



2018

ANNUAL REPORT

AS CREATION

A.S. CRÉATION: KEY FIGURES

		2014	2015	2016	2017	2018
Sales	€ '000	189,128	166,515	152,608	143,329	134,485
Earnings before interest and taxes (EBIT)	€ '000	3,306	7,880	5,917	-15,808	-2,885
Earnings before income taxes	€ '000	-5,052	5,622	10,202	-17,776	-5,710
Earnings after income taxes	€ '000	-9,338	3,287	7,435	-17,771	-5,977
Cash-flow from operating activities	€ '000	14,165	17,444	17,095	3,231	3,321
Capital expenditures	€ '000	5,115	5,342	5,014	10,218	8,304
Depreciation	€ '000	9,340	8,645	7,612	6,538	6,060
Non-current assets	€ '000	54,265	50,210	50,270	52,785	52,502
Shareholders' equity	€ '000	86,891	93,188	96,502	75,715	72,233
Non-current liabilities	€ '000	32,730	23,947	22,951	18,060	25,831
Total assets	€ '000	146,162	140,405	140,273	130,714	128,650
Earnings per share	€/share	-3.39	1.19	2.70	-6.45	-2.17
Dividend	€/share	0.00	0.60	1.25	0.00	0.00
Number of employees (average)		822	801	768	761	755



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LOLA

PARIS



METROPOLITAN STORIES

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

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This English translation of the annual report 2018 is merely a convenience translation.
The German version is the prevailing one.

Dear readers, dear shareholders,

I joined A.S. Création Tapeten AG as Chief Executive Officer on November 19, 2018. Needless to say, it is too early to draw a conclusion about the company and about an industry that is new to me after only three months. But my first impressions are positive. First of all, I would like to thank the whole A.S. Création team and especially my three fellow Board members for the friendly and open welcome. I have found a dedicated and motivated team and I am very confident that we will jointly reposition A.S. Création in what is no doubt a very difficult market environment. Moreover, I am impressed by the many

interior design possibilities opened up by wallpapers. It is these benefits of wallpapers which we must communicate more effectively again to the consumer.

To you, dear readers, who have been with A.S. Création for a long time, it is not new that the wallpaper market is characterised by fierce competition for market share for various reasons. I had read a lot about the difficult market environment before I joined A.S. Création. But I still was surprised by two incidents which very graphically illustrate this "competition for market share" shortly after my start at A.S. Création. First, the Association of German Wallpaper Manufacturers reported a decline of approx. 8% in German wallpaper manufacturers' sales in 2018, which affected both their domestic sales and their exports. Second, the insolvency proceedings of Pickhardt + Siebert GmbH were opened in December 2018. As a result, one of the large German wallpaper manufacturers, who looks back on a history of almost 140 years, will be liquidated and disappear from the market.

While A.S. Création was able to hold its ground in this market environment, the company was unable to reach the revenue and earnings targets it had set itself for the fiscal year 2018. Instead of growing its revenues, the Group recorded a decline by approx. 6% from € 143.3 million in the previous year

to € 134.5 million in 2018. Although our operating performance improved noticeably, A.S. Création posted a net loss of € -2.9 million for 2018 (previous year: € -15.8 million). This means that we were unable to return A.S. Création to profit and that we will again be challenged in 2019 to stabilise our business and – most importantly – to make it profitable.

Although our performance in FY 2018 was not satisfactory, the year showed some positive aspects, on which we need to build. At the Heimtextil trade fair in January 2018, we introduced our consumer campaign entitled "Bude 2.0". The campaign used TV commercials, social media messages and billboards to show what a wonderful role wallpapers can play in modern life for very different lifestyles and how they can support the lifestyle of each individual. This campaign went down very well with German retailers, who continued the campaign at the point of sale with displays and posters. As a result, the campaign ensured very good visibility of our "Bude 2.0" wallpaper collection and, consequently, resulted in good sales. This campaign, which was made for the German-speaking market, was one of the main reasons for our excellent start to the year 2018 in Germany, where revenues increased by 4.1% in the first half of the year – in what was actually a declining market. We had no similar campaign to stimulate our sales in the international markets in 2018, which would have

allowed us to defy the negative market trend. Consequently, A.S. Création remained below both the prior year sales figures and our own plans in the international marketplace. To make things worse, a large-scale order from an international key account, which had been firmly planned for 2018, was postponed to 2019. In the first half of 2018, the 4.1% increase in domestic revenues was thus offset by a 9.5% drop in international revenues, most of which was attributable to EU countries (excl. Germany).

While the first six months were marked by some positive aspects, the second half of the year was absolutely disappointing in terms of revenues, as all regions reported declining sales. Consequently, A.S. Création recorded an 8.7% drop in sales revenues in the second half of 2018. Besides the end of the advertising campaign, the long and hot summer certainly also played an important role in this downward trend in the second half of 2018. After all, who wants to renovate their home in this kind of weather?

Even though A.S. Création's total revenues declined by 6.2% from € 143.3 million in the previous year to € 134.5 million in 2018, the past year has shown that wallpapers offer great opportunities if they are presented to end users in the right way, i.e. as a modern lifestyle product with excellent processing properties.

Both A.S. Création as a manufacturer and our retail partners are challenged to communicate this message to the consumer. I am absolutely convinced that we must move A.S. Création in this direction and that strategies which focus on aspects such as weight, roll diameter or other technical specifications as a selling proposition will be a dead-end street. We have therefore further developed the "Bude 2.0" consumer campaign, which was so successful in Germany, to facilitate its international use. The result is our new campaign, "Metropolitan Stories", which we presented at the Heimtextil trade fair in January 2019. Instead of different individuals who each represented a specific lifestyle in the "Bude 2.0" campaign, "Metropolitan Stories" reflects the flair and the lifestyle of six big European cities: Amsterdam, Berlin, Copenhagen, London, Milan and Paris. Matching wallpapers are assigned to each of these cities, allowing consumers to bring the flair of the city with which they identify most into their own homes. This year's Annual Report features pictures of the campaign and of one matching wallpaper for each of the cities to give you a better idea of the new campaign, of which we expect a lot internationally in 2019.

As mentioned earlier, the return to profitable growth is the major challenge we are facing. Besides the excellent response to our new "Metropolitan Stories" consumer campaign,

we see the following starting points that we should address to master this challenge:

- The year 2018 has shown that, even in a market environment characterised by fierce price competition, there is room for higher-quality brands and marketing concepts. Our VERSACE licensed collection remains in high demand in many countries and our successful "Bude 2.0" collection was deliberately not targeted at the aggressively priced market segment. These positive experiences will influence our future brand, product and sales policies, where we must sharpen the profile of A.S. Création.
- The first printing line in our new production facility in Belarus was taken into operation in March 2018 and the first revenues were generated in April 2018. The second production line is scheduled to be installed by the end of June 2019 to double the plant's production capacity. It is now the task of the sales organisation to leverage the new customer relationships established in the course of 2018 as well as the newly developed products to generate additional revenues in 2019.
- The reorganisation of our Russian sales organisation completed in 2018, which merged the export activities in Germany

and the sales activities in Russia and helped streamline the customer structure, the product portfolio and the organisational structure, already had the first positive effects in the past fiscal year. 2019 will see our team focus entirely on the development of the product portfolio and the expansion of the customer relationships. Consequently, we expect revenues in this region to pick up in 2019.

- We continued to improve our cost structures in 2018. In spite of the start of production at our Belarus facility, which increased the average headcount by 57 people in 2018, the total number of employees of the A.S. Création Group declined moderately from 761 to 755. Personnel expenses were down on the previous year both in absolute terms and as a percentage of total output. Other operating expenses as a percentage of total output also reflect the improved cost structures. With these improvements, A.S. Création would have been profitable – as planned – in 2018 if we had reached our revenue targets. Against the background of the actual drop in revenues, the measures taken in 2018 were insufficient, resulting in an operating loss of € -2.9 million for the past fiscal year. Even if we ignore one-time effects contained in the operating result, A.S. Création still posted a loss of € -1.3

million in 2018. But we have started the new fiscal year with the improved cost structure and will take further measures in 2019.

The renewed drop in revenues in 2018 and the second loss-making year in a row very clearly show that A.S. Création remains in a difficult situation. This is also reflected in the price of the A.S. Création share, which almost halved from € 20.32 to € 10.60 in 2018. As at December 31, 2018, the capital market valued our company at only € 29.2 million, although A.S. Création's equity capital amounted to € 72.2 million on the balance sheet date and the maximum amount of the penalties that may result from the two antitrust proceedings in Germany and France is already recognised in this amount. I believe that this valuation reflects the prevailing uncertainty about the amount of the revenues and the rate of return A.S. Création will be able to generate in the dramatically changing wallpaper market in the medium term – or in other words, the uncertainty about the future strategic positioning of A.S. Création.

The coming months will see me and my fellow Board members as well as the managers and executives of A.S. Création focus on defining and shaping this strategic positioning. In view of the relatively short period of time that has passed since I took up office, I ask for your

understanding that I cannot disclose more details at this stage, as this would simply be too early. What I can say from my first impressions, however, is that brand management, the possibilities opened up by the digital printing technology and the direct communication with the end user will be the key elements of our future strategy.

In the short term, i.e. in the fiscal year 2019, we want to initiate the turnaround for A.S. Création and generate revenues of between € 135 million and € 140 million and return to profit with earnings before interest and taxes of between € 1 million and € 2 million. While this is certainly not a satisfactory level of earnings for A.S. Création, it is the foundation on which a new positioning and, consequently, sustainable profitable growth can be based.

I would be pleased if you, dear shareholders, would remain loyal to the company in spite of the disappointing performance in the past fiscal years and would give me and my fellow Board members the opportunity to reposition the company in these troubled times.

Before I finish, I would like to say a few words about Mr Schneider's decision to resign from his role as Chairman of the Supervisory Board of A.S. Création after the next Annual General Meeting of Shareholders on May 9, 2019 for reasons of health. While we fully understand his decision, we deeply regret his departure, which will be a sea-change for A.S. Création. In his capacity as company founder, long-serving CEO and Chairman of the Supervisory Board, Mr Schneider shaped the company like no-one else and was instrumental in making it the No. 1 in the European wallpaper market. We therefore owe Mr Schneider our deep respect and gratitude and wish him all the best for the future.

Gummersbach, February 21, 2019



Daniel Barth
Chairman of the Managing Board

Managing Board

Daniel Barth
(since November 19, 2018)
Chairman

Roland Bantel
Sales and Marketing

Maik Krämer
Finance and Controlling

Antonios Suskas
Production and Logistics

MANAGING BOARD AND SUPERVISORY BOARD

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Supervisory Board

Franz Jürgen Schneider ^{1),2),3)}
Chairman

Jella Susanne Benner-Heinacher ³⁾
Vice Chairwoman

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

Peter Mourschinetz
Employee representative

Jochen Müller ^{1),3)}

Rolf Schmuck ²⁾
Employee representative

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 € 20.32.

At the "Heimtextil" exhibition in Frankfurt am Main, A.S. Création presents the "Neue Bude 2.0" consumer campaign. Under the motto "Wallpaper. For a beautiful home.", four different characters represent individual wall designs with a creative flair.

March The new wallpaper production facility of OOO Profistil, Minsk/Belarus, is taken into operation on March 21.

Start of the TV commercials of the "Neue Bude 2.0" consumer campaign.

June The "Neue Bude 2.0" campaign wins the German Brand Award 2018 in the "Interior & Living" category.

14 HIGHLIGHTS 2018

September Building on the success of the first "Designschungel" collection, blogger Laura Noltemeyer creates a second wallpaper collection. Mosaics, geometric patterns and bohemian-style wall outfits in stylish black, white, gold, silver and copper as well as soft mint and rose shades give the collection a personal style and an unmistakable, casual elegance.

November Mr Daniel Barth joins the Managing Board of A.S. Création Tapeten AG as an additional member and is appointed Chairman with effect from November 19.

December The court of appeal announces the verdict in the French antitrust proceedings and confirms the penalties of € 5.0 million originally imposed by the French competition authorities.

The A.S. Création share ends the year 2018 at € 10.60 on December 28.

The Supervisory Board held six meetings in the fiscal year 2018, namely on March 9, 2018, May 2, 2018, May 3, 2018, August 28, 2018, October 25, 2018 and December 13, 2018. Each of these meetings was attended by all members of the Supervisory Board. There were no changes on the Supervisory Board in the fiscal year 2018.

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.

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

- the Committee for Managing Board Matters, composed of Franz Jürgen Schneider (Chairman), Dr. Volker Hues and Jochen Müller,
- the Audit Committee, composed of Dr. Volker Hues (Chairman), Rolf Schmuck and Franz Jürgen Schneider and
- the Nomination Committee, composed of Jella Benner-Heinacher, Jochen Müller and Franz Jürgen Schneider.

The committees prepare the resolutions to be passed by the Supervisory Board as well as the

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

The **Committee for Managing Board Matters**, which is responsible for the preparation of the Managing Board contracts as well as for other personnel matters, held two meetings in the

REPORT OF THE SUPERVISORY BOARD

fiscal year on March 9, 2018 and August 28, 2018. In particular, the Committee reviewed and discussed the performance-linked compensation of the Managing Board for the fiscal year 2017; in this context, the Committee referred to a resolution adopted at the meeting of March 9, 2018 and recommended to the Supervisory Board not to pay out performance-linked compensation to the Managing Board members for the fiscal year 2017 in accordance with the regulations in the current management contracts and, at the same time, to review the regulations for the performance-linked compensation. This review was initiated in the further course of the fiscal year and supported by the Committee for Managing Board Matters, primarily at its meeting on

August 28, 2018. The aim is to agree a new regulation for the performance-linked compensation in future management contracts of Managing Board members. The Committee also addressed the decision of Maik Holger Krämer to resign from his role as Chairman of the Managing Board and recommended to the Supervisory Board to expand the Managing Board by another member and to appoint this member Chairman of the Managing Board. The corresponding search and selection process was organised and supported by the Committee.

The **Audit Committee**, which is primarily responsible for reviewing and auditing the financial statements and the consolidated financial statements, the interim report and the quarterly reports as well as for monitoring the effectiveness of the internal risk management system, met twice in the fiscal year, on March 8, 2018 and on August 28, 2018. Both meetings were attended by representatives of the auditors, Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, and Maik Holger Krämer as representative of the Managing Board. The Chairman of the Audit Committee, Dr. Volker Hues, is an independent financial expert and has special knowledge and experience in accounting and auditing. At its meeting on March 8, 2018, the Audit Committee primarily dealt with the audit of the separate and consolidated financial statements for the year 2017 as well as the two management

reports and the non-financial report and discussed the report of the Supervisory Board and the corporate governance statement as well as the corporate governance report, the recommendation of the Supervisory Board regarding the proposal for the auditors of the financial statements and the consolidated financial statements for the year 2018 as well as the monitoring of the effectiveness of the internal control systems. At the meeting on March 8, 2018, the Audit Committee also addressed the coming into force of the General Data Protection Regulation and its implementation in the organisation.

At its meeting on August 28, 2018, the Audit Committee dealt with the latest risk report of the Managing Board as well as with the state of the compliance management measures at A.S. Création Tapeten AG, on which the Head of Legal and Compliance reported to the Audit Committee. The Audit Committee also decided to continue the external routine reviews of the internal control systems of the Group entities in 2019 by reviewing the internal control systems of A.S. Création Tapeten AG. Other items on the agenda included the key audit matters for the 2018 audit as well as the adoption of a resolution on the key areas of this audit. The Audit Committee defined the following key audit areas for the 2018 audit: review of the documentations relating to the first-time adoption of IFRS 9 (Financial Instru-

ments) and IFRS 15 (Revenue from Contracts with Customers); review of the presentation of the expected effects of the first-time adoption of IFRS 16 (Leases) in the balance sheet; review of the recognition of the assets and liabilities of OOO Profistil in the balance sheet; measurement of inventories.

The **Nomination Committee**, whose tasks include proposing suitable candidates for the election of new shareholder representatives to the Supervisory Board, did not meet in the fiscal year.

The **Supervisory Board** regularly advised the Managing Board on the management of the company and monitored its management activities. The Supervisory Board was directly involved in all decisions that were of fundamental importance for the company. It was informed about the course of business and the situation of the company in written monthly reports as well as in oral and written reports presented by the Managing Board at its meetings. Additional written reports were submitted to the Supervisory Board by the Managing Board on all special events. In addition, the Chairman of the Supervisory Board was regularly informed by the Managing Board in personal meetings.

The Supervisory Board decided on all transactions requiring its approval by law, under

the statutes or under the Managing Board's rules of internal procedure.

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, 2017;
- discussion of the strategic positioning of A.S. Création, taking into account, in particular, the competitive situation, developments in the online commerce sector, the possibilities for making inroads into additional international markets and the possibilities of external growth;
- discussion of the cost structure with special analysis of factors having an adverse impact on earnings as well as measures to be derived to improve earnings;
- discussion of the latest developments in the antitrust proceedings in Germany and France and, in particular, of the decision to lodge an appeal against the verdict issued by the Düsseldorf Supreme Court;
- discussion of the planned further development of A.S. Création's activities in Eastern Europe;

- discussion of the progress made in building up a wallpaper production facility in Belarus;
- expansion of the Managing Board and the appointment of Daniel Barth as Managing Board member for the period from November 19, 2018 to November 18, 2021 as well as his appointment as Chairman of the Managing Board;
- discussion of the Group's plans and budgets for the fiscal years 2019/2020 including the investment plan for 2019;
- preparation of the audit of the separate and the consolidated financial statements for 2018 including the definition of key audit areas as well as preparation of the audit of the non-financial report for the fiscal year 2018 as well as
- resolution on the execution of the next efficiency review of the Supervisory Board in 2019.

The Supervisory Board and the Managing Board jointly issued a declaration of conformity and explained which recommendations of the German Corporate Governance Code have not and will not be adopted.

The financial statements of A.S. Création Tapeten AG prepared by the Managing Board and the consolidated financial statements for 2018, 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 3, 2018 elected Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft auditors of the financial statements and the consolidated financial statements for the fiscal year 2018. 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 2018 on the basis of a resolution adopted on August 28, 2018.

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 6, 2019 and at the Supervisory Board's annual accounts meeting on March 7, 2019. At the latter meeting, the Chairman of the Audit Committee provided the Supervisory Board with an overview of the treatment of the financial statements and the consolidated financial statements by the Audit Committee. Both the Audit Committee meeting and the Supervisory Board's annual accounts meeting were attended by representatives of the auditors, who reported on the key results of their audit. In the context of their audit, the auditors noted, among other things, that potential developments that may jeopardise the continued existence of the company and the Group can be identified and are recorded by the risk management system implemented in accordance with Article 91 (2) of the German Stock Corporation Act (Aktiengesetz AktG) and are properly presented

in the management report of A.S. Création Tapeten AG and the Group management report. The results of the audit were approved by the Audit Committee and the Supervisory Board.

No objections were raised following the Supervisory Board's own review of the financial statements, the consolidated financial statements, the two management reports, the profit appropriation proposal and the non-financial report.

The Supervisory Board therefore approves the financial statements of A.S. Création Tapeten AG and the consolidated financial statements prepared by the Managing Board for the year ended December 31, 2018 as well as the management reports for A.S. Création Tapeten AG and the Group. The financial statements are therefore adopted. The Supervisory Board also supports the Managing Board's profit appropriation proposal.

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 Supervisory Board would like to thank the members of the Managing Board of A.S. Création Tapeten AG and all employees for their commitment to the company, its customers and its shareholders in what was another challenging fiscal year 2018.

I would like to take this opportunity to say goodbye to you, dear readers, as Chairman of the Supervisory Board. Having worked in the wallpaper industry for 51 years, of which 45 years at A.S. Création, I will resign from the Supervisory Board, which I joined in 2001, after the Annual General Meeting of Shareholders on May 9, 2019 for reasons of health. Over the past decades, A.S. Création has gone through many highs and lows. We have seized opportunities and mastered challenges. This was done

on the basis of joint action in the interest of the company and trust in our own abilities. I hope that A.S. Création will continue to be inspired by this spirit, wish the members of the Managing Board and the Supervisory Board every success in the further development of A.S. Création and thank all my companions for the many years of cooperation in this wonderful company.

Gummersbach, March 7, 2019

A.S. Création Tapeten AG

On behalf of the Supervisory Board



Franz Jürgen Schneider

Chairman of the Supervisory Board

CORPORATE GOVERNANCE STATEMENT AND REPORT ON CORPORATE GOVERNANCE

Introduction

In the present statement, the Managing Board and the Supervisory Board of A.S. Création Tapeten AG report on corporate governance in accordance with section 289f, section 315d of the German Commercial Code (Handelsgesetzbuch HGB) and number 3.10 of the German Corporate Governance Code.

Good and responsible corporate governance is today defined by nationally and internationally recognised standards. Efficient cooperation between the Managing Board and the Super-

visory Board, respect of shareholders' interests as well as open and transparent corporate communication are key aspects of good corporate governance. The Managing Board and the Supervisory Board of A.S. Création Tapeten AG have traditionally been committed to these standards.

German Corporate Governance Code

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 normally reviewed once a year against the background of national and international developments and amended if required. The latest amendments were decided by the Government Commission on February 7, 2017 and published in the Federal Gazette on April 24, 2017. 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) and Article 285 (16) of the German Commercial Code (Handelsgesetzbuch HGB) require an annual declaration by the Managing Board and the Supervisory Board in connection with the publication of the financial statements as to which recommendations of the Code have been and are being complied with and which recommendations have not been and are not being applied ("declaration of conformity"). The latest declaration of conformity issued by the Managing Board and the Supervisory Board of A.S. Création Tapeten AG 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 as well as legal regulations an integral element of their work for the company. They regularly

review the relevance of these standards, so that adequate compliance with the standards is ensured for the shareholders, the employees and, last but not least, for the company itself.

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

The latest declaration of conformity was issued on March 7, 2019 with the following wording:

The Managing Board and the Supervisory Board of A.S. Création Tapeten AG declare that the company has complied with the recommendations of the Government Commission on the German Corporate Governance Code published by the Federal Ministry for Justice in the official section of the Federal Gazette (as amended on February 7, 2017 and published on April 24, 2017) since last year's declaration of conformity dated March 9, 2018, save for the following exception and will continue to do so:

- Pursuant to number 4.2.3 of the Code, the variable component of the Managing Board compensation shall have a multiple-year assessment basis that shall have essentially forward-looking characteristics. Moreover, early disbursements of multi-year variable compensation components

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

- Pursuant to number 5.4.1 of the Code the Supervisory Board shall specify concrete objectives regarding its composition which take into account, among other things, an age limit for the members of the Super-

visory Board and a regular limit of length of membership as well as diversity. The Supervisory Board of A.S. Création Tapeten AG is convinced that the proposals for the election of Supervisory Board members should be based exclusively on the functional and personal suitability of the candidates. As this suitability does not depend on formal criteria such as age and the length of membership, the Supervisory Board does not comply with this recommendation of the Code.

Work of the Managing Board and the Supervisory Board

A.S. Création Tapeten AG is a joint stock company under German law. One of the fundamental principles of German Stock Corporation Law is the dual management system comprising a Managing Board and a Supervisory Board, each of which has its own authorities. When it comes to managing and supervising the company, the Managing Board and the Supervisory Board of A.S. Création Tapeten AG cooperate closely and in a spirit of trust.

The members of the Managing Board are appointed by the Supervisory Board, which may also appoint a Chairman of the Managing Board. The Managing Board of A.S. Création

Tapeten AG currently consists of the following members, whose individual and collective responsibilities are regulated by the rules of internal procedure:

- Daniel Barth, Chairman
- Roland Bantel, Sales and Marketing
- Maik Krämer, Finance and Controlling
- Antonios Suskas, Production and Logistics

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

The 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:

- Franz Jürgen Schneider,
Chairman
- Jella Susanne Benner-Heinacher,
Vice Chairwoman
- Dr. Volker Hues
- Peter Mourschinetz,
Employee representative
- Jochen Müller
- Rolf Schmuck,
Employee representative

The terms of office of all Supervisory Board members will expire at the end of the Annual General Meeting of Shareholders that will ratify their acts for fiscal 2020, i.e. presumably in spring 2021. However, Mr Schneider has informed the Supervisory Board in February 2019 that he will resign from the Supervisory Board after the 2019 Annual General Meeting of Shareholders for reasons of health. The Supervisory Board's Nomination Committee has begun to look for a suitable successor to Mr Schneider.

The Supervisory Board of A.S. Création Tapeten AG formed three committees:

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

The committees prepare the resolutions passed by the Supervisory Board as well as the topics to be discussed by it. In addition, the Super-

visory Board has transferred decision-making powers to the committees within the limits of what is legally permissible. The individual tasks and powers are laid down in the rules of internal procedure of the Supervisory Board, which also ensure that the Supervisory Board is informed of the findings and decisions of the committees.

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

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

The task of the Nomination Committee is to propose suitable candidates for the shareholder representatives for elections to the

Supervisory Board. It is exclusively composed of Supervisory Board members elected by the shareholders.

Diversity policy pursuant to section 289f (2) No. 6 HGB

Under section 289f (2) No. 6 of the German Commercial Code (HGB), which was introduced with the CSR Directive Implementation Act in 2017, certain undertakings are obliged, for the first time, to make disclosures on their diversity policy. This is a description of the policy applied by the Managing Board and the Supervisory Board with regard to aspects such as age, gender, educational or professional backgrounds, the objectives of that diversity policy, the manner in which it has been implemented and the results achieved in the reporting period. This new law partially overlaps with the recommendations in number 5.4.1 of the German Corporate Governance Code with regard to the preparation of a profile of skills for the Supervisory Board and the determination of concrete objectives regarding its composition as well as with the regulations in section 76 (4) and section 111 (5) of the German Stock Corporation Act (AktG), which oblige certain undertakings to establish and report on target figures for the share of women on the Managing Board and the Supervisory

Board as well as at the two management levels below the Managing Board.

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 areas 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 shall be stipulated in the contracts of the Managing Board members.
- With regard to diversity regarding the representation of the genders, please refer to the information on the targets for the share of women in the following chapter.

The aim of this diversity policy is to ensure that A.S. Création is led by an effective and efficient Managing Board whose members cooperate in a spirit of trust in the interest of

the company and collectively have the required knowledge, skills and experience to successfully take A.S. Création forward. In the fiscal year 2018, Mr Barth joined the Managing Board of A.S. Création as an additional member. The fact that Mr Barth worked in management positions at renowned consumer goods companies in Germany and abroad means that in particular the Managing Board's international expertise has been strengthened with his appointment. The Supervisory Board is of the opinion that the current composition of the Managing Board meets all 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 should have profound experience in M&A transactions and in the integration of acquisitions.
 - At least one Supervisory Board member should ideally have profound capital markets and corporate governance experience.
 - At least one member must have expertise in accounting or auditing within the meaning of section 100 (5) of the German Stock Corporation Act (AktG).
- Different levels of experience due to age as well as a reasonable age mix should also be considered in the composition of the Supervisory Board. The Supervisory Board remains convinced, however, that the professional and personal qualification does not depend on formal criteria such as age and the length of membership of the Supervisory Board. Consequently, the diversity policy for the Supervisory Board of A.S. Création Tapeten AG does not stipulate any limits for such criteria.
- The composition of the Supervisory Board shall reflect an international dimension in terms of cultural origin, extended period of employment abroad or several years at international enterprises. At least one quarter of the shareholder representatives should ideally have such an international background.
- With regard to diversity regarding the representation of the genders, please refer to the information on the targets for the share of women in the following chapter.

- More than half of the Supervisory Board members should be independent within the meaning of number 5.4.2 of the German Corporate Governance Code, whereby it is assumed that the fact that a member represents the workforce or has an employment contract with the A.S. Création Group is no reason to doubt their independence. Where shareholder representatives and employee representatives on the Supervisory Board are regarded separately, more than half of each group should be independent within the meaning of number 5.4.2 of the German Corporate Governance Code.

- At least half of the shareholder representatives on the Supervisory Board should be free from potential conflicts of interest, especially free from those conflicts which could arise from an advisory role or a role on a governing body of a customer, supplier, lender or other third party.
- Not more than two members of the Supervisory Board should be former members of the Managing Board.

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

and is therefore especially qualified to successfully perform its supervisory and advisory tasks. As outlined above, the current terms of office of all Supervisory Board members will expire at the end of the Annual General Meeting of Shareholders that will ratify their acts for fiscal 2020, i.e. presumably in spring 2021. Consequently, no changes occurred in the fiscal year 2018 with regard to the diversity of the Supervisory Board.

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

Under the "Gesetz für die gleichberechtigte Teilhabe von Frauen und Männern an Führungspositionen in der Privatwirtschaft und im öffentlichen Dienst" ("FührposGleichberG" - Law for the Equal Participation of Women and Men in Leadership Positions in the Private Sector and the Public Sector), which came into force in May 2015, certain companies are obliged to define 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 this percentage. The deadlines for reaching and reviewing the targets can be

chosen freely, with the maximum deadline being five years.

The Supervisory Board has specified a share of women of 16.7% for the Supervisory Board of A.S. Création Tapeten AG, which is to be reached by December 31, 2020. This share corresponds to the current composition of the Supervisory Board, which is composed of one woman and five men. Both the shareholder representatives and the employee representatives on the Supervisory Board intend to make preparations for a further increase beyond the target size during their current term of office, which will end in spring 2021. Regarding the resignation of Mr Schneider from the Supervisory Board after the 2019 Annual General Meeting of Shareholders, as part of the current selection process, the Nomination Committee will examine whether the share of women on the Supervisory Board can be increased in the context of the upcoming unscheduled change on the Supervisory Board.

The Supervisory Board has specified a share of women of 0% for the Managing Board of A.S. Création Tapeten AG, which is to be reached by December 31, 2020. The Managing Board in its current composition has led A.S. Création only since November 18, 2018. As outlined above, the last change on the Managing Board was used to improve its diversity in terms of internationality. It does

not seem to be advisable to further adjust the composition of the Managing Board at the present stage. The Supervisory Board will give special consideration to the aspect of improved diversity on the Managing Board – especially a higher share of women – every time the composition of the Managing Board changes in order to meet its social responsibility. However, the qualification of a candidate will remain the most important criterion for appointments to the Managing Board also in the future.

The Managing Board of A.S. Création Tapeten AG has specified a share of women of 14.3% for the first management level below the Managing Board, which is to be reached by December 31, 2021. The target for the share of women corresponds to the share as at December 31, 2016, as the change of generation was initiated prior to the coming into force of the FührungsGleichberG and was implemented before December 31, 2016. In the course of the year 2018, the share of women at the first management level declined from 14.3% on December 31, 2017 to 0% on December 31, 2018 due to women terminating their employment contracts and suspending their employment because of parental leave. The Managing Board will therefore give special consideration to increasing the share of women when appointing replacements in the future, although in this case, too, the quali-

fication of the candidate will be the most important decision-making criterion.

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

Accounting and audit

The consolidated financial statements and the consolidated interim financial statements of A.S. Création Tapeten AG are prepared by the Managing Board on the basis of the International Financial Reporting Standards (IFRS) as adopted by the European Union. The financial statements of A.S. Création Tapeten AG are prepared in accordance with the German Commercial Code (Handelsgesetzbuch HGB). The consolidated financial statements and the financial statements are audited by the auditors

and the Supervisory Board. The consolidated interim financial statements are neither audited nor reviewed by the auditors but are discussed by the Managing Board and the Audit Committee prior to their publication.

Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Cologne, (Ernst & Young) were elected auditors for the consolidated and the separate financial statements by the Annual General Meeting of Shareholders of the year 2018. Prior to the election, Ernst & Young issued a statement of independence as recommended by the German Corporate Governance Code. This statement has not given rise to any doubt about the independence of Ernst & Young as an auditor. It was contractually agreed with the auditor that the Supervisory Board would be informed immediately of

- any grounds for disqualification or impartiality arising during the audit,
- any findings or incidents arising during the audit that are material for the tasks of the Supervisory Board and
- any findings indicating that the declaration issued by the Managing Board and the Supervisory Board with regard to the German Corporate Governance Code is incorrect.

Transparent corporate communication

Open and transparent corporate communication is an important aspect of good corporate governance. Apart from clear and comprehensible contents, this aspect also calls for all stakeholders to have equal access to company information. A.S. Création attaches great importance to the Internet as an information medium that is freely accessible irrespective of time and place. The website of A.S. Création (www.as-creation.de) therefore provides a wealth of well-structured company information for interested users, e.g. in the "Investor

Relations" section, which contains comprehensive financial information on A.S. Création such as annual and interim reports as well as ad-hoc and press releases. All information is simultaneously available in German and English.

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

Gummersbach, March 7, 2019

A.S. Création Tapeten AG

On behalf of the Supervisory Board



Franz Jürgen Schneider
Chairman of the Supervisory Board

On behalf of the Managing Board



Daniel Barth
Chairman of the Managing Board



(Original sample item no. 36926-4)

NILS OLSSON
COPENHAGEN



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

GROUP MANAGEMENT REPORT

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1. General corporate information

The A.S. Création Group comprises two divisions (segments), the Wallpaper Division and the Furnishing Fabrics Division. The Wallpaper Division produces and markets wallpapers and borders on a global scale; accounting for more than 90% of 2018 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 are produced by the Russian joint venture, A.S. & Palitra. Another wallpaper production facility was built up in Minsk by Profistil, the Belarus subsidiary, and taken into operation in spring 2018. The other operating entities that form part of the Wallpaper Divi-

sion are pure sales and trading companies without their own production facilities. They are based in the UK, the Netherlands, France and Russia. Headquartered in Germany, the Furnishing Fabrics Division markets curtains and furnishing fabrics and has no manufacturing resources of its own.

The operating result (earnings before interest and taxes (EBIT)) as well as the EBIT margin play an important role for controlling the Group. The cost of materials and personnel expenses are the biggest and the second biggest expense item, respectively, for both the Wallpaper Division and the Furnishing Fabrics Division. Accordingly, both expense types have a material impact on earnings before interest

and taxes. This means that, besides the EBIT margin, the gross profit margin (gross profit as a percentage of total output) and personnel expenses as a percentage of total output play an important function in managing and controlling operations.

As the Russian production company, A.S. & Palitra, is a joint venture in which A.S. Création Tapeten AG holds a 50% interest, i.e. no majority, the share in the result for the year that is attributable to A.S. Création is shown under "financial result" in the consolidated financial statements. This share in the result is therefore not included in the consolidated operating result but in A.S. Création's consolidated earnings before taxes. Accordingly, earnings before taxes (EBT) are also an important performance indicator of the Group.

The most important output markets of A.S. Création are in Europe. In the fiscal year 2018, the countries of the European Union (EU) accounted for 80.7% of the Group's gross sales revenues (previous year: 80.7%), while non-EU Eastern European countries accounted for 11.3% (previous year: 11.3%). Representing 43.3% (previous year: 41.6%), Germany is the company's single most important market.

The company's product portfolio is clearly positioned in the consumer goods sector – over

90% of the wallpapers are used for renovation purposes, while less than 10% are used for new buildings. 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 2018, the company spent € 2.2 million (previous year: € 2.6 million) in 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 2.5% in the full year 2017, an increase of the same order was projected for 2018. Unfortunately, these positive expectations were not confirmed. A GDP growth rate of 1.9% for the eurozone means that economic growth in 2018 was considerably lower than had been expected. This slower economic growth

reflects the growing economic problems in the eurozone. Economic output was adversely affected by factors such as the trade dispute with the USA, the problems in the automotive industry, the protests of the yellow vests movement in France and the budget crisis in Italy. Because of the economic growth, the jobless rate dropped to 8.2% in 2018 (previous year: 9.1%). This was one reason for the continued good consumer sentiment, which was reflected in a 1.3% increase in consumer spending in the eurozone in 2018. It was supported by the continued low interest rates, which also benefited the corporate sector. The still notable effects of the Ukraine crisis had an adverse impact, however. The weakness of important Eastern-European currencies against the euro and the economic sanctions imposed on Russia had an adverse impact on exports.

As in the two previous years, economic growth in Germany, at 1.5%, remained below the eurozone average of 1.9% in 2018. The phase during which Germany experienced a special trend of economic activity compared to other eurozone countries seems to be over. The growth in the German economy in 2018 was due, among other things, to increased consumer spending. The latter rose by 1.1% in 2018, benefitting not only from low interest rates but also from higher real wages. The jobless rate fell from 5.7% in the previous year to 5.2% in 2018.

The economic situation in Russia had improved slightly in 2017, when the country's gross domestic product increased by 1.9%. This positive trend was mainly attributable to the fact that the oil price picked up sharply in the course of 2017, given that commodity and energy-oriented companies play a particularly important role for the local economy. Stronger economic growth of 2.9% had been projected for 2018. Against the background of the political tensions between Russia and the USA as well as the European Union (EU), this full-year forecast was not reached. These tensions were one of the reasons why Russia's economy expanded by only 1.6% in 2018 although oil prices remained on the increase. Russia's rate of inflation improved from 3.6% in 2017 to 2.9% in the past fiscal year. This had a positive effect on consumer spending, which picked up by 3.5% in 2018. Because of the many uncertainties, however, consumer spending has not returned to the high level of the past, when private consumption was one of the main pillars of the Russian economy. Contrary to what had been expected, the rouble exchange rate failed to stabilise in the past fiscal year. Right on the contrary, the Russian currency was very volatile in 2018. The exchange rate climbed from RUB/€ 68.87 at the beginning of the year to a high of close to RUB/€ 82 on September 11, 2018. At the end of December 2018, it stood at RUB/€ 79.46. This means that the Russian

rouble lost about 15% against the euro in the course of 2018.

Prices in the international commodity and energy markets picked up notably in 2018. According to the Hamburg Institute of International Economics (HWWI), global commodity and energy prices rose by approx. 18% on euro basis in 2018. The rise in the oil price was an important reason for this increase. While the average oil price of the year 2017 stood at approx. USD 51 per barrel, it increased to an average of approx. USD 72 in 2018, which represents an increase by approx. 41%. One of the reasons for this increase was the general agreement between the OPEC countries to reduce their output in order to reduce the high oversupply in the international oil market. The sharp rise in the oil price led to increased commodity and energy prices, which weighed on A.S. Création's results.

2.2. Industry-specific environment

Even though the Global Wallcoverings Association (IGI) has not yet released the 2018 figures for the international wallpaper markets, the Managing Board of A.S. Création assumes that the wallpaper markets that are relevant for A.S. Création have contracted. This assumption is confirmed by the data that is available from some national wallpaper associations.

The statistics of the Association of German Wallpaper Manufacturers (VDT) show that the German wallpaper manufacturers recorded sharp drops in both domestic and export revenues in 2018. Total revenues of the German wallpaper manufacturers were down by 7.9% on the previous year in 2018. Declining sales volumes and unutilised production capacities, in conjunction with rising commodity and energy prices, have led to increased competition and growing consolidation pressure in the international wallpaper industry. The effects of this consolidation are being felt. In Germany, for instance, the insolvency proceedings of Pickhardt + Siebert GmbH were opened in December 2018. As a result, one of the large German wallpaper manufacturers, which looks back on a history of almost 140 years, will be liquidated and disappear from the wallpaper market. In February 2019, Fine Decor Wallcoverings Ltd., a British wallpaper company dating back to the year 1911, announced its intention to sell its key account operations to its competitor Graham & Brown Ltd., UK, and to downsize its organisation, especially production, considerably after the sale. The 6.6% decline in the sales revenues of A.S. Création's Wallpaper Division from € 131.6 million in the previous year to € 122.9 million in the past fiscal year should also be seen against this background. A.S. Création was able to win some market share in a consolidating market in 2018.

While the year 2017 was clearly marked by declining sales, no figures have been published yet by the Association of German Home Textiles Manufacturers for 2018. The Association stated, however, that its members' sales revenues for the first nine months of 2018 declined by 10.0%. Just like the wallpaper industry, the furnishing fabrics industry is also in the midst of a consolidation process, which is becoming increasingly intense. The number of company takeovers, for instance, increased sharply in 2018. In this market environment, the Furnishing Fabrics Division was able to maintain its revenues at € 11.7 million, i.e. more or less at the previous year's level of € 11.8 million. This means that A.S. Création was able to win market share also in this segment.

2.3. Overview of the business trend

A.S. Création was adversely affected by the difficult macroeconomic environment in 2018. The original revenue forecast, according to which sales revenues were expected to amount to between € 150 million and € 155 million, had to be downgraded to between € 125 million and € 135 million in the course of the year 2018. At € 134.5 million, A.S. Création's consolidated revenues for the fiscal year 2018 were at the upper end of the revised projections. Compared to the previous year's € 143.3 million, however, A.S. Création's

revenues declined by 6.2% in the fiscal year 2018. Reflecting the international industry trend outlined above, A.S. Création's revenues declined across all regions in 2018.

The company's earnings improved in the reporting year. While a loss before taxes of € -17.8 million was posted in the previous year, A.S. Création closed the fiscal year 2018 with a loss before taxes of € -5.7 million. Much of this improvement in the result before taxes is due, however, to the following extraordinary effects:

- Because of the verdict of the Düsseldorf Supreme Court in the current antitrust proceedings, the Managing Board had increased the risk provisions in 2017, so that they reflected the maximum amount by which A.S. Création's result may be reduced. Together with the legal fees incurred in 2017 for the appeal proceedings, the German antitrust proceedings had reduced the company's earnings before taxes by € 13.1 million in the previous year. Expenses of only € 0.1 million were incurred in this context in the reporting year.
- Especially the depreciation of the rouble against the euro in the course of the year 2018 led to translation-related exchange losses of € 3.9 million, weighing on the

Group's result before taxes in the reporting year. In the previous year, A.S. Création incurred translation-related exchange losses of € 2.0 million.

- Against the background of the declining revenues, the A.S. Création Group has adjusted its structures over the past years. This entailed severance payments for departing employees, which reduced earnings before taxes by € 0.3 million in the fiscal year (previous year: € 0.9 million).

Adjusted for the extraordinary effects described above, earnings before taxes improved moderately from € -1.8 million in the previous year to € -1.4 million in the reporting year. Given that revenues were down by € 8.8 million on the previous year and taking into account the resulting gross profit shortfall of € 4.4 million, this improvement is regarded as positive. The improved result is mainly attributable to the strong reduction in personnel expenses, low other operating expenses, reduced depreciation/amortisation and improved earnings before interest and taxes at A.S. & Palitra, which is accounted for using the equity method.

Nevertheless, the Group failed to achieve its original plans for the fiscal year, according to which it would return to profit in 2018.

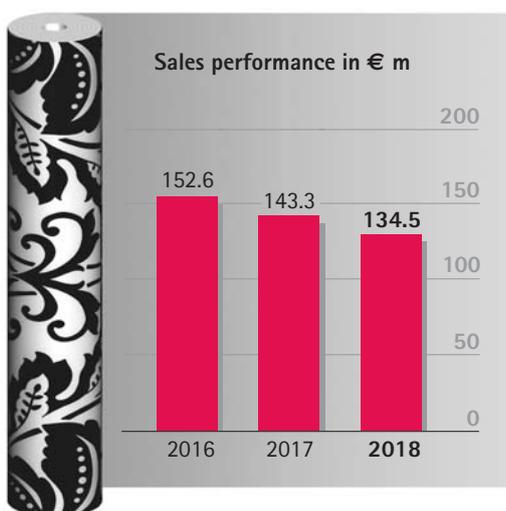
3. Net asset, financial and earnings position

3.1. Earnings position

3.1.1. Sales performance

A.S. Création's sales revenues declined by € 8.8 million or 6.2% from € 143.3 million in the previous year to € 134.5 million in the fiscal year 2018. Of this decline in revenues, an amount of € 1.0 million was attributable to changes in the exchange rates of the Russian and Belarus rouble against the euro and the pound sterling against the euro, with the biggest effects stemming from the two Eastern European currencies.

Both divisions of A.S. Création were affected by the drop in revenues in 2018. While revenues in the Wallpaper Division fell by 6.6%, the Furnishing Fabrics Division's revenues declined by only 1.4%. The breakdown of Group sales revenues by divisions has not changed materially. The Wallpaper Division accounted for € 122.8 million or 91.3% (previous year: € 131.5 million or 91.8%) of the Group's total 2018 revenues in the amount of € 134.5 million (previous year: € 143.3 million), while the Furnishing Fabrics Division contributed € 11.7 million or 8.7% (previous year: € 11.8 million or 8.2%).

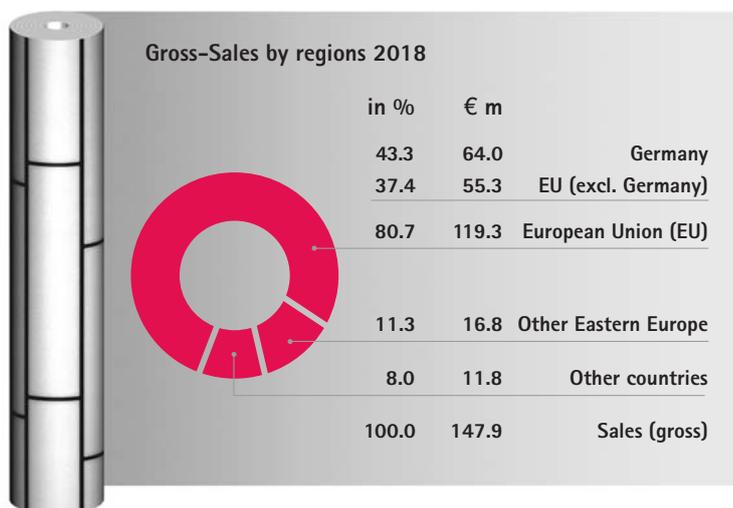


A breakdown of sales revenues by region shows that A.S. Création's sales revenues declined in all regions in the past fiscal year, with the strongest drop, at 10.7%, recorded in the member countries of the European Union (excl. Germany). Sales revenues in Germany declined by only 2.7%.

The general revenue trend in Germany was influenced by two opposite effects. The growth successes achieved in Germany in the first six months of 2018, primarily because of the "Bude 2.0" advertising campaign, were more than offset in the second half of the year. While domestic revenues increased by 4.1% in the first six months of 2018, they dropped by 10.2% in the second half of the year. In spite of the many advertising measures for

wallpapers and A.S. Création's "Bude 2.0" Collection, consumers reduced their spending on wallpapers in the second half of 2018. Retailers reported that other home furnishing products were also affected by a sharp drop in revenues. The long period of warm and sunny weather certainly led to a decline in retail footfall and to reduced consumer interest in home furnishing products. Consequently, these product groups were unable to benefit from increased consumer spending in the past year. The above effects sent gross revenues in Germany falling by € 1.8 million or 2.7% from € 65.8 million in 2017 to € 64.0 million in 2018. By contrast, the German Wallpaper Association recorded a decline in domestic sales revenues of 6.6% for 2018, which means that A.S. Création was able to increase its market share in the past fiscal year.

A.S. Création's gross revenues in the rest of the European Union (EU) fell by 10.7% from € 61.9 million in the previous year to € 55.3 million in the reporting year. This was mainly due to the fact that the French (wallpaper) market remained in a poor state. In addition, A.S. Création's sales revenues in the UK DIY store segment showed a negative trend in the fiscal year as customers closed stores and reduced their inventories and initiated an international invitation to tender for wallpaper



products, which was later postponed to the year 2019. The ongoing Brexit discussion and uncertainties did not help to calm the market. Unlike the previous year, A.S. Création also recorded declining revenues in other EU countries such as Poland and the Benelux countries.

As a result of the above developments, gross revenues in the EU including Germany were down by € 8.4 million or 6.6% on the previous year's € 127.7 million and amounted to € 119.3 million in the past fiscal year.

Gross revenues generated by A.S. Création in Eastern European countries outside the EU amounted to € 16.8 million in the fiscal year, down € 1.0 million or 6.0% on the previous year. Excluding the above influence of the changes in the exchange rates of the Russian

and Belarus rouble against the euro, Group sales in this region would have reached approximately the previous year's level. The revenue trend in non-EU Eastern European countries was driven by two opposite effects in 2018. A.S. Création's revenues declined in Russia, Ukraine and Turkey – mainly because of the ongoing economic and political tensions. By contrast, the Belarus subsidiary, Profistil, contributed for the first time to A.S. Création's consolidated revenues in 2018 as the new wallpaper production facility was taken into operation in March 2018. The Managing Board believes that the distribution structure in Russia, which was reorganised in 2018, and the new production facility in Minsk/Belarus have put A.S. Création in a good position to increase its revenues in this region again. After all, the non-EU Eastern European countries used to be an important output market for A.S. Création. In the fiscal year 2008, i.e. prior to the financial crisis and the Ukraine crisis, A.S. Création generated gross revenues of € 58.9 million in these markets. In 2018, gross revenues in the region amounted to only € 16.8 million, which means that A.S. Création's sales revenues in non-EU Eastern European countries have declined by approx. 70% or approx. € 42 million since 2008. On the one hand, this slump in revenues was (and still is) due to the poor economic situation in combination with the depreciation of the local currencies against the euro, which led to

reduced demand for wallpapers produced in Western Europe and to increased demand for locally made products. On the other hand, strong local wallpaper manufacturers have been established over these years.

The regional developments described above mean that the breakdown of sales revenues by region did not change materially in 2018 compared to the previous year. The share of gross revenues generated in Germany increased moderately from 41.6% in the previous year to 43.3% in the fiscal year 2018. The share of the EU countries (excl. Germany) in gross revenues declined from 39.1% in 2017 to 37.4% in the fiscal year. As in the previous year, the EU and Eastern Europe thus accounted for 80.7% and 11.3%, respectively, of the Group's gross revenues. The remaining 8.0% (previous year: 8.0%) is accounted for by close to 60 other countries in which A.S. Création generates revenues. The Group's revenues thus continue to focus on the EU.

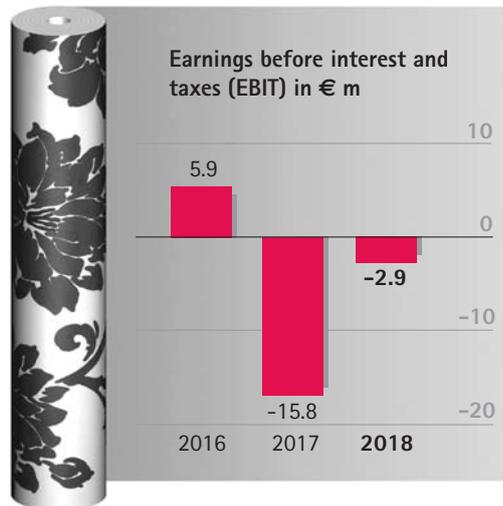
The Managing Board is not satisfied with the revenues of € 134.5 million generated in the fiscal year. The further activities will continue to focus on the large EU wallpaper markets – especially Germany, France and Great Britain. Moreover, increased production in Belarus and the restructured and realigned Russian sales organisation are expected to provide a fresh stimulus to activities in Eastern Europe.

3.1.2. Earnings performance

The earnings position of A.S. Création improved in the fiscal year 2018. An operating loss of € -2.9 million was posted for the fiscal year, compared to a loss of € -15.8 million in the previous year. This improvement by € 12.9 million is attributable to the following extraordinary effects:

- **Antitrust proceedings**

On October 12, 2017, the Düsseldorf Supreme Court announced the verdict in the appeal proceedings which A.S. Création had lodged against the penalties imposed by the German Federal Cartel Office in 2014. Contrary to what A.S. Création had expected, the court did not reduce the penalties imposed on A.S. Création Tapeten AG as well as its officers but raised them to a total of € 13.9 million. The Managing Board had therefore increased the risk provisions in 2017, so that they reflected the maximum amount by which A.S. Création's result may be reduced. Together with the additional legal fees incurred for the appeal proceedings in 2017, this reduced the operating result by € 13.1 million in the previous year. A.S. Création Tapeten AG has meanwhile lodged an appeal against the verdict of the Düsseldorf Supreme Court, which means that the verdict is not final yet. Legal



expenses of € 0.1 million were incurred in this context in the reporting year. These amounts are included in other operating expenses.

- **Reorganisation expenses**

Against the background of the declining revenues, the A.S. Création Group has adjusted its structures over the past years. In this context, the Group also reduced its headcount, which led to severance payments. These severance payments reduced EBIT by € 0.3 million in the fiscal year (previous year: € 0.9 million).

- **Exchange gains and losses**

In the course of 2018, the rouble exchange rate rose from RUB/€ 68.87 at the beginning

of the year to RUB/€ 79.46 at the end of the year, which means that the euro appreciated against the rouble (and the rouble depreciated against the euro) by approx. 15%. As A.S. Création (RUS) is financed in euros, this exchange rate trend led to translation-related exchange losses. On balance, exchange losses totalling € -1.2 million (previous year: € -0.6 million) weighed on A.S. Création's EBIT in the fiscal year 2018.

Adjusted for these factors, earnings before interest and taxes amounted to € -1.3 million, which was on a par with the previous year's € -1.2 million, although sales revenues declined by € 8.8 million. This shows that the measures taken to improve the cost structures are taking effect.

The analysis of the operating performance shows that A.S. Création generated gross profits of € 65.6 million in the fiscal year (previous year: € 70.0 million), which means that the sales process yielded € 4.4 million less in gross profits to cover other expense items than in the previous year. It was good to see that the gross profit margin improved by 0.6 percentage points from 48.8% in the previous year to 49.4% in fiscal 2018. This was mainly due to the announced price increase, which was implemented in the course of the reporting year. In addition, the company was able to

increase the share of higher-quality and more expensive products in the total portfolio. A.S. Création was thus able to offset the general increase in global commodity and energy prices of the year 2018 outlined in paragraph 2.1. ("Macroeconomic environment"), which also affected the raw materials used by A.S. Création as well as the company's electricity consumption. The reduction in inventories implemented in the fiscal year also had a positive effect on the gross profit margin. On the one hand, the sales process allowed previously unrealised profits to be realised; on the other hand, the reduced inventories also reduced the risks inherent in inventories and, consequently, the need for write-downs.

Much of the gross profit shortfall of € 4.4 million was offset by cost savings in the fiscal year.

At € 36.9 million, personnel expenses in 2018 were down by € 3.4 million on the previous year's € 40.3 million and the personnel expense ratio (personnel expenses as a percentage of total output) improved to 27.8% in the fiscal year (previous year: 28.1%). Adjusted for the above-mentioned severance payments, personnel expenses declined by € 2.8 million or 7.1% from € 39.4 million in the previous year to € 36.6 million in 2018. The reduction in personnel expenses thus was in line with the 6.2% drop in revenues described above. At

27.6%, the personnel expense ratio in 2018 – excl. severance payments – was more or less on a par with the previous year's 27.5%. Apart from the unplanned decline in revenues, the following factors had an adverse impact on the personnel expense ratio:

- The average headcount declined by 6 from 761 in the previous year to 755 in the fiscal year. This change is the result of two opposite effects. On the one hand, the new Belarus production company Profistil hired new people in the past two years, resulting in an average headcount of 82 people at this company in the reporting year (previous year: 25 people). As the production facility was not taken into operation before March 2018 and production was increased only gradually in the further course of the year, this additional personnel did not generate revenues for a full fiscal year. This had an adverse impact on the personnel expense ratio in the fiscal year.
- The other entities of the A.S. Création Group reduced their average headcount in 2018 by 63 people or 8.6%. The savings achieved as a result of the job cuts compared to 2017 were partly offset by the 2.1% collective pay rise agreed in April 2018 for most of the Group's domestic workforce.

Given that revenues remained clearly below the company's plans in the fiscal year, it was not possible to reduce the personnel expense ratio significantly. The company thus missed an important target it had set itself for the fiscal year 2018.

The strong reduction in other operating expenses by € 13.9 million or 34.4% from € 40.3 million in the previous year to € 26.4 million in 2018 and the resulting improvement in the relation between other operating expenses and total output to 19.9% (previous year: 28.0%) are primarily attributable to the extraordinary effects described above. Adjusted for these burdens, other operating expenses stood at € 25.1 million in the fiscal year (previous year: € 26.4 million), representing 18.9% (previous year: 18.4%) of total output. Due to the lower revenues, sales-related expenses such as freight costs were reduced. Lower expenses for repairs and maintenance contrasted with increased write-downs of receivables.

At € 6.1 million, depreciation was down by € 0.4 million on the previous year's € 6.5 million in 2018, helping to improve the result in the fiscal year. The decline is due, on the one hand, to the fact that older plants and machinery are no longer written off and, on the other hand, to reduced investments in printing and embossing rollers as well as rotary screens; these are written off over short periods of

only three years. An opposite effect resulted from the taking into operation of the Belarus production facility, which resulted in increased depreciation/amortisation. As mentioned above, however, total depreciation/amortisation of the Group was lower than in the previous year.

Between them, the factors described above resulted in an operating loss of € -2.9 million in FY 2018 (previous year: € -15.8 million). Even adjusted for the above-mentioned extraordinary effects, A.S. Création still posts an operating loss of € -1.3 million for the reporting year (previous year: € -1.2 million), which means that A.S. Création's operating performance is not satisfactory.

In contrast to the operating result, the financial result deteriorated in the fiscal year 2018 and fell by € 0.8 million from € -2.0 million in the previous year to € -2.8 million in the reporting year. The earnings situation of the Russian joint venture, A.S. & Palitra, has the biggest influence on the consolidated financial result of A.S. Création. Given that A.S. Création Tapeten AG and the second shareholder, Kof Palitra, each own 50% of this company, the Russian wallpaper company is accounted for using the equity method; consequently the share in net result after taxes that is attributable to A.S. Création is recognised in the Group's financial result. As in the fiscal

year 2017, a pro-rated loss was incurred in the fiscal year 2018. At € -3.1 million, however, this loss was € 0.6 million higher than the previous year's loss of € -2.5 million. As the joint venture is largely financed with euro loans, its earnings are influenced by changes in the RUB/EUR exchange rate. Given that the Russian rouble depreciated against the euro in 2018, A.S. & Palitra recorded translation-related exchange losses after taxes of € -2.6 million in the reporting year (previous year: € -1.4 million). Adjusted for these exchange rate effects, the pro-rated result after taxes of A.S. & Palitra improved from € -1.1 million in the previous year to € -0.5 million in the fiscal year 2018. This primarily reflects the fact that the joint venture was able to improve its capacity utilisation in FY 2018 and to increase its revenues in local currency by roughly 22%. Together with a slightly improved gross profit margin, this allowed A.S. & Palitra to increase its earnings before interest and taxes – not adjusted for exchange rate effects – by € 1.5 million from € 0.2 million in the previous year to € 1.7 million in the reporting year.

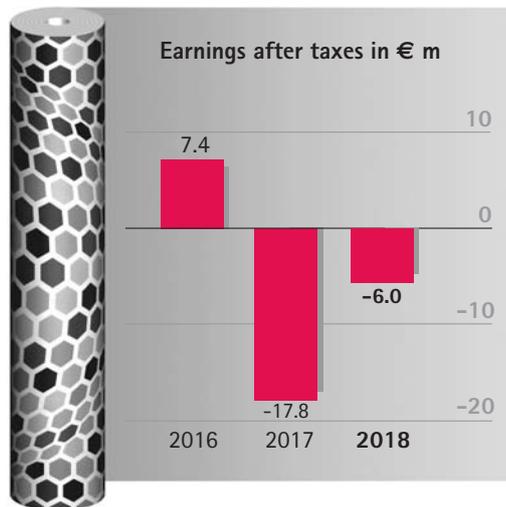
The financial result was additionally affected by the fact that net financial liabilities were higher than in the previous year, resulting in increased interest expenses and, hence, in reduced net interest income (interest income less interest expenses). At € 0.3 million, net

interest income in the fiscal year 2018 was slightly lower than the previous year's € 0.5 million.

Earnings before interest and taxes and the financial result led to a loss before taxes of € -5.7 million in the fiscal year 2018 (previous year: € -17.8 million). The extraordinary factors outlined in the context of the analysis of the operating result and the financial result had a negative effect of € 4.3 million on earnings before taxes in the reporting year and of € 16.0 million in the previous year. Adjusted for these extraordinary effects, the loss before taxes in the fiscal year amounted to € -1.4 million, which means it was reduced by € 0.4 million compared to the previous year's loss of € -1.8 million.

The results before taxes include high expense items which do not reduce the tax assessment base, namely the pro-rated losses of the Russian joint venture accounted for using the equity method and the provisions for risks arising from the antitrust proceedings in Germany established in the previous year. This is the main reason why the losses before taxes did not result in any tax relief and that the results after taxes were equivalent to the results before taxes in both fiscal years.

Based on the number of shares outstanding, which remained unchanged at 2,756,351 in



2018, the consolidated result after taxes of € -6.0 million (previous year: € -17.8 million) resulted in earnings per share of € -2.17 (previous year: € -6.45).

3.1.3. Appropriation of profits

The Managing Board of A.S. Création Tapeten AG has always pursued a dividend policy that provides for a high payout ratio as long as this is permitted by the company's financial situation. The payout ratio of A.S. Création has traditionally ranged between 45% and 50%. This shows that the dividend policy of A.S. Création is characterised by continuity and reliability.

The fixed payout ratio means that the absolute

amounts of the dividend payments are not smoothed over time but increase or decrease in line with earnings. As explained in detail in paragraph 3.1.2. ("Earnings performance"), a loss was posted for the fiscal year 2018. In keeping with the dividend policy pursued to date, no dividend would be paid out for 2018 because of the loss posted by the company. It will therefore be proposed not to pay out a dividend for the fiscal year 2018. Although this is a difficult decision, the Managing Board is convinced that this is in the long-term interest of the company and, hence, of its shareholders.

3.2. Financial and net worth position

3.2.1. Capital expenditures

In 2018, A.S. Création continued to invest in projects which the Managing Board believes to be essential for the company's future positioning in the international wallpaper market. As in the previous year, capital expenditures in the reporting year thus exceeded the company's average investments of the past and amounted to € 8.3 million (previous year: € 10.2 million).

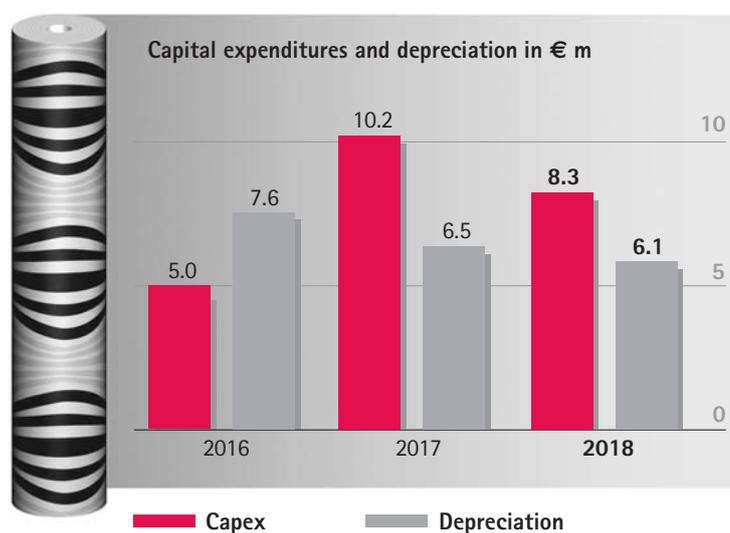
Of the total investments in 2018, € 2.0 million (previous year: € 6.9 million) related to the build-up of OOO Profistil, the Belarus production

company, which started production in March 2018. Until the end of 2018, the Belarus company focused on establishing and stabilising the operational and manufacturing processes, on increasing the production volumes and on growing revenues with the new customers. This marked the successful completion of the first phase of the project, i.e. the construction of the property and the start-up of the first printing line. The second printing line and other peripheral machines such as a formulation machine will be transferred from Germany to Belarus in the course of the first half of 2019.

The modernisation of the logistic facilities at the company's plant in Wiehl-Bomig, Germany, was another important project which influenced investments in the fiscal year 2018. The Managing Board believes that the number of smaller orders with shorter delivery times will increase going forward and thus gain importance for A.S. Création's business model. To be prepared for these challenges, the company made investments of € 1.6 million in the past fiscal year (previous year: € 0.7 million).

Most of the remaining investments were replacement and modernisation investments as well as investments in printing tools for the new wallpaper collections.

As of the balance sheet date, the company had financial obligations from order commitments

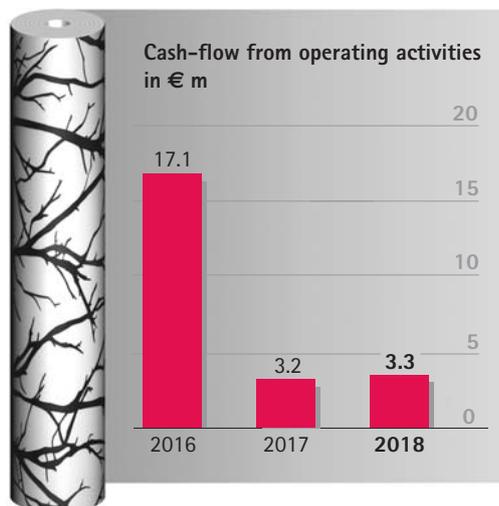


for investments in tangible fixed assets in the amount of € 3.0 million (previous year: € 2.8 million).

3.2.2. Cash flow statement and net financial liabilities

At € 3.3 million, operating cash flow in the fiscal year was more or less on a par with the previous year's € 3.2 million. Operating cash flow thus ultimately reflects the fact that A.S. Création's earnings position, adjusted for the mostly non-cash extraordinary effects, remained unchanged (cf. 3.1.2. "Earnings performance").

The company's cash position was positively influenced by the fact that less capital was



tied up in inventories and trade receivables. The reduction in these balance sheet items allowed tied-up capital to be released. Trade receivables declined by € 2.0 million in the reporting year, compared to an increase by € 1.2 million in the previous year. Inventories were reduced by € 3.0 million (previous year: € 0.6 million). As inventories declined more or less in sync with sales revenues, inventory turnover remained unchanged from the previous year at 3.8x per year. The reduction in trade receivables was not quite as strong, resulting in a moderate deterioration in days of sales outstanding to 66 in 2018 (previous year: 64 days).

The developments in the antitrust proceedings in France had an adverse effect on operating

cash flow in the fiscal year. After the French Supreme Court revoked the ruling of the court of appeal, which had been in favour of SCE – Société de conception et d'édition SAS and MCF Investissement SAS, the two French Group companies, in November 2017, the two companies had to pay back € 2.9 million to the French competition authorities in the fiscal year 2018.

Total operating cash flow was insufficient to cover A.S. Création's financing requirements, which resulted from high capital expenditures of € 8.3 million in the fiscal year 2018 (previous year: € 10.2 million).

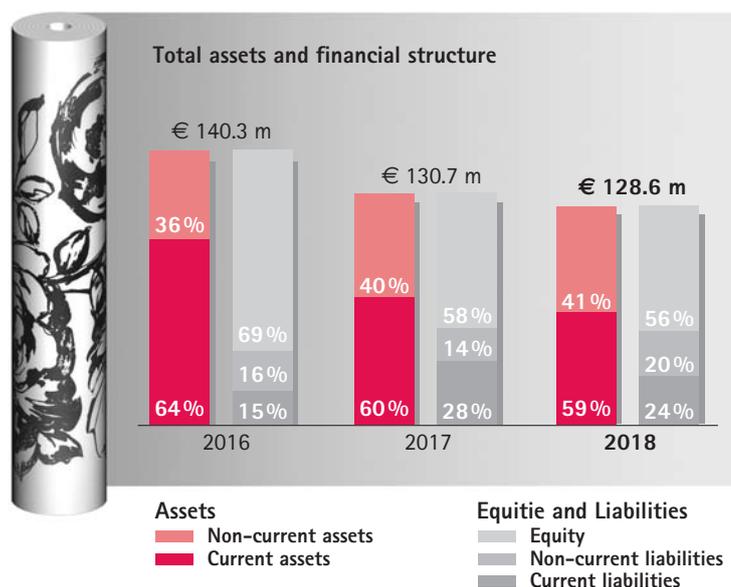
Against this background, the financing structure of A.S. Création was adjusted in the fiscal year 2018 in order to secure the funding of the capital expenditures planned for the next two fiscal years as well as the potential maximum penalty resulting from the antitrust proceedings in Germany. As the company raised additional long-term loans, interest-bearing financial liabilities increased by € 6.9 million from € 8.4 million on December 31, 2017 to € 15.3 million on December 31, 2018. At the same time, cash and cash equivalents and current financial assets rose by € 3.1 million from € 8.8 million in the previous year to € 11.9 million on the balance sheet date. A.S. Création's total net financial liabilities (difference between interest-bearing financial

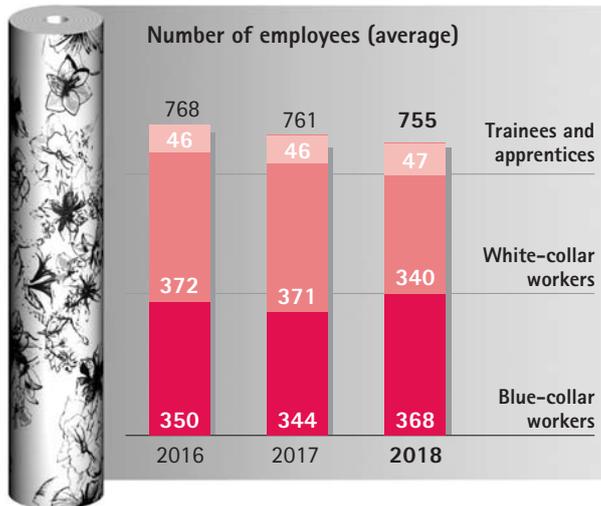
liabilities and cash and cash equivalents as well as current financial assets) increased by € 3.8 million in the fiscal year 2018. While A.S. Création still had a net credit position of € 0.4 million on December 31, 2017, the balance sheet for the period ended December 31, 2018 showed net financial liabilities of € 3.4 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 especially during the past turbulent years. As described in paragraph 3.2.2. ("Cash flow statement and net financial liabilities"), new long-term loan agreements were signed in 2018 to secure the future financing requirements. Even with these additional loans, A.S. Création's financial structure is robust, which is reflected in the following balance sheet figures:

- Equity capital declined to € 72.2 million as at December 31, 2018 (previous year: € 75.7 million) due to the loss incurred in the fiscal year 2018. As a consequence, the equity ratio declined slightly to 56.1% as of the balance sheet date (previous year: 57.9%). According to the Managing
- Board, however, this is still an above-average level.
- Equity and non-current liabilities are more than sufficient to finance non-current assets. Because of the additional long-term loans, the respective ratio improved to 186.8% as at December 31, 2018 (previous year: 177.7%), which means that the "golden rule of financing" was more than fulfilled.
- Due to the low cash flow and the high capital expenditures, A.S. Création's net financial liabilities increased in the fiscal year and stood at € 3.4 million on December 31, 2018 (previous year: net credit position of € 0.4 million). In spite of this increase,





the debt repayment period (net financial liabilities divided by operating cash flow) amounts to only one year.

As of December 31, 2018, the Group's total assets amounted to € 128.6 million (previous year: € 130.7 million) of which 78.3% (previous year: 78.1%) related to property, plant and equipment, inventories, trade receivables, current financial assets as well as cash and cash equivalents. By contrast, intangible assets (including goodwill) stated in the balance sheet as of the balance sheet date merely play a minor role and represented only 6.5% (previous year: 6.4%) of total assets and 11.5% of equity (previous year: 11.0%).

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

4. Material non-financial indicators

4.1. Employees

The A.S. Création Group employed an average of 755 people (previous year: 761 people) in the fiscal year 2018. 690 employees (previous year: 692) worked in the Wallpaper Division and 65 (previous year: 69) in the Furnishing Fabrics Division. A majority of 548 people or 72.5% (previous year: 593 people or 77.9%) are employed by the domestic Group companies.

The decline in the average headcount by 6 people from 761 in 2017 to 755 in the fiscal year 2018 is the result of two opposite effects:

- Profistil, the Belarus Group entity, had started to build up a wallpaper production facility in 2017, which was taken into operation in March 2018. The first employees were hired in the course of 2017, resulting in an average headcount of 25 at the company in 2017. As the first production line was taken into operation in the course of 2018, the average headcount increased by 57 to 82 people.
- As had been announced, the other companies of the A.S. Création Group continued to implement measures to adjust their headcounts and personnel expenses to the

reduced revenues and the deteriorating earnings position in 2018. Redundancies became necessary in this context and the headcount of these companies was reduced by 63 full-time employees or 8.6% from an average of 736 in 2017 to an average of 673 in 2018. Most of the jobs were cut at A.S. Création Tapeten AG and A.S. Création (RUS).

As the average headcount declined by 0.8% and sales revenues dropped by 6.2% in the reporting year, sales revenues per employee continued to decrease from € 0.188 million in the previous year to € 0.178 million in 2018. Excluding the activities of the Belarus company Profistil, which generated the first revenues only in the course of 2018, sales revenues per employee of the other member companies of the A.S. Création Group remained unchanged from the previous year's € 0.195 million in the reporting year. The slightly reduced personnel expense ratio was described already in paragraph 3.1.2. ("Earnings performance").

A.S. Création's traditionally strong vocational training activities were not restricted in the fiscal year 2018. In 2018, A.S. Création trained an average of 47 (previous year: 46) young people in one of the eleven occupations for which A.S. Création offers vocational training. Trainees/apprentices as a percentage of the domestic workforce increased from 7.7% in

the previous year to 8.4% in the fiscal year 2018. The Managing Board of A.S. Création is convinced that the training and further education of its workforce are important factors for the future development of the company. To achieve our objective to secure young talent, we want to keep the percentage of trainees/apprentices at a high level of at least 7% per year.

4.2. Sustainability report

At its meeting on March 7, 2019 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 2018

In 2017, we started to build up a wallpaper production facility in Belarus. Belarus is a member of the Eurasian Economic Union (EAEU), i.e. the alliance of Armenia, Kazakhstan, Kyrgyzstan, Russia and Belarus to form a single market and customs union, and offers low

production costs with regard to labour and energy. The Managing Board is of the opinion that this makes Belarus an attractive location for the low-cost production of wallpapers satisfying the demand in the EAEU. Against this background, 100% of the shares in OOO Profistil, Minsk/Belarus were acquired in 2017. The company owns a property that was prepared in the course of 2017. The first technical equipment and machines were relocated to Minsk and the production facility was taken into operation in March 2018. The company started selling the locally produced wallpapers in late April 2018.

Mr Maik Krämer, Director of Finance and Controlling on the Managing Board of A.S. Création Tapeten AG since April 1, 2001 and Chairman of the company's Managing Board since April 1, 2016, had asked the Supervisory Board to release him from his duties as Managing Board Chairman. Mr Krämer made this request because of his personal opinion that, against the background of the latest market developments and the current situation of the company, A.S. Création needs both a strong Managing Board Chairman and a strong Director of Finance and Controlling to provide impulses for the further development of A.S. Création. He is of the opinion that a single person cannot fulfil these requirements. In view of Mr Krämer's request, the Supervisory Board reviewed the composition

of and the allocation of responsibilities on the Managing Board and arrived at the conclusion that it would be in the company's best interests to appoint an external candidate with non-industry experience to the Managing Board. The Supervisory Board therefore appointed Mr Daniel Barth as new Managing Board Chairman with effect from November 19, 2018.

In April 2016, the court of appeal in Paris reduced the penalties imposed by the French competition authorities on two French member companies of the A.S. Création Group, namely SCE – Société de conception et d'édition SAS and MCF Investissement SAS, by € 2.9 million from a total of € 5.0 million to € 2.1 million. The French competition authorities subsequently lodged an appeal with the French Supreme Court against this verdict. In November 2017, the Supreme Court revoked the verdict of the court of appeal and returned the case to the court of appeal in Paris, which retried the case. The court of appeal announced the verdict on December 20, 2018 and confirmed the total penalties of € 5.0 million originally imposed by the French competition authorities. The company has meanwhile lodged an appeal against the verdict. Should the verdict become final, it would have no effect on the results of operation of A.S. Création as the penalty of € 5.0 million originally imposed by the French competition

authorities was expensed in full in the consolidated financial statements for 2014. A.S. Création's financial position would not be affected by the verdict, either, as the original penalties of € 5.0 million already had to be paid in full to comply with French legislation.

6. Important events after the end of the fiscal year

Mr Jürgen Schneider, Chairman of the Supervisory Board, informed the company on February 18, 2019 that he will resign from office for health reasons with effect from the end of the next Annual General Meeting of Shareholders, which is scheduled for May 9, 2019.

7. Opportunity and risk report

7.1. Opportunity management

The company's product portfolio is clearly positioned in the consumer goods sector – over 90% of the wallpapers are used for renovation purposes, while less than 10% are used for new buildings. 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 ensures 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 suf-

ficient size. Based on statutory requirements, Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Cologne, examined the early risk identification system of A.S. Création in the context of last year's audit and confirmed that risks which may potentially jeopardise the continued existence of the company can be identified by the early risk identification system established in accordance with section 91 AktG and are adequately presented in the management report. The early risk identification system was again examined by Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Cologne, in the context of this year's annual audit.

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

7.2.2. Macroeconomic and industry-specific risks

The Managing Board is of the opinion that the future political and macroeconomic conditions in non-EU Eastern European countries pose risks with a high to very high potential damage for A.S. Création. In this context, the permanent depreciation of the Russian rouble against the euro is a material risk. It would lead to the translation-related exchange losses

materialising, which primarily result from the fact that the Russian production facility is financed with euro loans. This means that the currently non-cash currency-related exchange losses would become cash exchange losses when the loans are repaid. For further details, please refer to paragraph 3.1.2. ("Earnings performance"). Also, the poor macroeconomic trend with Russia could result in major customers no longer meeting their payment obligations and A.S. Création facing bad debts. Finally, a negative scenario is possible in which an escalating political conflict in Russia would lead to expropriation and capital freezes and A.S. Création would have to write off the Russian investment entirely. The investments in the production facility that is being built up in Belarus have increased the potential damage/loss that may arise for A.S. Création from these political risks, all the more so as Russia is the largest output market for the Belarus-produced wallpapers.

By contrast, the Managing Board assumes that no risks with a high or very high potential damage/loss arise from the political uncertainty surrounding Great Britain's probable exit from the EU (Brexit) as the revenues generated by A.S. Création in Great Britain in 2018 were only within the medium single-digit percentage range.

Industry-specific risks result from existing

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

Another high potential risk for the wallpaper industry results from the more stringent legal provisions regarding the use of chemicals in the production of wallpapers. The REACH

chemicals regulation, for instance, is applicable throughout the EU. The acronym REACH stands for "Registration, Evaluation, Authorisation and Restriction of Chemicals". On the basis of this regulation, the hazards which chemicals may pose to human health and the environment are assessed. Substances of very high concern are put on a SVHC list, meaning that the use of these chemicals may be reportable. In extreme cases, certain substances may be banned throughout the EU. Just like other industries, the wallpaper industry uses such additives as e.g. plasticisers in the production of flat and expanded vinyl wallpapers. In the worst-case scenario of a general prohibition of e.g. plasticisers, the entire wallpaper industry would be equally affected. Such a change would therefore not lead to any distortions in the competitive situation. A high risk could arise, if a manufacturer were able to secure exclusive access to an equivalent substitute product for PVC, 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. As such cyclical fashion trends have occurred before, it is safe to assume that they will reoccur in the future. However, the Managing Board does not consider this risk to be existence-threatening as the same fashion trend would normally not occur in all regional output markets of A.S. Création at the same time and wallpaper cannot only be produced as a design wallpaper but also as a plain wallpaper.

7.2.3. Risks arising from the functional areas

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

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

The developments discussed under the buzzwords "digitisation" and "individualisation" will 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 and/or fails to invest in the right technologies and thus suffers from permanent competitive disadvantages with regard to manufacturing costs and/or 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 paragraph 3.2, A.S. Création's financial situation is sound. No financing or cash shortages are expected to result from the operating activities. For the financing and liquidity risks arising from the antitrust proceedings, please refer to paragraph 7.2.5 ("Risks from anti-trust proceedings").

Due to the specific structure of the A.S. Création Group, interest rate or currency hedges and financial derivatives play only a minor role. Such hedges are generally taken out only for specific underlying transactions. For details, please refer to No. 30 in the Notes to the consolidated financial statements.

7.2.5. Risks from anti-trust proceedings

Risks result from the pending anti-trust proceedings in Germany and France as violations of competition law generally entail the risk of significant penalty payments. Also, there is a potential risk of claims for damages being raised by third parties in conjunction with anti-trust proceedings as well as with regard to charges resulting from the release of the company's directors and officers from potential penalty payments and claims for damages.

No risks to the company's earnings arise from the penalties. Although the verdict of the Düsseldorf Supreme Court of October 12, 2017 and the verdict of the court of appeal in Paris of December 20, 2018 are not final yet, the penalties imposed in Germany (€ 13.9 million) and in France (€ 5.0 million) have meanwhile been expensed in full. Of these penalties, an amount of € 7.0 million has been paid so far, which means that a payment obligation of € 11.9 million will arise if the verdicts become final.

As outlined in the analysis of the financial situation in paragraph 3.2.2. ("Cash flow statement and net financial liabilities"), additional long-term loans were raised in FY 2018 in order to secure the financing requirements arising from the company's investment and financial planning in the next two years. As of the balance sheet date December 31, 2018, A.S. Création thus had cash and cash equivalents as well as current financial assets in the amount of € 11.9 million as well as unused credit lines and credits of € 11.4 million. The Managing Board therefore considers the probability of occurrence of the liquidity risk arising from the penalties that may have to be paid to be low.

Apart from the immediate liquidity risk arising from the payment of the penalties, there is an indirect risk that the payment of the penalties

will significantly restrict A.S. Création's future possibilities to make major investments, thereby potentially weakening the company's competitive position. This would be a very high potential damage/loss for A.S. Création. As explained above, the normal investments resulting from the investment plan are secured for the next two fiscal years. As a listed company, A.S. Création additionally has the option to increase its share capital in case major future investments could not be financed by raising additional debt capital. The Managing Board does therefore not consider the probability of occurrence of this risk to be high.

7.2.6. Accounting-related internal control and risk management system

The A.S. Création Group is characterised by a clear and manageable corporate structure. Besides A.S. Création Tapeten AG, the basis of consolidation comprises only nine companies, which are fully consolidated, and one company that is accounted for using the equity method.

The accounting process in the A.S. Création Group is decentralised, i.e. the member companies of the Group are responsible for preparing their individual financial statements in accordance with local GAAP. The individual

companies use different accounting programmes, mostly standard software that is adapted to specific local and corporate requirements. Standardised bulk processes such as invoicing and payroll accounting are also processed using IT-based systems, which are connected with the accounting systems via interfaces. This way, potential errors in the accounting process are reduced to a minimum.

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

External control of the accounting process is performed, on the one hand, through the annual audit of the financial statements by the auditor. To avoid habituation effects in the audit, the A.S. Création Group has a policy of changing its auditor from time to time. In keeping with this policy, Ernst & Young was appointed the new auditor of the financial statements as of fiscal 2014 as successor to the former auditor KPMG. To ensure a consistent

auditing standard within the A.S. Création Group, A.S. Création has a policy of using as few accounting firms as possible. Accordingly, the financial statements of nine of the eleven Group companies were audited or reviewed by Ernst & Young in 2018. On the other hand, 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 processes. 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 pre-defined 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.

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

7.2.7. Assessment of the overall risk

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

8. Forecast

In view of the negative effects of the trade conflicts and the fact that the financial markets in the large emerging countries will remain under pressure, the World Bank has downgraded its growth forecasts for the world economy. The World Bank consequently expects the world economy to grow by 2.9% in 2019 and by 2.8% in 2020; these growth rates are below those of the previous years.

Eurozone GDP is expected to grow by only 1.4% in 2019, following a 1.9% increase in 2018. This much lower economic growth is attributable to the fact that the forecasts for 2019 are based on the assumption that exports will decline because of the trade conflicts. By contrast, consumer spending is expected to grow by 1.2% in 2019, compared to 1.3% in 2018. For Germany, where A.S. Création generated as much as 43% of its Group revenues in 2018, an economic growth rate of 1.2% and a 1.0% increase in consumer spending are projected for 2019.

Economic growth in non-EU Eastern European countries is expected to slow down, quite strongly so in some cases. While the Russian economy expanded by 1.6% in 2018, some economic researchers expect the gross domestic

product of Russia – which, together with China, is one of the world's two biggest wallpaper markets – to grow by only 1.1% in 2019. On January 1, 2019, value added tax in Russia was increased from 18% to 20%. It remains to be seen whether this increase will really have no material impact on the rate of inflation and whether the latter will be below 5% in 2019, as expected by the Russian Ministry of Economy. As far as consumer spending in 2019 is concerned, it is safe to assume that the latter will grow at a lower rate than the 3.5% recorded in 2018 if economic growth slows down and prices pick up.

The Managing Board believes that the slower economic growth in Western and Eastern Europe, the most important output market of A.S. Création, and the anticipated weaker consumer spending do not provide a favourable environment for growing demand for wallpapers and furnishing fabrics in 2019.

The commodity and energy price trend in 2019 is subject to great uncertainty. On the one hand, the economic slowdown expected for 2019 should tend to lead to lower commodity and energy prices. On the other hand, the many (trade) political tensions suggest that the energy and commodity markets will very much be driven by political effects in

2019. The Managing Board's plans for 2019 are based on the assumption of a moderate increase in commodity and energy prices.

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

On balance, the Managing Board rates the environment projected for the year 2019 as unfavourable for A.S. Création. The Managing Board nevertheless assumes that A.S. Création will return to growth in 2019.

The Eastern European markets outside the EU are expected to be a main growth driver for A.S. Création in 2019. As outlined in paragraph 5. ("Important events in 2018"), the new wallpaper production facility in Minsk was taken into operation in March 2018. It is designed to satisfy demand for low-cost wallpapers in the Eurasian Economic Union (EAEU). According to A.S. Création's plans, a second production line is to be installed at Profistil in Belarus in 2019 following the

start-up phase in 2018, with revenues expected to increase to over € 10 million in FY 2020. Besides these additional revenues from the sale of locally produced wallpapers, the company also intends to expand its exports to this region in 2019. This intention is based on the Managing Board's assumption that the Russian distribution company, A.S. Création (RUS) will benefit from the completed reorganisation and the revised product and sales policy in 2019.

In the EU, A.S. Création will continue to rely on its own strengths arising from the broad product range and its own sales organisations in the individual countries. These put A.S. Création in an excellent position to offer customers a broader range of products and better services than its competitors. This applies both to serving local customers and to customers who want to operate internationally and are looking for a reliable partner to assist them in their internationalisation strategy. This strategy is being supported by the logistic resources, which were modernised in 2018 with the aim of being able to handle the growing amount of smaller orders, and by the planned investments aimed at gradually making production more flexible.

As outlined above, the Managing Board expects

adverse effects on the company's operating performance to arise from rising commodity and energy prices in 2019. To offset these effects on gross profit at least partly, A.S. Création will 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.

The fiscal year 2018 has shown that A.S. Création's cost structure makes it impossible for the company to achieve a balanced operating result on sales revenues of approx. € 135 million. The short-term revenue trend is subject to great uncertainty, which results from the market consolidation but also from the macroeconomic environment. The company therefore intends to implement measures to further improve its cost structure in 2019. This includes, for instance, the optimisation of the product range to enable better international marketing of the company's products. The process initiated in 2017 to adapt the local subsidiaries to the changed market conditions will also be continued. In this context, the French warehouses will be centralised in a single location in 2019. In Germany, the company intends to further reduce its personnel expenses in 2019.

With regard to the key performance indicators, the Managing Board expects the following for 2019:

- Group sales revenues should amount to between € 135 million and € 140 million in 2019, compared to € 134 million in the past fiscal year.
- The gross profit margin should be kept at the previous year's level of 49.4%.
- The personnel expense ratio, which stood at 27.8% in 2018, should decline to between 25% and 26% – excl. severance payments – in 2019. The Group aims for a personnel cost ratio of 23% in the medium term.
- Earnings before interest and taxes should come in at between € 1 and 2 million in 2019. This figure does not include any extraordinary effects such as exchange gains/losses or major severance payments. After the operating loss of € -1.3 million (excl. extraordinary effects) posted for 2018, A.S. Création would thus be in the black again.
- On the additional condition that the Russian joint venture will post a clear

profit for 2019, A.S. Création could achieve earnings after taxes of between € 1.5 million and € 2.5 million in the fiscal year 2019 – not considering any extraordinary factors such as exchange rate effects.

If the Belarus production company will be able to utilise the capacity of the two production lines as planned in the full year 2020 and reorganisations in other local subsidiaries will have the expected effects, the Managing Board projects revenue growth on a par with 2019 and a sustainable, noticeable improvement in the earnings position of A.S. Création for the fiscal year 2020.

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

9. Statutory information

9.1. Corporate governance statement and report on corporate governance

The latest corporate governance statement of A.S. Création Tapeten AG pursuant to section 289f and section 315d of the German Commercial Code (Handelsgesetzbuch HGB) and the report on corporate governance pursuant to number 3.10 of the German Corporate Governance Code are published on the website of A.S. Création (www.as-creation.com) under "Investor Relations – Corporate Governance" and in the chapter "Corporate governance statement and report on corporate governance" of the 2018 Annual Report.

9.2. Compensation report

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

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

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

The non-performance-linked component of the Managing Board compensation increased to € 0.735 million in the fiscal year (previous year: € 0.697 million). The increase is primarily attributable to the appointment of Mr Barth as additional member of the Managing Board of A.S. Création Tapeten AG with effect from November 19, 2018.

In accordance with the recommendation to provide incentives for responsible management, the performance-linked, variable component has traditionally represented a major portion of the Managing Board compensation paid by A.S. Création Tapeten AG. Consequently, an improvement or a deterioration in the basis of assessment, i.e. the Group's earnings after taxes, has great influence on the Managing Board's total compensation. Because of the losses posted in the fiscal years 2017 and 2018, the weighted average earnings of the fiscal years 2016 to 2018 – and hence the assessment basis for the performance-linked component of the Managing Board compensation for the year 2018 – are negative. As in the previous year, the Managing Board will therefore receive no performance-linked compensation for the fiscal year 2018.

In addition, a constant annual amount is paid to an external relief fund for all Managing Board members for the duration of their tenure. This relief fund will make the future pension payments. In fiscal 2018, the payments to the external relief fund led to expenses of € 0.050 million (previous year: € 0.048 million).

The table below shows the total compensation of the Managing Board for the fiscal year 2018 (accrual principle):

	2018	2017
	€ '000	€ '000
Fixed salary	663	620
Side benefits	72	77
Non-performance-related component	735	697
Performance-related component (bonus)	0	0
Annual compensation	735	697
Payment to an external relief fund	50	48
Pension expenses	50	48
	785	745

The bonus for the fiscal year is paid in the following year at the end of the month in which the consolidated financial statements are submitted to the shareholders. The table

below shows the total compensation of the Managing Board for the fiscal year 2018 (payout principle):

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	2018	2017
	€ '000	€ '000
Fixed salary	663	620
Side benefits	72	77
Non-performance-related component	735	697
Performance-related component (bonus)	0	684
Annual compensation	735	1,381
Payment to an external relief fund	50	48
Pension expenses	50	48
	785	1,429

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 7, 2015), the members of the Supervisory Board receive a fixed compensation in an amount of € 12,500 in addition to the reimbursement of their expenses. The Chairman receives three times that amount and the Vice Chairman 1.5 times that amount. A performance-linked component is not provided for. The members of a committee formed by the Supervisory Board receive an additional

compensation of € 6,250 for this activity, with the total compensation for committee work limited to the double amount of the fixed compensation. In accordance with these regulations, the compensation of the Supervisory Board members for the past fiscal year totalled € 162,500 (previous year: € 162,500) and breaks down as follows:

	2018 € '000	2017 € '000
Mr Schneider	56	56
Ms Benner-Heinacher	25	25
Dr. Hues	25	25
Mr Mourschinetz	13	13
Mr Müller	25	25
Mr Schmuck	19	19
	163	163

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 7, 2015), 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 notifications received in the past in accordance with sections 21 and 41 of the German Securities Trading Act old version (Wertpapierhandelsgesetz WpHG a.F.) 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 (Aktengesetz 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 7, 2015, 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 6, 2020. The Managing Board is also authorised to call in the shares acquired, to resell them, in which case shareholders' subscription rights may be excluded under certain circumstances, or to use the shares acquired for company acquisitions or equity investments. 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 6, 2020, 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.

A.S. Création Tapeten AG and OOO Kof Palitra established a Russian joint venture under the name of OOO A.S. & Palitra, in which each of the partners holds 50% of the shares. In the event of a material change in the shareholder structure of one of the two founding partners, the partnership agreement grants the respective other party a purchase option for the other party's shares in the joint venture.

Gummersbach, February 27, 2019

A.S. Création Tapeten AG

The Managing Board

Barth Bantel Krämer Suskas

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.

2018 – a weak trading year

The year 2018 marked the end of a stock trading boom that lasted almost ten years. Too many potential risks and political tensions were the breeding ground for nervousness and uncertainty at the stock exchange in 2018. Italy's debt problems and the resulting difficulties for the eurozone, the unresolved Brexit issues and the trade dispute between the USA and China were only some of the topics that dominated the discussions in 2018 and led to a deterioration in the growth prospects for the world economy. Against the background of these uncertainties, investors exercised greater caution than in the past; as a result, the stock market experienced a clear downward trend and closed the year with a major loss.

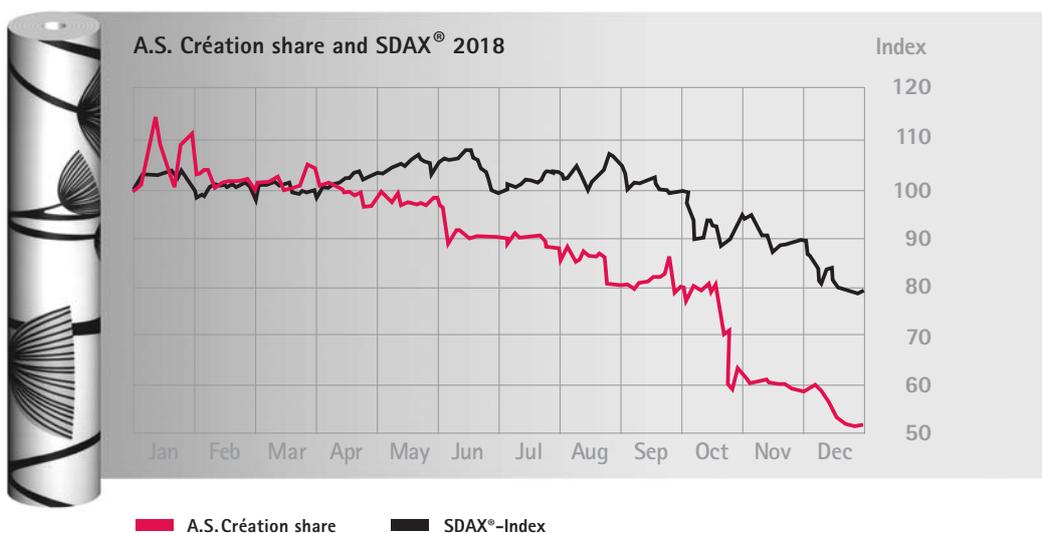
Germany's DAX® index, which gained as much as 12.5% in 2017, lost an impressive 18.3% in the course of 2018, falling from 12,918 points at the beginning of the year to 10,559 points on December 28, 2018. The DAX® thus recorded the highest loss since the international financial crisis of 2008. But Germany's second and third-tier stocks also clearly lost in value in 2018. The SDAX® and the MDAX®, Germany's small and mid-cap indices, dropped by 20.0% and 17.6%, respectively, in 2018.

Losses for the A.S. Création share

The A.S. Création share continued its disappointing performance of the previous year in 2018. Falling from € 20.32 at the beginning of 2018 to € 10.60 at the end of the year, the share lost 47.8%. The A.S. Création share thus clearly underperformed the capital market as a whole in 2018. The following chart compares the performance of the A.S. Création share with that of the SDAX®.

The A.S. Création share had a slightly better start to the year 2018 than the SDAX® and reached the highest level of the year at € 22.80 on January 9, 2018. The share thus gained 12.2% at the beginning of the year. The A.S. Création share was able to stay at this

level until early February but then dropped to approx. € 20.40. Between early February and early April, the A.S. Création share moved sideways in sync with the SDAX®. While the SDAX® was able to stay at this level until late September and started losing value only in the final quarter, the A.S. Création share declined almost steadily between early April and the end of the year. This period was marked by mostly negative corporate news. On July 25, 2018, for instance, the Managing Board was forced to revise the original revenue and earnings projections for FY 2018 in view of the business performance in the second quarter of 2018. A sharp drop in the share price was caused by the publication of the report for the period ended September 30, 2018 at the end of October, which showed



that A.S. Création posted an operating loss at the nine-month stage. Consequently, the price of the A.S. Création share dropped to € 10.60 on December 28, 2018, the last trading day of the year. Compared to the price of € 20.32 at the beginning of the year, the A.S. Création share thus lost € 9.72 or 47.8% in value, while the SDAX® lost only 20.0% during the same period.

outstanding as of December 31, 2018, the market values A.S. Création at € 29.2 million. This market capitalisation is down by € 26.8 million on the previous year's market value of € 56.0 million. The current market capitalisation remains at a 59.6% discount on the equity capital of € 72.2 million carried in the company's balance sheet on December 31, 2018. A valuation below the equity capital and the net asset value is not satisfactory.

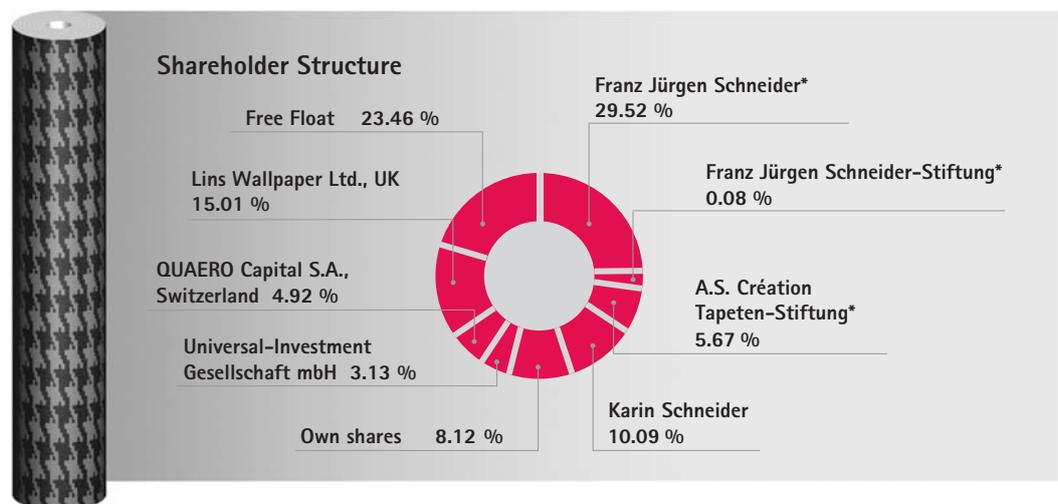
Unsatisfactory market valuation

Stable shareholder structure

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As a result of the decline in the share price in 2018, the valuation of A.S. Création has deteriorated. Based on the year-end closing price of € 10.60 and the 2,756,351 shares

A.S. Création has a stable shareholder structure. Only minor changes occurred in 2018 compared to the previous year. The table below shows the current shareholder structure:



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

No dividend for 2018

The Managing Board of A.S. Création Tapeten AG has always pursued a dividend policy that provides for a high payout ratio as long as this is permitted by the company's financial situation. In the past years, the payout ratio of A.S. Création settled at a level of approximately 45%. This shows that the dividend policy of A.S. Création is characterised by continuity and reliability.

The fixed payout ratio means that the absolute amounts of the dividend payments are not smoothed over time but increase or decrease in line with earnings. Although

A.S. Création's earnings position improved on the previous year in FY 2018, the company posted a loss. Accordingly, earnings per share amounted to € -2.17 in the fiscal year (previous year: € -6.45).

In keeping with the dividend policy pursued to date, no dividend will be paid out for 2018 – just like in the previous year – because of the loss posted by the company. While the decision not to pay out a dividend was a difficult one for the Managing Board and the Supervisory Board, they are convinced that this policy is in the sustainable long-term interest of the company and, hence, of its shareholders.

Key figures of the A.S. Création share		2014	2015	2016	2017	2018
Earnings per share	€/share	-3.39	1.19	2.70	-6.45	-2.17
Dividend	€/share	0.00	0.60	1.25	0.00	0.00
Payout ratio	%	n.a.	50.4	46.3	n.a.	n.a.
Year-closing-price	€/share	26.20	31.47	29.86	20.32	10.60
High	€/share	40.40	33.60	32.10	35.13	22.80
Low	€/share	25.37	24.42	24.00	20.32	10.50
Shares outstanding (year end)	million	2.756	2.756	2.756	2.756	2.756
Average trading volume *	pieces	1,213	628	667	1,031	768
Market value (year-end)	€ '000	72,216	86,742	82,305	56,009	29,217
Equity	€ '000	86,891	93,188	96,502	75,715	72,233
Market value/Equity	%	83.1	93.1	85.3	74.0	40.4
Price-earnings-ratio		n.a.	26.4	11.1	n.a.	n.a.
Dividend yield	%	0.0	1.9	4.2	0.0	0.0

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



(Original sample item no. 36898-3)

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CONSOLIDATED FINANCIAL STATEMENTS ACCORDING TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

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This English translation of the annual report 2018 is merely a convenience translation.
The German version is the prevailing one.

Equity and Liabilities			
	Notes No.	31.12.2018 €	31.12.2017 €
Capital stock		9,000,000.00	9,000,000.00
Capital reserves		13,756,740.32	13,756,740.32
Revenue reserves		73,344,693.60	83,579,547.15
Profit / loss carried forward		-21,421,456.99	-14,603,559.08
Earnings after taxes		-5,976,671.24	-17,770,766.91
Adjustment for own shares		-4,020,836.57	-4,020,836.57
Currency translation differences		7,550,184.74	5,774,091.17
Equity	(11)	72,232,653.86	75,715,216.08
Financial liabilities (interest-bearing)	(12)	12,558,602.07	4,691,195.98
Other liabilities	(13)	456,928.34	507,744.15
Provisions	(14)	12,716,048.29	12,661,740.00
Deferred tax liabilities	(7)	99,538.75	199,077.81
Non-current liabilities		25,831,117.45	18,059,757.94
Financial liabilities (interest-bearing)	(12)	2,699,229.30	3,719,156.51
Other liabilities	(13)	21,761,373.59	26,201,798.72
Trade payables		5,366,903.00	6,807,551.84
Provisions	(15)	115,636.18	130,515.60
Tax liabilities	(6)	642,777.48	79,667.00
Current liabilities		30,585,919.55	36,938,689.67
Total equity and liabilities		128,649,690.86	130,713,663.69

A.S. Création Tapeten AG, Gummersbach
Consolidated income statement
for the period from January 1, 2018 to December 31, 2018

	Notes No.	2018 €	2017 €
Sales	(17)	134,485,229.79	143,329,136.18
Increase or decrease in unfinished and finished goods		-1,680,328.30	216,182.33
Other own work capitalized		41,522.90	26,721.31
Total output		132,846,424.39	143,572,039.82
Cost of materials	(18)	67,238,267.00	73,535,435.90
Gross profit		65,608,157.39	70,036,603.92
Other income	(19)	908,487.67	1,281,232.77
		66,516,645.06	71,317,836.69
Personnel expenses	(20)	36,939,168.94	40,336,484.89
Depreciation	(21)	6,060,374.29	6,537,700.50
Other operating expenses	(22)	26,402,515.72	40,251,459.26
Operating expenses		69,402,058.95	87,125,644.65
Earnings before interest and taxes (EBIT)		-2,885,413.89	-15,807,807.96
Interest and similar income		1,063,209.60	1,141,590.74
Results from investments accounted for at equity		-3,080,538.98	-2,527,640.91
Interest and similar expenses		807,413.20	581,686.54
Financial result	(23)	-2,824,742.58	-1,967,736.71
Earnings before income taxes		-5,710,156.47	-17,775,544.67
Income taxes	(24)	266,514.77	-4,777.76
Earnings after taxes		-5,976,671.24	-17,770,766.91
Earnings per share	(25)	-2.17	-6.45

A.S. Création Tapeten AG, Gummersbach
Consolidated statement of comprehensive income
for the period from January 1, 2018 to December 31, 2018

	Notes No.	2018 € '000	2017 € '000
Earnings after taxes		-5,977	-17,771
Items, that will never be reclassified to profit or loss:			
Actuarial gains/losses from pension provisions	(14)	121	288
Deferred taxes on other comprehensive income		-46	-92
		75	196
Items, that are or may be reclassified to profit or loss:			
Foreign currency translation differences for fully consolidated companies		438	-442
Foreign currency translation differences for investments accounted for at equity		1,338	572
Change in fair value of interest rate hedges	(30)	578	150
Deferred taxes on other comprehensive income		-179	-47
		2,175	233
Other comprehensive income (outside profit or loss)	(11)	2,250	429
Total comprehensive income		-3,727	-17,342

A.S. Création Tapeten AG, Gummersbach

Consolidated statement of changes in equity

for the period from January 1, 2018 to December 31, 2018

	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, 2017	9,000	13,757	83,177	-18,490	7,435	-4,021	5,644	96,502
Earnings after taxes 2016	0	0	0	7,435	-7,435	0	0	0
Dividend payments	0	0	0	-3,445	0	0	0	-3,445
Allocation to revenue reserves	0	0	104	-104	0	0	0	0
Total comprehensive income 2017	0	0	299	0	-17,771	0	130	-17,342
December 31, 2017	9,000	13,757	83,580	-14,604	-17,771	-4,021	5,774	75,715
Earnings after taxes 2017	0	0	0	-17,771	17,771	0	0	0
Initial application IFRS 9 and IFRS 15	0	0	245	0	0	0	0	245
Allocation to revenue reserves	0	0	-10,954	10,954	0	0	0	0
Total comprehensive income 2018	0	0	474	0	-5,977	0	1,776	-3,727
December 31, 2018	9,000	13,757	73,345	-21,421	-5,977	-4,021	7,550	72,233

A.S. Création Tapeten AG, Gummersbach

Consolidated cash flow statement

for the period from January 1, 2018 to December 31, 2018

	2018 € '000	2017 € '000
Operating activities		
Earnings after taxes	-5,977	-17,771
+ Depreciation on tangible and intangible fixed assets	6,060	6,538
+/- Increase/decrease in long-term provisions	175	194
-/+ Income/expenses from investments accounted for at equity	3,081	2,528
-/+ Increase/decrease in present value of corporate income tax credit	0	296
-/+ Income/expenses from changes in deferred taxes	-621	-929
-/+ Profit/losses from disposal of tangible and intangible fixed assets	85	63
-/+ Increase/decrease in inventories	2,979	634
-/+ Increase/decrease in trade receivables	1,986	-1,169
+/- Increase/decrease in trade payables	-1,373	-236
-/+ Increase/decrease in other net working capital	-3,074	13,083
Cash-flow from operating activities	3,321	3,231
Investing activities		
- Cash outflows for capital expenditures on tangible and intangible fixed assets	-8,304	-10,269
- Cash outflows f. acquisitions of cons. comp. (less acquired cash and cash equivalents)	0	51
Capital expenditures	-8,304	-10,218
-/+ Cash outflows / proceeds from current financial investments	0	400
+ Proceeds from credits and bonds granted	608	565
+ Proceeds from the disposal of tangible and intangible fixed assets	127	174
Cash-flow from investing activities	-7,569	-9,079
Financing activities		
- Dividends paid to shareholders of A.S. Création Tapeten AG	0	-3,445
+/- Raising/repayment of financial liabilities (interest-bearing)	6,847	-2,519
Cash-flow from financing activities	6,847	-5,964
Net change in cash and cash equivalents	2,599	-11,812
+/- Change in cash and cash equivalents due to exchange rate fluctuations	464	-187
+ Cash and cash equivalents at January 1	8,827	20,826
Cash and cash equivalents at December 31	11,890	8,827

Further information on the cash flow statement are presented in the notes (see No. 26).

A.S. Création Tapeten AG, Gummersbach

Notes to the consolidated financial statement

for fiscal year 2018

General

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

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

A.S. Création Tapeten AG has a policy of applying new IFRS as soon as they become effective. In the fiscal year 2018, the following new or revised standards and interpretations had to be observed.

- IFRS 9 "Financial Instruments"; first-time adoption for fiscal years beginning on or after January 1, 2018.
- IFRS 15 "Revenue from Contracts with Customers"; first-time adoption for fiscal years beginning on or after January 1, 2018.
- IFRIC 22 "Foreign Currency Transactions and Advance Consideration"; first-time adoption for fiscal years beginning on or after January 1, 2018.

IFRS 9 "Financial Instruments" replaces the former IAS 39 and includes new regulations regarding the classification and measurement of financial instruments and the impairment of financial instruments. The recognition of impairments of financial assets is now based on the expected losses. The general approach provides for a three-step model to determine the risk provision. Depending on the credit loss risk, the model requires different scopes of impairment. A simplified procedure for loss impairments applies to certain financial instruments. Expected losses for trade receivables will now essentially be recognised on the basis of internal and external customer ratings as well as associated probabilities of default and will be determined

with the help of a risk matrix. The new impairment model shall also be applied to other financial instruments measured at amortised cost such as other receivables and bank balances. In the first-time adoption of IFRS 9 as of January 1, 2018, A.S. Création applied the modified retrospective method. The first-time adoption of IFRS 9 as of January 1, 2018 influenced the balance sheet as follows:

	€ '000
Trade receivables	-673
Other assets	-224
Deferred tax assets	38
Revenue reserves	-628
Deferred tax liabilities	-231

The first-time adoption of IFRS 9 in the fiscal year 2018 increased earnings after taxes by € 0.305 million. As a result, earnings per share improved by € 0.11.

IFRS 15 "Revenue from Contracts with Customers" replaces the former regulations of IAS 11, IAS 18, IFRIC 13, IFRIC 15, IFRIC 18 and SIC-31 and primarily contains regulations as to how and when revenue is recognised. IFRS 15 introduces a five-step model for the accounting for revenue from contracts with customers. Most of A.S. Création's contracts with customers are contracts on the sale of wallpapers, borders and furnishing fabrics. Revenue is recognised when the performance obligation is met upon delivery to and/or receipt by the customer. This is usually the time when control passes to the customer. The risk of existing obligations to take back the delivered goods is mitigated through the formation of contract liabilities which are based on customer information and historical experience. If a contract covers several distinct goods or services, the total transaction value is allocated on the basis of the relative standalone selling prices. Where these performance obligations are not met simultaneously, the adoption of IFRS 15 will postpone the recognition of revenue and of contracts assets/liabilities. These circumstances are negligible for A.S. Création. Most of the contracts with customers provide for a single performance obligation or for a number of identical performance obligations. These purchase contracts usually do not result in a changed recognition of revenues. In the first-time

adoption of IFRS 15 as of January 1, 2018, A.S. Création applied the modified retrospective method. The first-time adoption of IFRS 15 as of January 1, 2018 influenced the balance sheet as follows:

	€ '000
Contract assets	1,384
Revenue reserves	891
Contract liabilities	92
Deferred tax liabilities	401

The first-time adoption of IFRS 15 in the fiscal year 2018 reduced earnings after taxes by € 0.448 million. As a result, earnings per share declined by € 0.16.

IFRIC 22 "Foreign Currency Transactions and Advance Consideration" contains clarifications regarding the recognition of revenue in the event of advance payments in foreign currency. There will be no material impact on the consolidated financial statements of A.S. Création.

The following standards and interpretations have been published but not yet become effective or been endorsed by the EU in fiscal 2018:

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

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

IFRS 16 "Leases" introduces a uniform accounting model for the recognition of leases in the balance sheet of the lessee. The lessee recognises a right-of-use asset as well as a lease liability, which represents their obligation to make future lease payments. Exemptions exist for short-term leases and for leases of low-value assets. The accounting requirements for the lessor are comparable with those of the current standard. A.S. Création will apply the modified retrospective method when first adopting IFRS 16 as of January 1, 2019. The adoption of the new standard will increase total assets by € 0.904 million; the expected impact on earnings after taxes is negligible.

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Taking into account the above, the other 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 from today's point of view.

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

Consolidation principles

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

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

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

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

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

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

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

Notes on the basis of consolidation

The consolidated financial statements comprise A.S. Création Tapeten AG as well as ten other entities. The basis of consolidation has remained unchanged from the previous year.

The table below shows the fully consolidated companies:

No.	Company, location	held by	Share in %	Nominal capital Dec. 31, 2018
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., Werkendam/Netherlands	No. 1	100.0	20,000 €
4.	A.S. Création (France) SAS, Lyon/France	No. 1	100.0	4,000,000 €
5.	MCF Investissement SAS, Ballancourt/France	No. 4	100.0	460,350 €
6.	SCE-Société de conception et d'édition SAS, Boves/France	No. 4	100.0	2,000,000 €
7.	000 A.S. Création (RUS), Moscow/Russia	No. 1	100.0	25,000,000 RUB
8.	000 A.S. Création Belrus, Minsk/Belarus	No. 1	100.0	12,000,000 BYN
9.	000 Profistil, Minsk/Belarus	No. 1 and No. 8	100.0	11,000,000 BYN
Furnishing Fabrics Division				
10.	Indes Fuggerhaus Textil GmbH, Marienheide/Germany	No. 1	100.0	550,000 €

In addition, OOO A.S. & Palitra, Dzerzhinsk/Russia, in which A.S. Création Tapeten AG holds 50.0%, is accounted for using the equity method. This joint venture forms part of the Wallpaper Division.

All financial statements included in the consolidated financial statements were established as of December 31, 2018 and were audited or reviewed by independent chartered accountants.

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 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, 2018	Dec. 31, 2017	2018	2017
Pound Sterling (GBP/€)	0.89710	0.88740	0.88479	0.87675
Russian rouble (RUB/€)	79.46050	68.86680	74.14511	66.03046
Belarus rouble (BYN/€)	2.47340	2.35530	2.40535	2.18969

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. Assets acquired under finance leases are shown at the lower of their current market value at the beginning of the lease or the present value of the minimum lease payments in accordance with IAS 17.

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.

Intangible fixed assets - with the exception of the goodwill acquired - are valued at cost less scheduled depreciation. They are written off using the straight-line method over their expected useful economic lives of mostly three to five years and no more than ten years.

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.

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

Pursuant to IFRS 9, financial instruments are divided into the following categories: a) at amortised cost; b) at fair value through other comprehensive income and c) at fair value through profit or loss. A.S. Création's business model provides for the collection of contractual cash flows in the form of principal and interest payments at defined points in time. With the exception of derivatives, all financial instruments are measured at amortised cost plus transaction costs. Financial assets are measured using the effective interest method discounting expected losses (expected loss model). These are grouped on the basis of identical risk features and the risk of default of the respective groups is analysed. A risk matrix is used to adequately reflect the expected risk of default. The risk matrix uses current external rating information as well as analyses of overdue receivables and historical experience regarding probabilities of default. The allowances are booked in separate allowance accounts. The underlying receivable is derecognised only upon expiry of the contractual right to collect the payments. Expected defaults are recorded in two steps. If the risk of default has not increased materially since the first-time recognition of the receivable, risk provisions are established in the amount of the losses expected for the next twelve months. If, by contrast, the risk of default has increased materially since the first-time recognition of the receivable, risk provisions are established in the amount of the losses expected for the remaining term.

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

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

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

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

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

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

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

Financial liabilities comprise trade liabilities, other liabilities as well as loans and current account overdrafts. They are initially recognised at fair value plus transaction costs using the effective interest method and are subsequently measured at amortised cost.

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 its realisation 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. wall-papers 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:

- In the case of business acquisitions, all acquired assets and liabilities are measured at the fair value at the time of first consolidation ("purchase method"). Material assumptions must be made especially for the measurement of intangible assets, e.g. trademark rights, as the fair value is determined through the present value of the anticipated future cash flows. Insofar, the estimates of the future development of the asset and its useful economic life as well as the choice of the discount factor have a material impact on the fair value.
- 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. These estimates may differ from actual future developments and may have an adverse impact on the net worth, financial and earnings position of A.S. Création.
- Some companies of the A.S. Création Group are involved in litigations or similar proceedings, whose outcome may have a material impact on the net worth, financial and earnings position of the Group. The Managing Board and the Managing Directors of the Group companies analyse the available information on these cases. External lawyers are consulted as well. As part of the decision on the need to establish provisions, assumptions must be made regarding the likely outcome of the proceedings and a well-founded estimate should be made of the potentially resulting obligations. The disclosure of a litigation or similar proceedings in the Notes or the actual filing of an action or of a claim for damages against a company of the A.S. Création Group do not automatically mean that, a provision has been established for this risk. Further more there is a risk that the provision – against estimations at the time of establishing – turns out to be insufficient in the future.

Notes to the balance sheet

(1) Tangible fixed assets

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

	Land, buildings, and similar rights € '000	Plant and machinery € '000	Other fixtures and fittings, tools and equipment € '000	Advance payments and assets under construction € '000	Total € '000
Gross cost of acquisition or production					
Dec 31, 2016	36,338	76,818	21,567	11	134,734
Addition consolid. companies	5	0	34	1,375	1,414
Addition	169	28	2,527	7,493	10,217
Reclassifications	-3	0	19	-16	0
Disposals	103	0	3,249	0	3,352
Currency translation differences	0	0	-24	-680	-704
Dec 31, 2017	36,406	76,846	20,874	8,183	142,309
Addition	570	2,215	2,722	2,636	8,143
Reclassifications	5,092	3,018	43	-8,153	0
Disposals	541	513	2,395	0	3,449
Currency translation differences	-152	-65	-27	-183	-427
Dec 31, 2018	41,375	81,501	21,217	2,483	146,576
Depreciation					
Dec 31, 2016	22,165	69,674	16,655	0	108,494
Addition consolid. companies	5	0	5	0	10
Addition	1,525	1,919	2,946	0	6,390
Disposals	36	0	3,094	0	3,130
Currency translation differences	-1	0	-6	0	-7
Dec 31, 2017	23,658	71,593	16,506	0	111,757
Addition	1,616	1,588	2,715	0	5,919
Disposals	541	500	2,207	0	3,248
Currency translation differences	-3	-4	-10	0	-17
Dec 31, 2018	24,730	72,677	17,004	0	114,411
Net book value					
Dec 31, 2017	12,748	5,253	4,368	8,183	30,552
Dec 31, 2018	16,645	8,824	4,213	2,483	32,165

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

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

(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	Total € '000
Gross cost of acquisition or production			
Dec 31, 2016	5,523	9,276	14,799
Addition consolidated companies	4	404	408
Addition	52	0	52
Disposals	38	0	38
Currency translation differences	-2	-59	-61
Dec 31, 2017	5,539	9,621	15,160
Addition	161	0	161
Disposals	29	0	29
Currency translation differences	0	-17	-17
Dec 31, 2018	5,671	9,604	15,275
Depreciation			
Dec 31, 2016	5,150	1,543	6,693
Addition	148	0	148
Disposals	23	0	23
Dec 31, 2017	5,275	1,543	6,818
Addition	141	0	141
Disposals	18	0	18
Dec 31, 2018	5,398	1,543	6,941
Net book value			
Dec 31, 2017	264	8,078	8,342
Dec 31, 2018	273	8,061	8,334

The Wallpaper Division and the Furnishing Fabrics Division, respectively, accounted for € 7.909 million (previous year: € 7.926 million) and € 0.152 million (previous year: € 0.152 million) of total goodwill in an amount of € 8.061 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 2019 and 2020. 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 2021, the budgeted cash flow before interest and taxes of the year 2020 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 4.8% and 3.8% 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 5.1% for the Wallpaper Division and of over 9.3% for the Furnishing Fabrics Division would indicate the need to recognise an impairment loss.

(3) Investments accounted for at equity

This item comprises the investment in OOO A.S. & Palitra. The table below shows the changes in investments accounted for at equity:

	2018 € '000	2017 € '000
January 1	0	0
Additions	0	0
Pro-rata changes in equity		
Changes affecting income	0	0
Changes affecting other comprehensive income	0	0
December 31	0	0

The table below shows the financial information of this investment:

	31.12.18 € '000	31.12.17 € '000
Non-current assets	16,965	19,785
Current assets	10,748	10,897
thereof cash and cash equivalents	(134)	(78)
Non-current liabilities	0	0
thereof financial liabilities and deferred tax liabilities	(0)	(0)
Current liabilities	47,611	46,930
thereof financial liabilities and tax liabilities	(31,277)	(32,995)
Net assets (100%)	-19,898	-16,248
Group share in net assets (50%)	-9,949	-8,124
Capitalised other costs	11	11
First-time adoption IFRS 9 financial instruments	-18	0
Elimination of unrealised intercompany profits	-130	-213
Carrying amount	-10,086	-8,326

	2018 € '000	2017 € '000
Sales revenues	24,236	22,362
Depreciation	2,616	3,102
Interest expenses	2,133	2,419
Income taxes	-840	-511
Earnings after taxes	-6,217	-5,099
Total comprehensive income (100%)	-6,217	-5,099
Total comprehensive income (50 %)	-3,109	-2,549
Elimination of unrealised intercompany profits	28	21
Share in total comprehensive income	-3,081	-2,528

The share in total comprehensive income that is attributable to A.S. Création in the amount of € -3.081 million (previous year: € -2.528 million) has been offset against shareholder loans, as they belong to the net investment of A.S. Création in respect of economic content.

At fiscal year-end 000 A.S. & Palitra had financial obligations from order commitments for investments in an amount of € 0.000 million (previous year: € 0.006 million).

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(4) Financial assets

This item comprises the shareholder loans that A.S. Création Tapeten AG granted to the joint venture 000 A.S. & Palitra. The table below shows the changes in financial assets:

	2018 € '000	2017 € '000
January 1	7,960	10,548
Disposals	608	564
Currency adjustment	-38	-68
Pro-rata changes in equity		
First-time application IFRS 9	-18	0
Changes affecting income	-3,081	-2,528
Changes affecting other comprehensive income	1,338	572
December 31	5,553	7,960

(5) Other assets

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

	Total		Remaining term of up to 1 year		Remaining term of over 1 year	
	31.12.18 € '000	31.12.17 € '000	31.12.18 € '000	31.12.17 € '000	31.12.18 € '000	31.12.17 € '000
Miscellaneous other assets	12,157	10,354	6,501	5,106	5,656	5,248
Deferred charges	618	578	618	566	0	12
	12,775	10,932	7,119	5,672	5,656	5,260

Miscellaneous other assets include receivables from OOO A.S. & Palitra, which is accounted for using the equity method, VAT refund claims and supplier credits. This item also includes contract assets in the amount of € 1.786 million (previous year: € 0.590 million).

The table below shows the changes in impairments on other financial assets:

	2018 € '000
As of January 1	0
First-time adoption IFRS 9	49
Allocation	12
Use	0
Release	12
Currency adjustment	-5
As of December 31	44

(6) Income tax receivables and tax liabilities

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

(7) 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:

	31.12.18		31.12.17	
	Deferred tax assets € '000	Deferred tax liabilities € '000	Deferred tax assets € '000	Deferred tax liabilities € '000
Tangible fixed assets	100	1,971	103	2,637
Intangible fixed assets	22	47	25	62
Inventories	315	57	377	94
Trade receivables and other assets	234	568	208	247
Provisions for pensions	2,224	0	2,266	0
Other provisions	6	0	10	0
Other liabilities	195	0	184	28
Tax losses carried forward	240	0	367	0
	3,336	2,643	3,540	3,068
Set-off*	-2,543	-2,543	-2,869	-2,869
	793	100	671	199

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

Losses carried forward for trade tax in the amount of € 0.063 million (previous year: € 0.123 million) as well as for corporate income tax and solidarity surcharge in an amount of € 0.012 million (previous year: € 0.084 million) exist in Germany. In addition, tax losses carried forward in an amount of € 11.267 million (previous year: € 10.260 million) exist abroad. No deferred tax assets were recognised for losses carried forward in the amount of € 10.196 million (previous year: € 8.991 million) as well as for temporary differences in the amount of € 0.350 million (previous year: € 1.072 million), as their realisation is not sufficiently certain from today's point of view.

(8) Inventories

Inventories comprise the following:

	31.12.18 € '000	31.12.17 € '000
Raw materials and supplies	4,199	3,705
Unfinished products	85	93
Finished goods and merchandise	29,304	33,055
	33,588	36,853

Inventories with carrying amounts of € 9.664 million (previous year: € 10.944 million) are recognised at the fair value less cost to sell.

(9) Trade receivables

€ 0.021 million (previous year: € 0.043 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:

	31.12.18 € '000	31.12.17 € '000
Gross carrying amount	27,533	29,674
Valuation allowances	4,443	3,762
Net carrying amount	23,090	25,912

The table below shows the allowances on trade receivables:

	2018 € '000	2017 € '000
As of January 1	3,762	4,026
First-time adoption of IFRS 9	673	0
Allocation	368	520
Use	28	97
Release	290	663
Currency adjustment	-42	-24
As of December 31	4,443	3,762

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

Trade receivables	thereof without itemised allowances and					
	not past due	past due within 90 days	past due between 91 and 180 days	past due between 181 and 360 days	past due in more than 360 days	
€ '000	€ '000	€ '000	€ '000	€ '000	€ '000	
As of Dec 31, 2017	25,912	22,069	2,735	389	321	84
As of Dec 31, 2018	23,090	20,664	1,772	202	105	54

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

(10) Cash and cash equivalents

Cash and cash equivalents break down as follows:

	31.12.18	31.12.17
	€ '000	€ '000
Cash in banks	11,813	8,539
Cash on hand, cheques and bills of exchange	77	288
	11,890	8,827

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

(11) Equity

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

As of December 31, 2018, 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 7, 2015), 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 6, 2020 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, 2018.

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 a resolution passed by the General Meeting of Shareholders dated May 7, 2015, the Managing Board is authorised to acquire own shares up to a par value of € 0.900 million (which represents a maximum of 10% of the share capital) until May 6, 2020. The Managing Board is also authorised to cancel the shares acquired, to resell them, or to use the shares acquired for company acquisitions or equity investments. Based on previous authorisations granted between 1999 and 2008, A.S. Création Tapeten AG repurchased 243,649 own shares. Since then, no sales or purchases have occurred, which means that A.S. Création Tapeten AG held 243,649 own shares in a nominal amount of € 0.731 million or 8.12% of the share capital as of the balance sheet date. An offsetting item in the amount of the cost of acquisition of own shares was established, which remained unchanged from the previous year at € 4.021 million.

Due to the consolidated net loss incurred in the reporting year, it will be proposed to pay out no dividend as in the previous year.

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

	Financial derivative	Deferred taxes	Pension provisions	Deferred taxes	Foreign currency translation differences from		Total
	€ '000	€ '000	€ '000	€ '000	fully consolidated companies	companies accounted for at equity	€ '000
As of Jan 1, 2017	-271	85	-4,615	1,431	2,925	2,719	2,274
Other comprehensive income 2017	150	-47	288	-92	-442	572	429
As of Dec 31, 2017	-121	38	-4,327	1,339	2,483	3,291	2,703
Other comprehensive income 2018	578	-179	121	-46	438	1,338	2,250
As of Dec 31, 2018	457	-141	-4,206	1,293	2,921	4,629	4,953

(12) Financial liabilities (interest-bearing)

The table below shows the changes in financial liabilities:

	2018	2017
	€ '000	€ '000
Januar 1	8,410	9,575
Cash change	6,843	-1,192
Non-cash change	4	27
Dezember 31	15,257	8,410

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

	31.12.18	31.12.17
	€ '000	€ '000
up to 1 year	2,699	3,719
over 1 year up to 5 years	8,712	3,338
over 5 years	3,846	1,353
	15,257	8,410

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

Interest-bearing financial liabilities of € 15.257 million (previous year: € 8.410 million) include € 13.101 million (previous year: € 8.111 million) from credit agreements at fixed interest rates and € 2.156 million (previous year: € 0.299 million) from credit agreements at variable interest rates. An amount of € 2.229 million (previous year: € 4.456 million) of the interest-bearing financial liabilities is covered by an interest rate hedge. Where the variable-interest financial liabilities are concerned, a € 2.000 million interest rate hedge (previous year: € 0.0 million) is used to mitigate the interest rate risk.

The breakdown of credit agreements 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 2018	31.12.18	interest rate 2017	31.12.17
	%	€ '000	%	€ '000
of up to 1 year	3.8	2,282	2.9	3,419
of over 1 year up to 5 years	4.7	6,973	2.4	3,338
of over 5 years	4.9	3,846	1.8	1,353
		13,101		8,111

(13) Other liabilities

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	
	31.12.18 € '000	31.12.17 € '000	31.12.18 € '000	31.12.17 € '000	31.12.18 € '000	31.12.17 € '000
Liabilities to employees	3,191	4,386	2,944	4,146	247	240
Liabilities due to social security charges	539	411	539	411	0	0
Liabilities due to other taxes	1,335	1,095	1,335	1,095	0	0
Liabilities due to bonuses/discounts	2,149	1,957	2,149	1,957	0	0
Miscellaneous other liabilities	15,004	18,861	14,794	18,593	210	268
	22,218	26,710	21,761	26,202	457	508

Current miscellaneous other liabilities include risks from the German and French antitrust proceedings in the amount of € 11.910 million (previous year: € 14.799 million).

(14) Long-term provisions

Long-term provisions divide as follows:

	31.12.18 € '000	31.12.17 € '000
Pension provisions	12,699	12,662
Other provisions	17	0
	12,716	12,662

Pension provisions are recognised for current pension obligations as well as future old age, disability and survivors' pension commitments. Commitments vary from Group company to Group company

depending on the legal and economic situation. The majority of Group employees are granted a service-life-linked defined benefit pension plan related to a fixed monetary amount.

The amount of the defined benefit obligations is determined using actuarial methods in accordance with IAS 19 and equals the present value of future pension payments.

For the majority of pension obligations it is determined based on the following parameters:

	31.12.18 %	31.12.17 %
Projected interest rate (discount rate)	1.90	1.80
Projected pension trend	2.00	2.00
Projected rate of fluctuation	5.00	5.00

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

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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	-2,064	1.00	2,741
Projected pension trend	0.25	386	0.25	-368

If the life of the persons entitled to pension were extended by one year, the pension obligation would increase by another € 0.525 million.

The duration of the pension obligation, i.e. the anticipated average capital tie-up period, is 19.3 years.

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

	2018 € '000	2017 € '000
As of January 1	12,882	12,958
Pension payments	-373	-331
Current service cost	312	322
Past service cost	-28	0
Interest cost	229	218
Actuarial gains from changes in the discount rate	-240	-239
Other actuarial gains (-) or losses (+)	121	-46
As of December 31	12,903	12,882

Of the defined benefit obligations, an amount of € 0.357 million is expected to be paid out in the following fiscal year.

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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:

	2018 € '000	2017 € '000
As of January 1	220	202
Employer contributions	0	12
Benefit payments	-22	0
Expected return on plan assets	4	3
Actuarial gains	2	3
As of December 31	204	220

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

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

The table below shows the changes in pension provisions:

	2018 € '000	2017 € '000
As of January 1	12,662	12,756
Pension payments and employer contributions	-351	-343
Allocation through profit/loss (income statement)	509	537
Allocation/release through equity (other comprehensive income)	-121	-288
As of December 31	12,699	12,662

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	2018 € '000	2017 € '000
Current service cost and benefit payments	Personnel expenses	284	322
Interest cost	Financial result	225	215
		509	537

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

	2018 € '000	2017 € '000
Change in the discount factor	242	242
Change in the biometric assumptions	-115	16
Experience adjustment	-6	30
	121	288

Besides these commitments from defined benefit plans, some Group companies make contributions to company pension schemes in some cases. In these cases, a defined annual amount is paid to an external relief fund or a comparable institution for the duration of the employment relationship. These defined contribution plans are not recognised in pension provisions. Instead, the contributions paid are included in the personnel expenses of the respective fiscal year (see Notes No. 20).

(15) Short-term provisions

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

	2018	2017
	€ '000	€ '000
As of January 1	131	117
Currency translation	-2	0
Change in scope of consolidation	0	3
Use	96	108
Release	8	1
Allocation	91	120
As of December 31	116	131

(16) Other financial liabilities and contingent liabilities

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

	Total		Remaining term of up to 1 year		Remaining term of over 1 year up to 5 years		Remaining term of over 5 years	
	31.12.18	31.12.17	31.12.18	31.12.17	31.12.18	31.12.17	31.12.18	31.12.17
	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000
from building rents	325	537	285	403	40	134	0	0
from operating leases	329	301	119	237	210	64	0	0
from order commitments for investments in tangible fixed assets	1,079	2,785	1,079	2,785	0	0	0	0
	1,733	3,623	1,483	3,425	250	198	0	0

Notes to the income statement

(17) Sales

A breakdown of Group sales by region is provided below:

	Wallpaper Division		Fabrics Division		Consolidation		Group	
	2018 € '000	2017 € '000	2018 € '000	2017 € '000	2018 € '000	2017 € '000	2018 € '000	2017 € '000
Germany	54,699	56,162	9,405	9,699	-75	-71	64,029	65,790
EU (excl. Germany)	53,146	59,837	2,151	2,081	-27	-33	55,270	61,885
European Union (EU)	107,845	115,999	11,556	11,780	-102	-104	119,299	127,675
Other Eastern Europe	16,529	17,488	237	354	0	0	16,766	17,842
Other countries	11,180	12,002	663	613	0	1	11,843	12,616
Sales (gross)	135,554	145,489	12,456	12,747	-102	-103	147,908	158,133
Reduction in revenues	-12,634	-13,887	-789	-917	0	0	-13,423	-14,804
Sales (net)	122,920	131,602	11,667	11,830	-102	-103	134,485	143,329

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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 € -4.117 million from changes in contract assets and contract liabilities.

These are shown below:

	01.01.18 € '000	Change € '000	31.12.18 € '000
Contract assets	1,968	-182	1,786
Contract liabilities	-2,049	-100	-2,149
	-81	-282	-363

In the reporting year, contract fulfilment costs as defined in IFRS 15 amounted to € 1.866 million; these are provided continuously over the term of the underlying contract. As the performance for the contract fulfilment costs recorded in the contractual period has been recorded in full, these costs were recognised as contract assets in the reporting period and immediately written off in full.

(18) Cost of materials

The cost of materials includes:

	2018 € '000	2017 € '000
Cost of raw materials, consumables and supplies and purchased materials	62,356	67,645
Cost of purchased services	4,882	5,890
	67,238	73,535

(19) Other income

Other income includes income from the release of allowances for doubtful receivables and income from the expiry of obligations, foreign exchange gains in the amount of € 0.019 million (previous year: € 0.217 million) as well as income from disposals of tangible and intangible fixed assets in an amount of € 0.081 million (previous year: € 0.109 million).

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(20) Personnel expenses

Personnel expenses are comprised as follows:

	2018 € '000	2017 € '000
Wages and salaries	29,786	32,591
Social security contributions and pension expenses	7,153	7,745
	36,939	40,336

Social security contributions and pension expenses include contributions to state pension insurance institutions in an amount of € 2.679 million (previous year: € 2.770 million), allocations to pension provisions in an amount of € 0.284 million (previous year: € 0.322 million) as well as payments to external relief funds and similar pension organisations due to defined contribution plans in an amount of € 0.141 million (previous year: € 0.150 million).

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

	2018 Persons	2017 Persons
Blue-collar workers	368	344
White-collar workers	340	371
Trainees and apprentices	47	46
	755	761

(21) Depreciation

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

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(22) Other operating expenses

Other operating expenses mainly include expenses on freight out, advertising, rental and operating leases, maintenance and insurance policies. Moreover, they include losses from disposals of tangible and intangible fixed assets in an amount of € 0.166 million (previous year: € 0.172 million) and foreign exchange losses in an amount of € 1.249 million (previous year: € 0.823 million). In the previous year, this item included extraordinary expenses of € 13.129 million in conjunction with the antitrust proceedings in Germany. In the reporting year, legal expenses in an amount of € 0.106 million were incurred in this context.

(23) Financial result

The financial result includes interest expenses of € 0.225 million (previous year: € 0.215 million), which result from the allocation to pension provisions. For details see No. 14 above.

(24) Income taxes

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

	2018 € '000	2017 € '000
Current income tax expenses	888	924
Deferred taxes	-621	-929
	267	-5

At € 0.267 million, tax expenses (previous year: € -0.005 million) differed by € 2.041 million (previous year: € 5.516 million) from the expected tax expenses of € -1.774 million (previous year: € -5.521 million) that would have arisen based on the overall German tax rate of 31.06% (previous year: 31.06%). The difference between expected and effective income tax expenses in the Group is due to the following:

	2018 € '000	2017 € '000
Expected income tax expenses	-1,774	-5,521
Results from investments accounted for at equity	957	785
Non-recognition of and allowances from deferred tax assets	389	495
Tax rate differentials to the overall German tax rate	358	365
Non-tax-deductible expenses	203	3,674
Expenses from changes in deferred tax rates	109	0
Tax expenses/income unrelated to the accounting period	27	393
Change in corporate income tax credit	0	-5
Non-taxable income	-87	-91
Other tax effects	85	-100
Effective tax expenses	267	-5
Effective tax rate	-4.67%	0.03%

The change in the effective tax rate is essentially attributable to non-deductible expenses incurred in conjunction with the German antitrust proceedings that had been recognised in the previous year.

(25) Earnings per share

Earnings per share are calculated as follows:

		2018	2017
Number of shares outstanding (weighted average)	shares	2,756,351	2,756,351
Earnings after taxes	€	-5,976,671	-17,770,767
Earnings per share	€/share	-2.17	-6.45

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**(26) Cash flow statement**

Cash flow from operating activities includes the following payments:

	2018	2017
	€ '000	€ '000
Interest received	284	158
Interest paid	551	337
Income tax paid	121	788

Interest paid primarily relates to investment financing.

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

	2018	2017
	€ '000	€ '000
Raising of financial liabilities (excl. financial lease)	10,887	2,429
Repayment of financial liabilities (excl. financial lease)	-4,040	-4,862
Repayment of liabilities under financial lease contracts	0	-86
	6,847	-2,519

(27) 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	
	2018 € '000	2017 € '000	2018 € '000	2017 € '000	2018 € '000	2017 € '000	2018 € '000	2017 € '000
External sales	122,850	131,542	11,635	11,787	0	0	134,485	143,329
Intra-Group sales	70	60	32	43	-102	-103	0	0
Total sales	122,920	131,602	11,667	11,830	-102	-103	134,485	143,329
EBITDA ¹	2,788	-9,482	387	212	0	0	3,175	-9,270
EBITDA-margin	2.3%	-7.2%	3.3%	1.8%			2.4%	-6.5%
Depreciation	5,879	6,358	184	193	-3	-13	6,060	6,538
EBIT ²	-3,091	-15,840	203	19	3	13	-2,885	-15,808
EBIT-margin	-2.5%	-12.0%	1.7%	0.2%			-2.2%	-11.0%
Interest income	1,082	1,233	0	1	-19	-92	1,063	1,142
Results from investments accounted for at equity	-3,081	-2,528	0	0	0	0	-3,081	-2,528
Interest expenses	744	558	82	116	-19	-92	807	582
Earnings before income taxes	-5,834	-17,693	121	-96	3	13	-5,710	-17,776
Return on sales (before taxes)	-4.7%	-13.4%	1.0%	-0.8%			-4.2%	-12.4%
Income taxes	230	24	36	-33	1	4	267	-5
Capital expenditures ³	8,217	10,078	87	140	0	0	8,304	10,218
Cash-flow from operating activities	2,760	3,124	561	107	0	0	3,321	3,231
from investing activities	-7,496	-8,965	-73	-114	0	0	-7,569	-9,079
from financing activities	7,272	-6,003	-425	39	0	0	6,847	-5,964
Segment assets 31.12. ⁴	109,577	114,249	5,958	6,356	-28	-54	115,507	120,551
thereof non-current assets	(50,557)	(50,856)	(1,152)	(1,262)	(0)	(-3)	(51,709)	(52,115)
Segment liabilities 31.12. ⁵	26,413	32,375	1,314	1,323	-28	-51	27,699	33,647
Employees (average)	690	692	65	69			755	761

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

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

³ Capital expenditures correspond to the cash flow statement.

⁴ Segment assets are the total assets of the segment less interest-bearing intercompany loans, cash and cash equivalents, deferred tax assets and other tax receivables.

⁵ Segment liabilities are the business segment's total equity and 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 17 (Sales).

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

	Total		Remaining term of up to 1 year		Remaining term of over 1 year	
	31.12.18 € '000	31.12.17 € '000	31.12.18 € '000	31.12.17 € '000	31.12.18 € '000	31.12.17 € '000
Germany	76,073	78,569	47,547	51,776	28,526	26,793
EU (excl. Germany)	19,425	21,692	10,640	12,229	8,785	9,463
Other Eastern Europe	20,009	20,290	5,611	4,431	14,398	15,859
	115,507	120,551	63,798	68,436	51,709	52,115

(28) Research and development expenses

In the past fiscal year, € 2.249 million (previous year: € 2.637 million) were spent on the development of new designs.

(29) Audit expenses

In the past fiscal year, € 0.204 million (previous year: € 0.209 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 € 0.199 million (previous year: € 0.196 million) as well as an additional € 0.000 million (previous year: € 0.018 million) for other confirmations services, € 0.034 million (previous year: € 0.037 million) for tax consulting services and € 0.006 million (previous year: € 0.005 million) for other services.

(30) Risks from financial instruments

€ 2.156 million or 14.1% (previous year: € 0.299 million or 3.6%) of the total interest-bearing financial liabilities of € 15.257 million (previous year: € 8.410 million) represent variable-rate loans. Of the variable-interest financial liabilities, an amount of € 2.000 million is interest hedged in such a way that the interest rate risk is capped at 0.4 percentage points compared

to the current interest rate ("interest rate cap"). Accordingly, a rise in interest rates by one percentage point would increase interest expenses by € 0.010 million and reduce earnings after taxes by € 0.007 million. Most of the fixed-interest loans are medium-term or long-term loans and are repaid during their terms (see No. 12 above). 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 nominated 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 expended. By contrast very high 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. These exist in particular at the Russian joint venture, which are mostly financed with euro-denominated shareholder 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. € 0.271 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 a 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. The interest rate hedge was signed together with a long-term variable-rate loan. Both transactions form an economic unit and thus represent a long-term fixed-rate loan (synthetic fixed rate loan). 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 interest rate swap at fair market value (hedge accounting). Accordingly, the negative market value of the interest rate hedge (after deferred taxes) in the amount of € -0.032 million (previous year: € -0.083 million) as well as the positive market values of the other financial derivatives (after deferred taxes) in the amount of € 0.348 million (previous year: € 0.000 million), i.e. a total amount of € 0.316 million (previous year: € -0.083 million), were recognised in revenue reserves as at the balance sheet date. The statement of comprehensive income of the reporting year includes an increase in the market values (after deferred

taxes) in the amount of € 0.399 million (previous year: € 0.103 million). Going forward, the interest rate swaps will have no impact on the earnings after taxes.

Credit and default risks from financial instruments arise from the possibility that a contractual partner 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 € 23.090 million (previous year: € 25.912 million), € 6.331 million or 27.4% (previous year: € 6.547 million or 25.3%) were accounted for by the five largest debtors. At the financial level, default risks mainly relate to cash with banks and to the financing of the joint venture, 000 A.S. & Palitra. 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 shareholder loans of € 15.638 million (previous year: € 16.285 million) granted to A.S. & Palitra constitute that material assets are tied up in a country exposed to much higher economic and political risks than Germany. The Managing Board believes, however, that the company should take these additional risks in what is the world's largest wallpaper market as they are outweighed by the resulting opportunities and the size of the additional risk is not considered to jeopardise the company's continued existence.

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 main-

tained 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 € 11.890 million (previous year: € 8.827 million) and unused credit lines and loans of € 11.257 million (previous year: € 9.431 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 IAS 39		Carrying amount		Fair value	
	31.12.18 € '000	31.12.17 € '000	31.12.18 € '000	31.12.17 € '000	31.12.18 € '000	31.12.17 € '000	31.12.18 € '000	31.12.17 € '000
Financial assets	5,553	-	-	7,960	5,553	7,960	5,553	8,315
Trade receivables	23,090	-	-	25,912	23,090	25,912	23,090	25,912
Other receivables	7,738	-	-	7,409	7,738	7,409	7,738	7,409
Cash and cash equivalents	11,890	-	-	8,827	11,890	8,827	11,890	8,827
Loans and receivables	48,271	-	-	50,108	48,271	50,108	48,271	50,463
Financial liabilities	15,247	-	-	8,410	15,257	8,410	8,562	8,562
Other liabilities	2,318	-	-	2,096	2,318	2,096	2,318	2,096
Trade payables	5,367	-	-	6,807	5,367	6,807	5,367	6,807
Financial liabilities measured at amortised cost	22,942	-	-	17,313	22,942	17,313	16,247	17,465
Financial derivative	457	-	-	-121	457	-121	457	-121

The balance sheet items correspond to the classes of financial assets and liabilities, as the instruments combined in the balance sheet items have the same properties and characteristics. The classification of financial instruments pursuant to IFRS 9 does not differ from the classification to IAS 39.

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

Trade receivables, other assets 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 and the liabilities from finance leases 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.

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 € 0.254 million (previous year: € 0.066 million) resulted from bad debts and the change in financial asset write-downs.

Interest income totalling € 1.059 million (previous year: € 1.139 million) and interest expenses totalling € 0.573 million (previous year: € 0.350 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 56.1% on December 31, 2018 (previous year: 57.9%). 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, 2018, this ratio was 186.8% (previous year: 177.7%). 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 2018:

	Responsible for	Supervisory Board member
Daniel Barth (since November 19, 2018)	Chairman	-
Roland Bantel	Sales and Marketing	-
Maik Krämer	Finance and Controlling	-
Antonios Suskas	Production and Logistics	-

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

(34) Supervisory Board

In FY 2018, the Supervisory Board was comprised as follows:

	Profession practised	Supervisory Board member
Franz Jürgen Schneider Chairman	Businessman	-
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	-
Jochen Müller	Managing Board Member of the LSG Lufthansa Service Holding AG, Neu-Isenburg	Alpha LSG Ltd., Manchester/UK
Rolf Schmuck Employee representative	Works council member released from productive working duties	-

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

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

The annual salaries of the Managing Board members in fiscal 2018 totalled € 0.735 million (previous year: € 0.697 million). In addition, the payments to a relief fund resulted in net expenses in an amount of € 0.050 million (previous year: € 0.048 million).

The compensation of the Supervisory Board members in fiscal 2018 totalled € 0.163 million (previous year: € 0.163 million).

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

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

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Provisions for pensions for former members of the Managing Board and their surviving dependents amounted to € 2.182 million (previous year: € 2.275 million) as of the balance sheet date. Pension payments to former members of the Managing Board and their surviving dependents amounted to € 0.127 million (previous year: € 0.126 million).

(36) Related party transactions

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

In the fiscal year, A.S. Création maintained business relations with A.S. & Palitra (also see note No. 3), which is accounted for using the equity method. In this context, shareholder loans were granted, services were provided to the company and goods were acquired by the company.

Details of the business relationship are shown below:

	2018 € '000	2017 € '000
Sales	42	119
Purchases	1,312	3,274
Interest income	1,040	1,130
	31.12.18 € '000	31.12.17 € '000
Shareholder loans	15,638	16,285
Receivables	6,352	5,580
Liabilities	107	464

In the context of the at-equity accounting of A.S. & Palitra, long-term shareholder loans are increased/reduced to reflect changes in equity of the joint venture through changes affecting income and through changes affecting other comprehensive income, provided that these changes relate to the shares of A.S. Création. As of the balance sheet date, shareholder loans were recognised in the consolidated financial statements in the amount of € 5.553 million (previous year: € 7.960 million) (see notes No. 4).

Franz Jürgen Schneider is Chairman of the Managing Board of A.S. Création Tapeten-Stiftung, a charitable foundation established by him. In the past fiscal year, A.S. Création Tapeten-Stiftung received a donation of € 0.015 million (previous year: € 0.030 million) from A.S. Création Tapeten AG in support of its work.

A.S. Création Tapeten AG has signed an agreement with Franz Jürgen Schneider, under which he is released from potential penalties and claims for damages in conjunction with the anti-trust proceedings. Moreover, the company has undertaken to bear any defence counsel and/or court expenses. These release agreement was approved by the Annual General Meeting of Shareholders on May 3, 2013. Expenses in an amount of € 0.013 million (previous year: € 1.171 million) incurred in this context in the fiscal year.

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

On March 9, 2018, the Managing Board and the Supervisory Board issued the declaration of conformity for FY 2018 in accordance with section 161 of the German Stock Corporation Act (Aktiengesetz AktG), which has been made permanently available to the company's shareholders on its website. The declaration of conformity for FY 2019 will be discussed and adopted at the Supervisory Board meeting on March 7, 2019. This declaration will be published on the company's website and in the chapter "Corporate governance statement and report on corporate governance" of the 2018 Annual Report.

(38) Post balance sheet events

Mr Jürgen Schneider, Chairman of the Supervisory Board, informed the company on February 18, 2019 that he will resign from office for health reasons with effect from the end of the next Annual General Meeting of Shareholders, which is scheduled for May 9, 2019.

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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 7, 2019.

Gummersbach, February 27, 2019

A.S. Création Tapeten AG
The Managing Board

Barth

Bantel

Krämer

Suskas

Independent auditor's report

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

Opinions

We have audited the consolidated financial statements of A.S. Création Tapeten AG, Gummersbach and its subsidiaries (the Group), which comprise the consolidated balance sheet as at December 31, 2018, the consolidated income statement, the consolidated statement of other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the fiscal year from January 1, 2018 to December 31, 2018, and 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, 2018 to December 31, 2018. In accordance with the German legal requirements we have not audited the non-financial group report and the group corporate governance statement of the group management report in section 4.2. and 9.1 of the group management report.

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

- the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to Sec. 315e (1) HGB and, in compliance with these requirements, give a true and fair view of the net assets and financial position of the Group as at December 31, 2018 and of its financial performance for the fiscal year from January 1, 2018 to December 31, 2018, 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 group corporate governance statement of the group management report in section 4.2. and 9.1.

Pursuant to Sec. 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 Sec. 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 (ISAs). 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 Art. 10 (2) f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Art. 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.

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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, 2018 to December 31, 2018. 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 as well as the respective controls with regard to their 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 units 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.

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2. Realisation of revenues

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

The material revenue streams in the consolidated financial statements of A.S. Création Tapeten AG result from the sale of wallpapers through different sales channels. Due to their complexity and the mandatory first-time adoption of IFRS 15 "Revenue from Contracts with Customers", the proper recognition and distinction of these revenue streams are subject to a special risk of incorrect accounting. Against this background, we determined the recognition of various revenue streams in the context of the application of the accounting standards 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 of transition to IFRS 15 "Revenue from Contracts with Customers" as well as the process for the full and accrual-based recognition and valuation of the material revenue streams.

In this context, we assessed the respective control environment with a view to the criteria of IFRS 15 as to whether the process-inherent controls are effective with regard to the full and accrual-based recognition and valuation of the material revenue streams. To check the correctness of the accrual of revenues as of the reporting date, we examined material contracts, obtained confirmations from external customers and carried out random checks of delivery notes, customer invoices and incoming payments based on the criteria defined in IFRS 15 as of the reporting date. With the help of analytical evaluations of the complete revenue-relevant database of the fiscal year 2018, we carried out correlation analyses using data analysis tools and retraced revenue entries to the exact day by comparing these analyses with our expectations on the basis of industry-related and market-related data as well as historical experience. The results of the data analyses are consistent with our expectations. To counteract the risk that management makes manual revenue entries besides the standardised revenue process, we based our audit opinion on extensive interviews with the legal representatives and used data analysis tools. In this context, we performed random checks of the database with regard to unauthorised or process-unrelated accesses in the fiscal year 2018.

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

2.3. Reference to related disclosures

The company's disclosures on the recognition of revenues are contained in "Accounting and valuation principles" and in paragraph 17 "Sales 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

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

We were elected as group auditor by the annual general meeting on May 3, 2018. We were engaged by the Supervisory Board on December 3, 2018. We have been the group auditor of A.S. Création Tapeten AG without interruption since fiscal year 2014.

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

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German Public Auditor responsible for the engagement

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

Cologne, March 1, 2019

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Galden	Vasilev
Wirtschaftsprüfer	Wirtschaftsprüfer
[German Public Auditor]	[German Public Auditor]

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March 28, 2019	Analyst presentation
May 9, 2019	Interim report for the three-month period ended March 31, 2019
May 9, 2019	Annual General Meeting of Shareholders
August 8, 2019	Interim report for the six-month period ended June 30, 2019
November 7, 2019	Interim report for the nine-month period ended September 30, 2019

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Cover photo: Original sample item no. 36971-8 of the high quality collection
„Absolutely Chic“ (Architects Paper)



