+ Profit/losses from disposal of tangible and intangible fixed assets	171	84
-/+ Profit/losses from the disposal of financial assets	0	-9,788
-/+ Increase/decrease in inventories	376	-942
-/+ Increase/decrease in trade receivables	-3,731	785
+/- Increase/decrease in trade payables	520	-12
-/+ Increase/decrease in other net working capital	3,566	-9,906
Cash-flow from operating activities	7,009	-2,139
thereof from continued operations	(7,009)	(-2,143)
Investing activities		
- Cash outflows for capital expenditures on tangible and intangible fixed assets	-3,724	-5,933
Capital expenditures	-3,724	-5,933
+ Proceeds from credits and bonds granted	0	18,958
+ Proceeds from the disposal of tangible and intangible fixed assets	72	190
Cash-flow from investing activities	-3,652	13,215
thereof from continued operations	(-3,652)	(-5,742)
Financing activities		
- Dividends paid to shareholders of the A.S. Création Tapeten AG	-2,481	0
+/- Raising/repayment of financial liabilities (interest-bearing)	-3,678	-2,816
Cash-flow from financing activities	-6,159	-2,816
thereof from continued operations	(-6,159)	(-2,816)
Net change in cash and cash equivalents	-2,802	8,260
+/- Change in cash and cash equivalents due to exchange rate fluctuations	4,069	499
+ Cash and cash equivalents at January 1	20,649	11,890
Cash and cash equivalents at December 31	21,916	20,649

Further information on the cash flow statement are presented in the notes (see No. 25).

A.S. Création Tapeten AG, Gummersbach

Notes to the consolidated financial statement

for fiscal year 2020

General

A.S. Création Tapeten AG is a joint stock company registered under HRB 39357 with the Register Court of Cologne 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 2020, the following new or revised standards and interpretations had to be observed:

- 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; (Phase 1); first-time adoption for fiscal years beginning on or after January 1, 2020.
- Amendments to IFRS 16 "Leases"; to be adopted from June 1, 2020 for lease concessions granted due to the coronavirus pandemic that reduce lease payments due on or after June 30, 2021.

The new or revised standards and interpretations to be adopted for the first time in the fiscal year 2020 had 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 the fiscal year 2020:

- Amendments to IAS 39 "Financial Instruments: Recognition and Measurement", IFRS 7 "Financial Instruments: Disclosures", IFRS 9 "Financial Instruments", IFRS 4 "Insurance Contracts" and IFRS 16 "Leases" – Interest Rate Benchmark Reform (phase 2); first-time adoption for fiscal years beginning on or after January 1, 2021.
- Annual improvements to IFRS (2018-2020); first-time adoption for fiscal years beginning on or after January 1, 2022.
- Amendments to IAS 1 "Presentation of Financial Statements"; first-time adoption for fiscal years beginning on or after January 1, 2023.
- Amendments to IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors"; first-time adoption for fiscal years beginning on or after January 1, 2023.

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.

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

The table below shows the fully consolidated companies:

No.	Company, location	held by	Share in %	Nominal capital Dec. 31, 2020
Wallpaper Division				
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., Sleenwijk/Netherlands	No. 1	100.0	20,000 €
4.	CREALIS S.A.S., Boves/France	No. 1	100.0	3,432,000 €
5.	000 A.S. Création (RUS), Moscow/Russia	No. 1	100.0	25,000,000 RUB
6.	000 A.S. Création Belrus, Novoselje/Belarus	No. 1	100.0	17,500,000 BYN
7.	000 Profistil, Novoselje/Belarus	No. 1 and No. 6	100.0	16,500,000 BYN
Furnishing Fabrics Division				
8.	Indes Fuggerhaus Textil GmbH, Marienheide/Germany	No. 1	100.0	550,000 €

In the year under review, the two French companies MCF Investissement S.A.S. and A.S. Création (France) S.A.S. were merged into SCE – Société de conception et d'édition S.A.S. and the company was subsequently renamed CREALIS S.A.S.. As a result, the number of fully consolidated subsidiaries of A.S. Création Tapeten AG declined from nine in the previous year to seven.

All financial statements included in the consolidated financial statements were established as of December 31, 2020, and were audited or reviewed by independent chartered accountants, with exception of Notes No. 6.

Currency translation

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

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, 2020	Dec. 31, 2019	2020	2019
Pound Sterling (GBP/€)	0.89903	0.85080	0.88970	0.87777
Russian rouble (RUB/€)	90.68240	69.34060	82.83582	72.31872
Belarus rouble (BYN/€)	3.16800	2.35240	2.78725	2.34228

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.

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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.

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.

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.

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 (so-called 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. If the fair value is positive, they are shown under financial assets, otherwise under financial liabilities. Changes in fair value are recognised through other comprehensive income.

Within inventories, 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 (so-called net realisable value). Finished and unfinished products are reported at the cost of acquisition or production or the lower net realisable value. The cost of production includes not only the directly attributable cost but also the manufacturing and material overhead as well as depreciation. Interest on borrowings is not included in the cost of acquisition or production. All impairments of inventories to the net realisable value as well as all reversals of impairments resulting from increases in the net realisable value are recognised as increase or decrease in the cost of materials or changes in inventories at the time they are incurred. The separate disclosure of the amounts incurred as impairments and reversals of impairments in the reporting period as required by IAS 2.36(e) and (f) cannot be implemented with reasonable effort due to the algorithm used by A.S. Création to calculate impairments and due to the wide product range. Therefore, only the balance of impairments and reversals of impairments is disclosed in the Notes.

Contract assets and contract liabilities as well as trade 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 deter-

mined 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 plus any ancillary costs 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:

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- 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. Furthermore 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
Gross cost of acquisition or production					
Dec 31, 2018	41,375	81,501	21,217	2,483	146,576
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
Dec 31, 2019	42,555	83,238	22,445	2,771	151,009
Addition	403	738	2,310	508	3,959
Reclassification	0	2,666	76	-2,742	0
Disposal	18	781	2,524	0	3,323
Currency adjustment	-1,490	-1,402	-299	-3	-3,194
Dec 31, 2020	41,450	84,459	22,008	534	148,451
Accumulated depreciation					
Dec 31, 2018	24,730	72,677	17,004	0	114,411
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
Dec 31, 2019	25,978	73,124	18,023	0	117,125
Addition	1,227	1,647	2,404	0	5,278
Disposal	18	774	2,293	0	3,085
Currency adjustment	-137	-144	-127	0	-408
Dec 31, 2020	27,050	73,853	18,007	0	118,910
Net book value					
Dec 31, 2019	16,577	10,114	4,422	2,771	33,884
Dec 31, 2020	14,400	10,606	4,001	534	29,541

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. 10.

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
Gross cost of acquisition or production				
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
Dec 31, 2019	832	392	632	1,856
Addition	338	222	147	707
Disposal	0	392	53	445
Currency adjustment	-38	0	0	-38
Dec 31, 2020	1,132	222	726	2,080
Accumulated depreciation				
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
Dec 31, 2019	227	356	265	848
Addition	264	44	193	501
Disposal	0	385	50	435
Currency adjustment	-17	0	0	-17
Dec 31, 2020	474	15	408	897
Net book value				
Dec 31, 2019	605	36	367	1,008
Dec 31, 2020	658	207	318	1,183

(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
Gross cost of acquisition or production				
Dec 31, 2018	5,671	9,604	0	15,275
Addition	158	0	36	194
Disposal	25	0	0	25
Currency adjustment	0	17	0	17
Dec 31, 2019	5,804	9,621	36	15,461
Addition	323	0	149	472
Reclassification	30	0	-30	0
Disposal	195	0	1	196
Currency adjustment	-7	-89	-4	-100
Dec 31, 2020	5,955	9,532	150	15,637
Accumulated depreciation				
Dec 31, 2018	5,398	1,543	0	6,941
Addition	138	0	0	138
Disposal	17	0	0	17
Dec 31, 2019	5,519	1,543	0	7,062
Addition	219	0	0	219
Disposal	191	0	0	191
Currency adjustment	-2	0	0	-2
Dec 31, 2020	5,545	1,543	0	7,088
Net book value				
Dec 31, 2019	285	8,078	36	8,399
Dec 31, 2020	410	7,989	150	8,549

The Wallpaper Division and the Furnishing Fabrics Division, respectively, accounted for € 7.837 million (previous year: € 7.926 million) and € 0.152 million (previous year: € 0.152 million) of total goodwill in an amount of € 7.989 million (previous year: € 8.078 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 2021 and 2022. 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 2023, the

budgeted cash flow before interest and taxes of the year 2022 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 7.2% and 4.8% 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 14.1% for the Wallpaper Division and of over 12.9% for the Furnishing Fabrics Division would indicate the need to recognise an impairment loss.

(3) 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	
	31.12.20 € '000	31.12.19 € '000	31.12.20 € '000	31.12.19 € '000	31.12.20 € '000	31.12.19 € '000
Miscellaneous other assets	5,154	4,940	4,245	4,748	909	192
Deferred charges	464	577	408	524	56	53
	5,618	5,517	4,653	5,272	965	245

Other assets comprise among others VAT refund claims as well as supplier credits. This item also includes contract assets in the amount of € 1.521 million (previous year: € 1.612 million).

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 financial assets:

	2020 € '000	2019 € '000
As of January 1	96	44
Allocation	34	50
Release	9	0
Currency adjustment	9	2
As of December 31	130	96

(4) Deferred tax assets and 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:

	31.12.20		31.12.19	
	Deferred tax assets € '000	Deferred tax liabilities € '000	Deferred tax assets € '000	Deferred tax liabilities € '000
Tangible fixed assets	110	1,646	116	1,856
Intangible fixed assets	21	47	21	47
Inventories	335	38	303	49
Trade receivables and other assets	419	312	227	384
Provisions for pensions	3,125	0	2,766	0
Other provisions	52	0	6	0
Other liabilities	531	4	626	3
Losses carried forward	263	0	242	0
	4,856	2,047	4,307	2,339
Set-off*	-2,047	-2,047	-2,339	-2,339
	2,809	0	1,968	0

* 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.

Tax losses carried forward in an amount of € 11.766 million (previous year: € 12.047 million) exist abroad. No deferred tax assets were recognised for losses carried forward in the amount of € 10.512 million (previous year: € 10.907 million) as well as for temporary differences in the amount of € 0.579 million (previous year: € 0.419 million), as their realisation is not sufficiently certain from today's point of view.

(5) Inventories

Inventories comprise the following:

	31.12.20 € '000	31.12.19 € '000
Raw materials and supplies	4,062	4,230
Unfinished products	316	340
Finished goods and merchandise	29,162	30,218
	33,540	34,788

The table below shows the impairments of inventories as of the balance sheet date:

	31.12.20 € '000	31.12.19 € '000
Gross book values of inventories	45,677	46,231
Impairments	12,137	11,443
Net book value of inventories	33,540	34,788

The table below shows the changes in impairments of inventories:

	31.12.20 € '000	31.12.19 € '000
As of January 1	11,443	12,044
+/- Allocation/ Release	869	-684
Currency adjustment	-175	83
As of December 31	12,137	11,443

(6) Trade receivables

€ 0.003 million (previous year: € 0.010 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:

	31.12.20 € '000	31.12.19 € '000
Gross carrying amount	29,778	26,731
Valuation allowances	4,406	4,188
Net carrying amount	25,372	22,543

The table below shows the value adjustments on trade receivables:

	2020 € '000	2019 € '000
As of January 1	4,188	4,443
Allocation	1,361	1,001
Use	704	584
Release	352	712
Currency adjustment	-87	40
As of December 31	4,406	4,188

The net book value of trade receivables includes receivables for which no itemised allowances were established in the amount of € 24.036 million (previous year: € 22.093 million). The table below shows the maturity structure of these receivables 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, 2019	22,093	19,793	2,008	176	40	76
As of Dec 31, 2020	24,036	21,989	1,714	146	96	91

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

(7) 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.

(8) Cash and cash equivalents

Cash and cash equivalents break down as follows:

	31.12.20 € '000	31.12.19 € '000
Cash in banks	21,863	20,267
Cash on hand, cheques and bills of exchange	53	382
	21,916	20,649

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

(9) Equity

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

As of December 31, 2020, 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 14, 2020), 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, 2020.

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 calculated 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 with a calculated 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. A dividend of € 0.90 per share was paid out for the previous year, which corresponded to a total distribution of € 2.481 million.

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
	€ '000	€ '000	€ '000	€ '000	fully consolidated companies	companies accounted for at equity	€ '000
As of Dec 31, 2018	457	-141	-4,206	1,293	2,921	4,629	4,953
Other comprehensive income 2019	-938	291	-1,633	504	-521	-4,629	-6,926
As of Dec 31, 2019	-481	150	-5,839	1,797	2,400	0	-1,973
Other comprehensive income 2020	1,069	-332	-1,166	364	547	0	482
As of Dec 31, 2020	588	-182	-7,005	2,161	2,947	0	-1,491

(10) Financial liabilities (interest-bearing)

The table below shows the changes in financial liabilities:

	2020 € '000	2019 € '000
Januar 1	14,532	15,257
Cash change	-3,678	-2,816
Non-cash change	-384	2,091
December 31	10,470	14,532

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
Gross cost of acquisition or production				
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
Dec 31, 2019	833	392	632	1,857
Addition	338	222	147	707
Disposal	0	392	53	445
Currency adjustment	-38	0	0	-38
Dec 31, 2020	1,133	222	726	2,081
Accumulated lease payments				
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
Dec 31, 2019	242	385	266	893
Addition	276	45	209	530
Disposal	0	417	48	465
Currency adjustment	-19	0	0	-19
Dec 31, 2020	499	13	427	939
Accumulated interest expenses				
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
Dec 31, 2019	25	32	12	69
Addition	18	1	17	36
Disposal	0	34	3	37
Currency adjustment	-3	0	0	-3
Dec 31, 2020	40	-1	26	65
Net book value				
Dec 31, 2019	616	39	378	1,033
Dec 31, 2020	674	208	325	1,207

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

	31.12.20 € '000	31.12.19 € '000
up to 1 year	2,534	3,766
over 1 year up to 5 years	6,899	8,185
over 5 years	1,037	2,581
	10,470	14,532

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

	31.12.20 € '000	31.12.19 € '000
up to 1 year	439	407
over 1 year up to 5 years	749	604
over 5 years	19	22
	1,207	1,033

Lease payments in the year under review totalled € 0.584 million (previous year: € 0.414 million). This includes € 0.530 million (previous year: € 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 € 0.020 million (previous year: € 0.023 million) in lease expenses for low-value assets and € 0.034 million (previous year: € 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 1.64% (previous year: 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 € 10.470 million (previous year: € 14.532 million), € 9.225 million (previous year: € 12.460 million) are fixed-interest and € 1.245 million (previous year: € 2.072 million) are variable-interest financial liabilities. Of the fixed-interest financial liabilities, € 0.250 million (previous year: € 1.243 million) are hedged by interest rate hedges. Where the variable-interest financial liabilities are concerned, a

€ 1.245 million interest rate hedge (previous year: € 1.740 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 2020 %	31.12.20 € '000	interest rate 2019 %	31.12.19 € '000
of up to 1 year	4.0	2,037	4.3	2,939
of over 1 year up to 5 years	4.5	6,151	5.0	6,940
of over 5 years	3.8	1,037	5.0	2,581
		9,225		12,460

(11) 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	
	31.12.20 € '000	31.12.19 € '000	31.12.20 € '000	31.12.19 € '000	31.12.20 € '000	31.12.19 € '000
Liabilities to employees	5,360	3,989	5,101	3,741	259	248
Liabilities due to social security charges	518	471	518	471	0	0
Liabilities due to other taxes	1,501	1,977	1,501	1,977	0	0
Contract liabilities	3,559	2,785	3,559	2,785	0	0
Miscellaneous other liabilities	2,999	2,979	2,807	2,317	192	662
	13,937	12,201	13,486	11,291	451	910

(12) Long-term provisions

The pension provisions reported under long-term provisions were formed 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:

	31.12.20 %	31.12.19 %
Projected interest rate (discount rate)	0.7	1.1
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	-2,726	1.00	3,672
Projected pension trend	0.25	527	0.25	-501

If the life of the persons entitled to pension were extended by one year, the pension obligation would increase by another € 0.725 million.

The duration of the pension obligation, i.e. the anticipated average capital tie-up period, is 20.6 years.

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

	2020 € '000	2019 € '000
As of January 1	14,696	12,903
Pension payments	-435	-358
Current service cost	326	311
Past service cost	0	-37
Interest cost	160	242
Actuarial losses (+) or gains (-) from changes in the discount rate	1,185	2,023
Other actuarial gains (-) or losses (+)	-15	-388
As of December 31	15,917	14,696

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Of the defined benefit obligations, an amount of € 0.376 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:

	2020 € '000	2019 € '000
As of January 1	209	204
Expected return on plan assets	2	3
Actuarial gains	4	2
As of December 31	215	209

Re-insurance contributions are expected to amount of € 0.020 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:

	2020 € '000	2019 € '000
As of January 1	14,487	12,699
Pension payments and employer contributions	-435	-358
Allocation through profit/loss (income statement)	484	513
Allocation not affecting income (other comprehensive income)	1,166	1,633
As of December 31	15,702	14,487

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	2020 € '000	2019 € '000
Current service cost and benefit payments	Personnel expenses	326	274
Interest cost	Financial result	158	239
		484	513

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

	2020 € '000	2019 € '000
Change in the discount factor	-1,181	-2,021
Change in the biometric assumptions	-2	27
Experience adjustment	17	361
	-1,166	-1,633

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. 18).

(13) 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:

	2020 € '000	2019 € '000
As of January 1	200	116
Currency translation	-25	0
Use	34	91
Release	3	0
Allocation	181	175
As of December 31	319	200

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(14) 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	
	31.12.20 € '000	31.12.19 € '000	31.12.20 € '000	31.12.19 € '000	31.12.20 € '000	31.12.19 € '000	31.12.20 € '000	31.12.19 € '000
from rental and lease agreements	170	155	90	65	80	87	0	3
from order commitments for investments in tangible fixed assets	4,271	310	2,837	310	1,434	0	0	0
	4,441	465	2,927	375	1,514	87	0	3

Notes to the income statement

(15) 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	59,741	53,449	9,664	9,663	-61	-61	69,344	63,051
EU (excl. Germany)	60,990	60,486	1,985	2,121	-21	-27	62,954	62,580
European Union (EU)	120,731	113,935	11,649	11,784	-82	-88	132,298	125,631
Other Eastern Europe	18,289	19,301	56	118	0	0	18,345	19,419
Other countries	9,344	9,406	430	563	0	0	9,774	9,969
Sales (gross)	148,364	142,642	12,135	12,465	-82	-88	160,417	155,019
Reduction in revenues	-14,701	-13,147	-848	-816	1	1	-15,548	-13,962
Sales (net)	133,663	129,495	11,287	11,649	-81	-87	144,869	141,057

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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 € -4,847 million from changes in contract assets and contract liabilities.

These are shown below:

	31.12.19 € '000	Payments € '000	Sales revenues € '000	31.12.20 € '000
Contract assets	1,612	1,197	-1,288	1,521
Contract liabilities	-2,785	2,785	-3,559	-3,559
	-1,173	3,982	-4,847	-2,038

(16) Cost of materials

The cost of materials includes:

	2020 € '000	2019 € '000
Cost of raw materials, consumables and supplies and purchased materials	64,472	65,956
Cost of purchased services	3,459	3,962
	67,931	69,918

(17) 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 € 0.083 million (previous year: € 1.279 million) as well as income from disposals of tangible and intangible fixed assets in an amount of € 0.011 million (previous year: € 0.103 million).

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(18) Personnel expenses

Personnel expenses are comprised as follows:

	2020 € '000	2019 € '000
Wages and salaries	31,672	30,243
Social security contributions and pension expenses	7,166	7,178
	38,838	37,421

Social security contributions and pension expenses include contributions to state pension insurance institutions in an amount of € 2.712 million (previous year: € 2.656 million), allocations to pension provisions in an amount of € 0.326 million (previous year: € 0.274 million) as well as payments to external relief funds and similar pension organisations due to defined contribution plans in an amount of € 0.181 million (previous year: € 0.157 million).

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

	2020	2019
	Persons	Persons
Blue-collar workers	373	371
White-collar workers	344	337
Trainees	35	42
	752	750

(19) 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.

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(20) 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 € 0.182 million (previous year: € 0.187 million) and foreign exchange losses in an amount of € 4.478 million (previous year: € 0.200 million).

(21) Financial result

The financial result includes interest expenses of € 0.158 million (previous year: € 0.239 million), which result from the allocation to pension provisions. For details see No. 12 above.

(22) 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:

	2020	2019
	€ '000	€ '000
Current income tax expenses	3,143	1,576
Deferred taxes	-902	-460
	2,241	1,116

In addition, income taxes in the amount of € 0.039 million were incurred on discontinued operations in the previous year.

At € 2.241 million, total tax expenses (previous year: € 1.155 million) differed by € 1.093 million (previous year: € -3.593 million) from the expected tax expenses of € 1.148 million (previous year: € 4.748 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:

	2020	2019
	€ '000	€ '000
Expected income tax expenses	1,148	4,748
Non-recognition of and allowances from deferred tax assets	546	-124
Tax rate differentials to the overall German tax rate	388	-10
Non-tax-deductible expenses	159	183
Tax expenses/income unrelated to the accounting period	21	-4
Expenses from changes in deferred tax rates	0	-11
Results from investments accounted for at equity	0	-593
Non-taxable income	-11	-3,063
Other tax effects	-10	29
Effective tax expenses	2,241	1,155
Effective tax rate	60.66%	7.56%

The change in the effective tax rate is essentially attributable to the non-recognition of deferred tax assets on losses at Group companies in the reporting year, whereas tax-free income in connection with the sale of the 50% stake in OOO A.S. & Palitra was incurred in the previous year.

(23) Earnings after taxes from discontinued operations

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

	2020 € '000	2019 € '000
Results from investments accounted for at equity	0	1,910
Interest income from shareholder loans	0	124
Income from the disposal of financial assets and other assets	0	9,703
Financial result from discontinued operations	0	11,737
Income taxes	0	39
Earnings after taxes from discontinued operations	0	11,698

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(24) 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
Earnings after taxes	€	1,453,402	14,132,734
Earnings per share	€/share	0.53	5.13
thereof from continued operations	€/share	(0.53)	(0.88)
thereof from discontinued operations	€/share	(0.00)	(4.25)

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

Complementary information

(25) Cash flow statement

Cash flow from operating activities includes the following payments:

	2020 € '000	2019 € '000
Interest received	17	83
thereof from continued operations	(17)	(42)
Interest paid	585	733
Income tax paid	2,387	274

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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:

	2020 € '000	2019 € '000
Raising of financial liabilities	8	290
Repayment of financial liabilities	-3,686	-3,106
of which from leases	(-530)	(-370)
	-3,678	-2,816

In the previous year, cash flow from financing activities included 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.

(26) 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	
	2020	2019	2020	2019	2020	2019	2020	2019
	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000
External sales	133,608	129,438	11,261	11,619	0	0	144,869	141,057
Intra-Group sales	55	56	26	30	-81	-86	0	0
Total sales	133,663	129,494	11,287	11,649	-81	-86	144,869	141,057
EBITDA ¹	9,442	9,747	485	471	0	0	9,927	10,218
EBITDA-margin	7.1%	7.5%	4.3%	4.0%			6.9%	7.2%
Depreciation	5,286	5,484	211	231	0	0	5,497	5,715
EBIT ²	4,156	4,263	274	240	0	0	4,430	4,503
EBIT-margin	3.1%	3.3%	2.4%	2.1%			3.1%	3.2%
Interest income ³	33	62	0	0	-14	-17	19	45
Interest expenses	702	934	67	80	-14	-17	755	997
Earnings before taxes ³	3,487	3,391	207	160	0	0	3,694	3,551
Return on sales (before taxes) ³	2.6%	2.6%	1.8%	1.4%			2.5%	2.5%
Income taxes ³	2,175	1,065	66	50	0	0	2,241	1,115
Capital expenditures ⁴	3,666	5,836	58	97	0	0	3,724	5,933
Cash flow ³								
from operating activities	5,860	-2,554	1,149	411	0	0	7,009	-2,143
from investing activities	-3,626	-5,685	-26	-57	0	0	-3,652	-5,742
from financing activities	-5,334	-2,452	-825	-364	0	0	-6,159	-2,816
Segment assets 31.12. ⁵	97,035	99,055	5,610	6,105	-24	-29	102,621	105,131
thereof non-current assets	(37,810)	(41,229)	(1,245)	(1,299)	(0)	(0)	(39,055)	(42,528)
Segment liabilities 31.12. ⁶	18,374	16,510	1,618	1,300	-24	-29	19,968	17,781
Employees (average)	689	686	63	64			752	750

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 other 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.

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

The breakdown of Group sales by region is shown in paragraph 15 (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	
	31.12.20 € '000	31.12.19 € '000	31.12.20 € '000	31.12.19 € '000	31.12.20 € '000	31.12.19 € '000
Germany	66,389	62,902	44,063	43,864	22,326	19,038
EU (excl. Germany)	21,934	20,646	12,721	11,447	9,213	9,199
Other Eastern Europe	14,298	21,583	6,782	7,292	7,516	14,291
	102,621	105,131	63,566	62,603	39,055	42,528

(27) Research and development expenses

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In the past fiscal year, € 2.137 million (previous year: € 2.160 million) were spent on the development of new designs.

(28) Contract fulfilment costs

In the reporting year, contract fulfilment costs as defined in IFRS 15 amounted to € 1.740 million (previous year: € 1.823 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.

(29) Audit expenses

In the past fiscal year, € 0.270 million (previous year: € 0.210 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 € 0.265 million (previous year: € 0.205 million) as well as an additional € 0.025 million (previous year: € 0.032 million) for tax consulting services, € 0.029 million (previous year: € 0.003 million) for other services and € 0.001 million (previous year: € 0.002 million) for other confirmation services.

(30) Risks from financial instruments

€ 1.245 million or 11.9% (previous year: € 2.072 million or 14.3%) of the total interest-bearing financial liabilities of € 10.470 million (previous year: € 14.532 million) represent variable-interest loans. Of the variable-interest financial liabilities, an amount of € 1.245 million (previous year: € 1.740 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 (so-called interest rate cap). Accordingly, a rise in interest rates by one percentage point would increase interest expenses by € 0.005 million and reduce earnings after taxes by € 0.003 million. Most of the fixed-interest loans are medium-term or long-term loans and are repaid during their terms (see Notes No. 10). 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 (so-called hedge accounting). Accordingly, the negative market values resulting from these hedges (after deferred taxes) in the amount of € -0.001 million (previous year: € -0.332 million) as well as the positive market values (after deferred taxes) in the amount of € 0.407 million (previous year: € 0.001 million), i.e. a total amount of € 0.406 million

(previous year: € -0.331 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 € 0.737 million (previous year: € -0.647 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 € 25.372 million (previous year: € 22.543 million), € 6.359 million or 25.1% (previous year: € 5.787 million or 25.7%) were accounted for by the five largest debtors as of the balance sheet date. 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 € 21.916 million (previous year: € 20.649 million) and unused credit lines of € 7.680 million (previous year: € 9.098 million). Liquidity bottlenecks are not expected.

(31) 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	
	31.12.20 € '000	31.12.19 € '000	31.12.20 € '000	31.12.19 € '000	31.12.20 € '000	31.12.19 € '000	31.12.20 € '000	31.12.19 € '000
Trade receivables	25,372	22,543	–	–	25,372	22,543	25,372	22,543
Other receivables	1,233	1,480	–	–	1,233	1,480	1,233	1,480
Cash and cash equivalents	21,916	20,649	–	–	21,916	20,649	21,916	20,649
Loans and receivables measured at amortised cost	48,521	44,672	–	–	48,521	44,672	48,521	44,672
Financial liabilities	9,263	13,499	–	–	9,263	13,499	10,304	14,942
Other liabilities	3,866	2,981	–	–	3,866	2,981	3,866	2,981
Trade payables	5,711	5,380	–	–	5,711	5,380	5,711	5,380
Liabilities from lease agreements	0	0	1,207	1,033	1,207	1,033	1,207	1,033
Financial liabilities measured at amortised cost	18,840	21,860	1,207	1,033	20,047	22,893	21,088	24,336
Financial derivative at fair value through other comprehensive income	588	–481	–	–	588	–481	588	–481

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.

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. 30), 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 € 1.260 million (previous year: € 0.359 million) resulted from bad debts and the change in financial asset write-downs.

Interest income totalling € 0.017 million (previous year: € 0.164 million) and interest expenses totalling € 0.595 million (previous year: € 0.755 million) resulted from the financial instruments in fiscal year.

(32) 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 61.9% on December 31, 2020 (previous year: 62.1%). 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, 2020, the debt-to-equity ratio was 246.0% (previous year: 237.3%). 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.

(33) Managing Board

The Managing Board had the following members in FY 2020:

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

As of the balance sheet date, members of the Managing Board held 2,483 shares (previous year: 2,633 shares) in the company.

(34) Supervisory Board

In FY 2020, the Supervisory Board was comprised as follows:

	Profession practised	Supervisory Board member
Jochen Müller Chairman	Graduate engineer	WKW Corporation, Velbert SURTECO GROUP SE, Buttenwiesen (Germany)
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	Executive Partner of Zilkens Fine Arts Insurancebroker GmbH, Cologne	Alberdingk-Boley GmbH, Krefeld

As of the balance sheet date, members of the Supervisory Board held 2,400 shares (previous year: 1,900 shares) in the company.

(35) Compensation of the Board / Loans to the Board

The annual salaries of the Managing Board members in fiscal 2020 totalled € 1.508 million (previous year: € 1.139 million). In addition, the payments to a relief fund resulted in net expenses in an amount of € 0.067 million (previous year: € 0.072 million).

The compensation of the Supervisory Board members in fiscal 2020 totalled € 0.169 million (previous year: € 0.152 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 € 2.234 million (previous year: € 2.247 million) as of the balance sheet date.

The compensation of former members of the Managing Board and their surviving dependents amounted to € 0.568 million (previous year: € 0.128 million).

(36) Related party transactions

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

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 Mr Schneider in A.S. Création Tapeten AG – like the share of A.S. Création Tapeten Stiftung and the share of Franz Jürgen Schneider-Stiftung – amounts to 35.27%.

In the year under review, the Supervisory Board of A.S. Création Tapeten AG concluded a contract with Mr Schneider, founder of the company, for consulting services on issues related

to the current strategic challenges resulting from the market trend and, in particular, the coronavirus pandemic. The compensation under the consultancy contract is based on an hourly rate customary in the market and the proven time commitment. In the reporting year, expenses for these consulting services amounted to € 5,000 (previous year: € 0).

In the year under review, the non-profit A.S. Création Tapeten-Stiftung received a donation of € 0.025 million (previous year: € 0.015 million) from A.S. Création Tapeten AG in support of its work.

(37) Declaration of conformity with the German Corporate Governance Code

On January 26, 2021, the Managing Board and the Supervisory Board issued the declaration of conformity for the fiscal year 2021 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.

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(38) 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 18, 2021.

Gummersbach, March 2, 2021

A.S. Création Tapeten AG

Der Vorstand

Barth 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, 2020, 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, 2020 to December 31, 2020, 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, 2020 to December 31, 2020. 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.

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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, 2020 and of its earnings position for the fiscal year from January 1, 2020 to December 31, 2020 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, 2020 to December 31, 2020. 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.

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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. 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. Recognition and deferral 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 the possibility of manual intervention in the revenue recognition process and the complexity of key account contracts, the proper recognition and deferral of revenues are subject to an increased risk of incorrect accounting. Against this background, we determined the recognition and deferral of revenues 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 accrual-based recognition of revenues and the accrual of revenue deductions not yet invoiced at the reporting date. To counter-act the risk that incorrect manual revenue

entries could be made 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 examined the entire database for manual entries made in the course of the year and performed random checks of the database to determine whether manual entries in the course of the year were made correctly with regard to their plausibility and amount. 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. To check the correctness of the accrual of revenue deductions not yet invoiced at the reporting date, we carried out random checks of issued credit notes. With the help of analytical evaluations of the complete revenue-relevant database of the fiscal year 2020, 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.

Our procedures did not lead to any reservations relating to the recognition and deferral 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 revenues" 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

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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

Report on the audit of the electronic reproductions of the consolidated financial statements and the group management report prepared for the purpose of disclosure in accordance with Section 317 (3b) HGB

Audit opinion

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We performed a reasonable assurance audit pursuant to Section 317 (3b) HGB to determine whether the reproductions of the consolidated financial statements and the group management report (hereinafter also referred to as "ESEF documents") contained in the attached file asc_AG_KA_KLB_ESEF-2020-12-31.zip and prepared for the purpose of disclosure comply in all material respects with the requirements of Section 328 (1) HGB on the electronic reporting format ("ESEF format"). In accordance with German legal requirements, this audit covers only the transfer of the information contained in the consolidated financial statements and the group management report into the ESEF format and therefore neither to the information contained in these reproductions nor to any other information contained in the above-mentioned file.

In our opinion, the reproductions of the consolidated financial statements and the group management report contained in the aforementioned attached file and prepared for the purpose of disclosure comply in all material respects with the requirements of Section 328 (1) HGB on the electronic reporting format. Other than this audit opinion and our opinions on the accompanying consolidated financial statements and on the accompanying group management report for the fiscal year from January 1, 2020 to December 31, 2020 included in the "Report on the audit of the consolidated financial statements and the group management report" above, we do not express any opinion on the information contained in these reproductions or on any other information contained in the aforementioned file.

Basis for the audit opinion

We conducted our audit of the reproductions of the consolidated financial statements and the group management report contained in the above-mentioned attached file in accordance with Section 317 (3b) HGB and in compliance with the draft IDW Auditing Standard: "Prüfung der für Zwecke der Offenlegung erstellten elektronischen Wiedergaben von Abschlüssen und Lageberichten nach § 317 Abs. 3b HGB" ("Audit of Electronic Reproductions of Financial Statements and Management Reports Prepared for the Purpose of Disclosure pursuant to Section 317 (3b) HGB") (IDW EPS 410). Our responsibility under this standard is further described in the section "Auditor's responsibility for the audit of the ESEF documents". Our auditing firm has applied the quality assurance system requirements of the IDW Quality Assurance Standard: "Anforderungen an die Qualitätssicherung in der Wirtschaftsprüferpraxis" ("Requirements for Quality Assurance in Auditing Practice") (IDW QS 1).

Responsibilities of the legal representatives and the Supervisory Board for the ESEF documents

The legal representatives of the company are responsible for the preparation of the ESEF documents containing the electronic reproductions of the consolidated financial statements and the group management report in accordance with Section 328 (1) Sentence 4 No. 1 HGB and for marking up the consolidated financial statements in accordance with Section 328 (1) Sentence 4 No. 2 HGB.

The legal representatives of the company are also responsible for the internal controls they consider necessary to enable the preparation of the ESEF documents that are free from material non-compliance, whether due to fraud or error, with the electronic reporting format requirements of Section 328 (1) HGB.

Furthermore, the legal representatives of the company are responsible for submitting the ESEF documents together with the audit opinion and the attached audited consolidated financial statements and audited group management report as well as other documents to be disclosed to the operator of the Federal Gazette.

The Supervisory Board is responsible for monitoring the preparation of the ESEF documents as part of the financial reporting process.

Auditor's responsibility for the audit of the ESEF documents

Our objective is to obtain reasonable assurance about whether the ESEF documents are free from material non-compliance, whether due to fraud or error, with the requirements of Section 328 (1) HGB. We exercise professional judgment and maintain professional scepticism throughout the audit.

We also:

- identify and assess the risks of non-compliance with the requirements of Section 328 (1) HGB, 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 audit opinion;
- obtain an understanding of the internal control systems that are relevant for the audit of the ESEF documents in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these controls;
- assess the technical validity of the ESEF documents, i.e. whether the file containing the ESEF documents meets the requirements of Delegated Regulation (EU) 2019/815, as amended as of the reporting date, regarding the technical specification for that file;
- assess whether the ESEF documents provide a consistent XHTML reproduction of the audited consolidated financial statements and the audited group management report;
- assess whether the mark-up of the ESEF documents with inline XBRL technology (iXBRL) provides an adequate and complete machine-readable XBRL copy of the XHTML reproduction.

Further information pursuant to Article 10 of the EU Audit Regulation

We were elected as group auditor by the Annual General Meeting of Shareholders on May 14, 2020. We were engaged by the Supervisory Board on September 4, 2020. 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 Article 11 of the EU Audit Regulation (long-form audit report).

We have provided the following services which were not disclosed in the consolidated financial statements or the group management report in addition to the audit of the financial statements for the Group entities:

- services in connection with enforcement proceedings;
- tests in connection with packaging;
- agreed investigation activities.

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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 18, 2021

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Galden	Ueberschär
Wirtschaftsprüfer	Wirtschaftsprüfer
[German Public Auditor]	[German Public Auditor]

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March 25, 2021	Analyst conference (virtual)
May 6, 2021	Interim report for the three-month period ended March 31, 2021
May 6, 2021	Annual General Meeting of Shareholders 2021 (virtual)
August 5, 2021	Interim report for the six-month period ended June 30, 2021
November 4, 2021	Quarterly note for the nine-month period ended September 30, 2021

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Cover photo:

The journey continues! Six brand characters present their casual, relaxed way of living. Each in a unique style. They make you want to try out new things and create your own style. No matter where in the world – the new expressive types tell their stories and want to be retold.

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