



ANNUAL REPORT 2011 A.S. CRÉATION TAPETEN AG

A.S. CRÉATION: KEY FIGURES

		2007	2008	2009	2010	2011
Sales	€ '000	167,633	176,216	181,325	184,603	192,262
Earnings before interest and taxes (EBIT)	€ '000	15,005	13,502	13,428	14,318	9,587
Earnings before income taxes	€ '000	14,562	12,856	10,834	12,352	7,325
Net profit	€ '000	9,982	8,925	7,499	8,395	4,650
Cash-flow	€ '000	17,926	18,058	17,568	19,027	14,338
Capital expenditures	€ '000	11,232	23,893	5,771	6,826	19,667
Depreciation	€ '000	8,397	8,215	9,864	10,504	9,933
Non-current assets	€ '000	54,007	73,247	68,866	64,460	67,763
Shareholders' equity	€ '000	76,901	80,288	83,774	88,789	89,553
Non-current liabilities	€ '000	27,922	54,336	51,688	39,689	43,436
Total assets	€ '000	124,557	171,730	161,835	161,625	157,327
Earnings per share	€/share	3.59	3.22	2.72	3.05	1.69
Dividend	€/share	1.60	1.40	1.20	1.35	0.75
Number of employees (average)		675	719	787	772	796

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This English translation of the annual report 2011 is merely a convenience translation.
The German version is the prevailing one.

FOREWORD

Dear readers, dear shareholders,

Our review of the past year shows that 2011 was something of a mixed bag for A.S. Création. With sales revenues growing by 4.1% from € 184.6 million in the previous year to € 192.3 million in 2011, A.S. Création marked a new record and underlined its position as the leading wallpaper manufacturer in Europe. The build-up of the new wallpaper production facility in Russia is continuing at a fast pace. This important project is being implemented in the context of a joint venture with our partner Kof Palitra, the leading wallpaper manufacturer in Russia. With the main buildings and halls completed last year before the start of winter, we currently expect production to start in autumn 2012. These products will be marketed by our Russian subsidiary, A.S. Création (RUS), which is building up and expanding its local sales organisation as planned. As expected, the start-up costs incurred in building up these activities in Russia weighed on the company's bottom line in 2011. The adverse impacts arising from the increased commodity and energy prices were much stronger than expected. We were unable to offset these negative effects through better sales prices of our own products and internal productivity increases. This is primarily reflected in A.S. Création's gross profit margin, which declined from 48.5% in 2010 to

45.8% in 2011. In terms of total output in the past fiscal year, this decline represents a short-fall in earnings of € 5.2 million. As a result, earnings before interest and taxes, at € 9.6 million, were down by € 4.7 million or 33.0% on the previous year's level of € 14.3 million. In the eyes of the Managing Board, this deterioration in the earnings position of A.S. Création is not acceptable. As mentioned before, the March 2011 increase in our sales prices was insufficient. In response to the higher commodity and energy prices, we have therefore announced a further adjustment of our prices with effect from February 1, 2012.

The deterioration in the earnings position described above is reflected in a decline in earnings per share from € 3.05 in the previous year to € 1.69 in 2011. We want to maintain our dividend policy which provides for a payout ratio of between 40% and 45% and will propose to the General Meeting of Shareholders to pay out a dividend of € 0.75 for the fiscal year 2011 (2010: € 1.35).

The price of the A.S. Création share fell by 14.8% from € 28.76 to € 24.49 in the course of the year. At 14.5%, the decline in the SDAX was almost the same. If the dividend of € 1.35 per share paid out to the shareholders of A.S. Création in May 2011 is taken into

account, however, the A.S. Création share lost 10.2% in 2011. Even though this means that A.S. Création outperformed the SDAX, the share price is not satisfactory. Besides the general downward movement in share prices, the A.S. Création share was adversely affected by two incidents, i.e. the profit warning published in October 2011 and the administrative offence proceedings initiated by the Federal Cartel Office, about which the company informed in November 2011. The Federal Cartel Office's accusation letter shows that Tapeten-fabrik Gebr. Rasch GmbH & Co. KG, the competitor who lost its market leading position in Germany to A.S. Création in the past years, is a leniency applicant in the proceedings. We have meanwhile thoroughly examined the accusations made against us and have objected to all accusations in a detailed letter in January 2012. At this stage, we cannot predict the outcome of the proceedings.

From the point of view of Sales, the fiscal year 2011 started quite spectacularly at the Heimtextil show in Frankfurt where the entire wallpaper industry exhibited its products and concepts in the attractive new Hall 3.1 for the first time. A.S. Création presented its new products at a new exhibition booth in the most prominent position in this hall. Two important projects were completed in the further course of the

year. First, we presented our first flagship store, which opens up entirely new marketing perspectives for wallpaper retailers. The store format presents wallpapers as fashion and lifestyle products and is more reminiscent of a brand store than of a traditional wallpaper department. Second, our touch-screen module "tapeten-bestellshop", which was developed as a customer consulting tool for retail stores, was optimised once more. In particular, the new module offers greatly enhanced possibilities for simulating the effect the wallpapers selected by the customer will have on a given room. This highly successful software has meanwhile been installed on over 500 devices and helps retailers worldwide present and sell wallpapers from A.S. Création.

The new products and innovative marketing concepts formed the basis for the increase in sales revenues generated by A.S. Création in the course of 2011. In this context, we should mention our still young digital printing products, which represent an exciting addition to our range for our established partners but also helped us winning new customer groups. We primarily owe this success to our "Architect Paper" sales team and their commitment to this new technology.

We are especially pleased with our sales growth

in Germany, where we were able to increase our revenues with existing customers while winning attractive new customers at the same time. Business in the export markets was more challenging, and we are not satisfied with our performance in these markets. While the German market was virtually immune to the general financial and economic crisis and the consumer climate remained bright, the most important Western European wallpaper markets such as France, the UK and the Benelux countries, clearly suffered from customers' spending restraint. Also, growth rates in non-EU Eastern European countries fell short of expectations.

Irrespective of the disappointing operating result, A.S. Création used the year 2011 to expand its leading market position in the wallpaper segment. We again invested heavily in new, innovative product lines as well as in our marketing and sales organisation – a strategy which is apparently very much appreciated by our customers. In the annual customer survey conducted by leading trade magazine "BTH" in December 2011, A.S. Création scored the best results. We made first place in as many as six categories, i.e. product marketability, friendliness, reliability of deliveries, speed of deliveries, innovation and future prospects. A survey among all 325 store managers of the DIY-chain toom Baumarkt made A.S. Création win the "toom

Baumarkt Supplier Award 2011" for the fourth time in seven years (No. 2 of 160 suppliers). We are very pleased about these awards recognising our work.

To expand its leading market position, A.S. Création continues to rely on cooperations with renowned external designers and well-known fashion brands. Two top brands were added to our highly successful licensed brand portfolio. The first wallpaper collection of the famous PORSCHE DESIGN STUDIO premiered at Heimtextil 2012. We are also working on the first VERSACE wallpaper collection. We expect both collections to be successful at the national and international level.

The good market position we achieved over the past years offers excellent possibilities for continued profitable growth. An important task in the year 2012 will be the start-up of wallpaper production in Russia. A.S. Création will be responsible for defining an appropriate brand policy and putting in place an effective sales organisation, while our partner, Kof Palitra, will be in charge of building up and organising production in Russia. In addition, we will closely address the Western European markets, especially France, in order to return to the growth track. Our product development activities of the year 2011 should have laid the basis for

higher sales also in the Eastern European markets. Accordingly we target consolidated sales revenues of between € 195 million and € 205 million for the fiscal year 2012; reaching this target will largely depend on the further trend in consumer spending. Although the activities in Russia will lead to start-up losses also in 2012 and the risk of a further increase in commodity and energy prices is far from over, we are confident that we will be able to improve the earnings position of A.S. Création and to generate a net profit of between € 6.0 million and € 7.0 million.

Gummersbach, February 2012



Jörn Kämper

Chairman of the Managing Board

I would like to take this opportunity to thank all employees of the A.S. Création Group for their commitment in the past fiscal year. It is our shared objective to further consolidate and expand the market leading position of A.S. Création in the coming year. Our team's quality and will to deliver make us optimistic that this objective will be achieved.

I thank you, dear shareholders, for your support and the confidence you have placed in us. I would be happy if you would stay with our company on this challenging and exciting journey.

MANAGING BOARD AND SUPERVISORY BOARD

Managing Board

Jörn Kämper

Chairman

Sales and Marketing

Karl-Heinz Hallwig (from April 1, 2011)

Production and Logistics

Maik Holger Krämer

Finance and Controlling

Bernhard Wagner (until March 31, 2011)

Production and Logistics

Supervisory Board

Franz Jürgen Schneider ^{1),2),3)}

Chairman

Dr. Rüdiger Liebs ^{1),2)}

Vice Chairman

Jella Susanne Benner-Heinacher ³⁾

Peter Mourschinetz

Employee representative

Dr. Dieter Schadt ^{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 year at a price of € 28.76.

At the "Heimtextil" exhibition in Frankfurt am Main, wallpaper manufacturers exhibit their products in the attractive Hall 3.1 for the first time. A.S. Création's all-new exhibition booth presents the collections for the year 2011.

February The "Tapetenshop" app provides convenient iPad access to the world of wallpapers.

April The "Architects Paper" sales team and the digital printing department move into their new premises in Wiehl-Bomig.

May The A.S. Création share hits an annual high of € 31.00 on May 19.

November A.S. Création presents the livingwalls Flagship Store, an all-new wallpaper marketing concept for specialist retailers. The new store format presents wallpaper as a fashion and lifestyle product.

HIGHLIGHTS 2011

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The Cartel Office opens administrative offence proceedings against A.S. Création Tapeten AG.

The A.S. Création share hits an annual low of € 16.73 on November 25.

December A.S. Création is voted the best wallpaper manufacturer in a customer survey conducted by leading trade magazine "BTH".

The A.S. Création share closes the year 2011 at € 24.49 on December 30.

14 REPORT OF THE SUPERVISORY BOARD

In the fiscal year 2011, the Supervisory Board held four ordinary meetings on March 18, May 5, September 7 and December 8. No Supervisory Board member attended less than half of the meetings.

The composition of the Supervisory Board remained unchanged in 2011 as compared to the previous year. The regular Supervisory Board elections returned all incumbent members to the Supervisory Board of A.S. Création Tapeten AG for a full term of office. At the constituent meeting of the re-elected Supervisory Board, which was held after the ordinary Annual General Meeting on May 5, 2011, Mr Schneider was re-elected Chairman and Dr. Liebs was re-elected Vice Chairman of the Supervisory Board.

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

- the Committee for Managing Board Matters,
- the Audit Committee and
- the Nomination Committee.

The committees prepare the resolutions to be passed by the Supervisory Board as well as the topics that need to be addressed by the full 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 full 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, met on March 18, 2011 and on December 8, 2011. The Committee's activity focused on the signing of a consulting agreement between the company and former Managing Board member Mr Wagner as well as the renewal of the existing consulting agreement between the company and Mr Schneider. The Committee members also discussed the appropriateness of the Managing Board compensation (especially with regard to horizontal and vertical comparability). Finally, the Committee for Managing Board Matters addressed the ongoing anti-trust proceedings and the accusations raised in this context against individual company officials. The Committee for Managing Board Matters is chaired by the Chairman of the Supervisory Board.

The Audit Committee, which is primarily responsible for auditing the financial statements and the consolidated financial statements and the quarterly reports as well as for monitoring the effectiveness of the risk management system, met two times in the fiscal year, on March 9

and on July 22, 2011. The two meetings were attended by the representatives of the auditors and by the CFO. In the fiscal year, the Audit Committee focused on the audit of the financial statements and the consolidated financial statements for the year 2010, the supervision of the accounting process, the effectiveness of the internal control system (including the results of the relevant examinations at A.S. Création (France) SAS) and on planning the audit for the fiscal year 2011. At its meeting on July 22, 2011, the Managing Board also provided the Audit Committee with detailed information on the compliance measures initiated and planned by A.S. Création Tapeten AG, especially in the export sector. In addition, the Audit Committee discussed the half-year report and the quarterly reports with the Managing Board prior to their publication. The Audit Committee is chaired by the Vice Chairman of the Supervisory Board.

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 past fiscal year. In view of the election of new shareholder representatives to the Supervisory Board in the fiscal year, the Nomination Committee had already decided on September 10, 2010 to propose to the Supervisory Board the incumbent shareholder representatives as candidates for re-election by the Annual General Meeting

of Shareholders. Against this background, there was no need for the Nomination Committee to convene during the fiscal year 2011.

The full 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 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 reviewed important individual transactions and 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:

- discussion of the future strategic development of the company's two divisions against the background of increased commodity costs and of the competitive challenges in the company's foreign output markets,
- discussion of the development of the Russian Joint Venture OOO A.S. & Palitra, and the progress achieved in building up a wallpaper manufacturing organisation in Russia,
- discussion and decision on a capital increase at A.S. Création (France) SAS to finance the acquisition of the remaining shares in MCF Investissement SAS and SCE – Société de conception et d'édition SAS,
- consultation on the measures to be taken with regard to the administrative offence proceedings initiated against the company by the Federal Cartel Office and the accusations raised in this context and discussion of the potential impacts of the proceedings on the balance sheet and the financial position,
- analysis and discussion of the financial statements and the consolidated financial statements for the year ended December 31, 2010,
- approval of the corporate plan and the capital expenditure budget for fiscal year 2012 and

- discussion about the recommendations and proposals of the German Corporate Governance Code.

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 been adopted.

In the fiscal year 2007, the Supervisory Board already decided to successively subject all internal control systems to an external review. This is not a review for a specific reason but an internal review in the context of the Group-wide risk management efforts. In the context of the consolidated financial statements for the year 2011, SCE SAS and MCF Investissement SAS were subjected to such a review. As in the previous years, these reviews were performed by (local) KPMG subsidiaries specialising in such matters. Overall, KPMG's assessment of the companies' internal control systems was positive. The results of the review, including the respective reports, were submitted to the Audit Committee and discussed by the latter.

The financial statements of A.S. Création Tapeten AG and the consolidated financial statements for 2011 as well as the management report of A.S. Création Tapeten AG and the Group management report were made available to the Supervisory Board. They were

audited by KPMG AG Wirtschaftsprüfungsgesellschaft, Cologne, and received their unqualified audit opinion.

The audit assignment for the financial year 2011 was awarded by the Audit Committee of the Supervisory Board on the basis of the resolution adopted at its meeting on July 22, 2011. In accordance with the recommendations made by the German Corporate Governance Code, the Supervisory Board, which was represented by the Chairman of the Audit Committee, obtained a statement from the auditor stating which professional, financial and other relations between the auditors and the company exist that might raise doubts about their independence before awarding the audit assignment. 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 decided that the main focus of the audit of the financial statements of A.S. Création Tapeten AG for the fiscal year 2011 should be the goodwill impairment test.

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, 2012 and at the Supervisory Board's annual accounts meeting

on March 15, 2012. The Chairman of the Audit Committee reported to the full Supervisory Board on the Audit Committee's analysis and discussion of the financial statements and the consolidated financial statements. 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 are identified and recorded by the risk management system implemented in accordance with Article 91 (2) of the German Stock Corporation Act (Aktien-gesetz 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 and the profit appropriation proposal.

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, 2011. The financial state-

ments are therefore adopted. The Supervisory Board also supports the Managing Board's profit appropriation proposal.

The Supervisory Board would like to thank the members of the Managing Board and all employees for their successful commitment to the company, its customers and its shareholders.

Gummersbach, March 15, 2012



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 Article 289a of the German Commercial Code (Handelsgesetzbuch HGB) and Section 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 Supervisory 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 May 26, 2010. The current version of the Code can be viewed at www.corporate-governance-code.de.

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 (so-called declaration of conformity). The latest declaration of conformity issued by the Managing Board and the Supervisory Board of A.S. Création Tapeten AG can be found below.

The Managing Board and the Supervisory Board of A.S. Création Tapeten AG consider the recommendations and suggestions of the Code an integral element of their work for the company. They regularly review the relevance of these standards, so that adequate compliance with the standards is ensured for the shareholders, the employees and, last but not least, for the company itself.

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

The latest declaration of conformity was issued on March 15, 2012 and had the following wording:

The Managing Board and the Supervisory Board of A.S. Création Tapeten AG declare that the company has complied, and will continue to comply, with the German Corporate Governance Code as amended on May 26, 2010 subject to the following exceptions since March 18, 2011, the date of last year's declaration of conformity:

- **Agreement of a severance payment cap** (pursuant to Section 4.2.3 of the Code)
The Code recommends fixing a cap for severance payments in Managing Board contracts in the event of premature termination of a contract without serious cause. The old Managing Board contracts of A.S. Création Tapeten AG, which were signed before the coming into force of this recommendation and were in force until March 31, 2011, did not include such a cap. In the new contracts, which came into effect on April 1, 2011, the recommendation of the Code has been taken into account.

- **Specification of concrete objectives for the composition of the Supervisory Board**
(pursuant to Section 5.4.1 of the Code)
The Supervisory Board shall specify concrete objectives regarding its composition which take into account, among other things, an age limit for the members of the Supervisory Board and diversity. These concrete objectives shall, in particular, stipulate an appropriate degree of female representation. 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. This suitability does not depend on formal criteria such as age and gender.
- **Introduction of a performance-related compensation for the Supervisory Board** (pursuant to Section 5.4.6 of the Code)
The current statutes of A.S. Création Tapeten AG stipulate fixed compensation and no performance-related compensation. In the opinion of the Managing Board and the Supervisory Board it is not clear if and to what extent performance-related compensation would have a positive effect on the work of a Supervisory Board and the company's economic success. Accord-

ing to recent press reports, this is also the result of discussions within the Corporate Governance Commission, which has come to the conclusion that the Corporate Governance Code should be amended accordingly. A.S. Création Tapeten AG does therefore not intend to introduce performance-related compensation for the Supervisory Board.

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 three members, whose individual and collective responsibilities are regulated by the rules of internal procedure:

- Jörn Kämper, Chairman
(Sales and Marketing)
- Karl-Heinz Hallwig
(Production and Logistics)
- Maik Holger Krämer
(Finance and Controlling)

The tenure of the current Board members will end on March 31, 2016 (Mr Kämper and Mr Krämer) and on March 31, 2013 (Mr Hallwig), respectively.

The Managing Board is responsible for managing the company with the due diligence of a prudent businessman.

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

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 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
- Dr. Rüdiger Liebs, Vice Chairman
- Jella Susanne Benner-Heinacher
- Peter Mourschinetz,
employee representative
- Dr. Dieter Schadt
- Rolf Schmuck, employee representative.

The terms of office of all Supervisory Board members will expire at the end of the General Meeting of Shareholders that will ratify their acts for fiscal 2015, i.e. presumably in spring 2016.

The Supervisory Board of A.S. Création Tape-ten AG formed three committees:

- the Committee for Managing Board Matters
(Members: Mr Schneider (Chairman),
Dr. Liebs and Dr. Schadt),
- the Audit Committee
(Members: Dr. Liebs (Chairman),
Mr Schneider and Mr Schmuck) and
- the Nomination Committee
(Members: Mr Schneider (Chairman),
Ms Benner-Heinacher and Dr. Schadt).

The committees prepare the resolutions passed by the Supervisory Board as well as the topics to be discussed by it. In addition, the Supervisory Board has transferred certain decision-making powers to the committees to the extent this is permissible under applicable laws. The individual tasks and powers are laid down in the rules of internal procedure of the Supervisory Board which also ensure that the full 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 fixing of the total compensation of the Managing Board (including potential reductions).

The Audit Committee is responsible for monitoring 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 accounting or auditing.

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.

Compensation of the Managing Board and the Supervisory Board

The basic elements of the compensation schemes and the amount of the compensation received by the Managing Board and the Supervisory Board are published in the annual compensation report, which, pursuant to the provisions of the German Commercial Code, forms part of the management report.

Directors' dealings

According to Article 15a of the German Securities Trading Act (Wertpapierhandelsgesetz WpHG), the members of the Managing Board and of the Supervisory Board of A.S. Création Tapeten AG as well as other persons who have regular access to insider information and who are authorised to take significant corporate decisions are obliged to report their own dealings in A.S. Création shares or related financial instruments (i.e. so-called directors' dealings) if these dealings exceed a total of € 5,000 in a calendar year. This obligation also applies to persons and legal entities that are closely related to one of the aforementioned persons. A.S. Création Tapeten AG complies with its obligation to publish all reports received without delay and has a policy of posting these reports also on its website. A.S. Création Tapeten AG received no such reports in the fiscal year 2011.

As of December 31, 2011 members of the Managing Board and members of the Supervisory Board held 4,983 shares and 888,046 shares respectively. The Managing Board and the Supervisory Board thus hold a combined 29.8% of the A.S. Création shares.

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.

The Annual General Meeting of Shareholders of the year 2011 elected KPMG AG Wirtschaftsprüfungsgesellschaft, Cologne, (KPMG) as auditors of the consolidated financial statements and the financial statements. Prior to the election, KPMG 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 KPMG 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 Germany 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 Annual General Meeting of Shareholders, are compiled in a financial calendar. It is published sufficiently in advance and posted on the website of A.S. Création.

Gummersbach, March 15, 2012

A.S. Création Tapeten AG

For the Supervisory Board

A handwritten signature in black ink, appearing to read 'Franz Jürgen Schneider', written over a light grey rectangular background.

Franz Jürgen Schneider
Chairman of the Supervisory Board

For the Managing Board

A handwritten signature in black ink, appearing to read 'Jörn Kämper', written over a light grey rectangular background.

Jörn Kämper
Chairman of the Managing Board

Introduction

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 93% of 2011 Group sales, it is the larger of the two Divisions. The Furnishing Fabrics Division markets curtains and furnishing fabrics and has no manufacturing resources of its own.

As had been expected, the fiscal year was marked by a difficult macroeconomic environment. In the euro-zone – which, accounting for 78% of total Group sales, is the most important output market of A.S. Création – the constant discussion about the effects of the euro crisis caused uncertainty among consumers. Accordingly, private consumption provided no material stimulation. A.S. Création benefited from the positive stimuli coming from the export markets only to a limited extent, as they mostly related to other product groups, e.g. capital goods. By contrast, the company felt the negative effect of the commodity and energy prices, which again picked up markedly in 2011 following the sharp rise in 2010. In this environment, sales revenues and earnings of A.S. Création moved in different directions:

- Group sales grew by 4.1% from € 184.6 million in the previous year to € 192.3

million, which was almost in line with the company's plans for 2011, which had provided for sales between € 195 million and € 205 million.

- By contrast, net profit declined by 44.6% from the previous year's € 8.4 million to € 4.6 million. This was a stronger reduction than had been expected, not least because of the higher commodity and energy prices. According to the company's plans, net profit was to come in at between € 6.5 million and € 7.5 million in fiscal 2011.

Accordingly, the Managing Board of A.S. Création is not satisfied with the performance in fiscal 2011. Improving the company's profitability will be the main goal in the coming years. 2012 will no doubt be a challenging year in this respect. On the one hand, the Managing Board expects the macroeconomic environment to deteriorate in 2012, which means that no positive stimulation will come from this side. On the other hand, the start-up of a wallpaper production facility in Russia is to be completed in the course of 2012, with the factory scheduled to start production in autumn 2012. This means that start-up losses arising from this strategic project in the current fiscal year will weigh on the company's bottom line. In spite of all these uncertainties, the Managing Board is convinced that A.S. Création is in a very good position to continue its growth strategy.

Macroeconomic environment

The excessive government debt in many countries of the euro-zone – which is the most important output market of A.S. Création – had shifted into the focus of the capital markets already in the course of 2010. As a result, doubts about the general stability of the euro-zone were expressed. While some smaller highly indebted countries, e.g. Greece and Ireland, were no longer able to raise finance in the capital markets but were dependent on support

from other euro countries already in 2010, the year 2011 was marked by concern and doubts about the stability of other euro countries such as Italy and Spain. This resulted in a real confidence crisis, which dominated the public debate under the headings of "euro crisis" or "sovereign debt crisis" in 2011. The resulting uncertainty had a clearly adverse impact on economic activity in the euro-zone and led to a marginal increase of only 0.2% in consumer spending. Capital spending showed a more positive trend and was up by 2.1% on the previous year. One of the reasons for the increase in capital spending are the pent-up effects of necessary (replacement) investments, which had been postponed in 2010. Also, some sectors such as mechanical engineering and the car industry benefited from higher demand in their export markets (primarily in the emerging countries) and made investments in new plant capacity. In conjunction with increased exports, the high level of capital spending in 2011 led to a 1.5% increase in euro-zone GDP, which was only slightly lower than the previous year's 1.8%. But the overall figures conceal the fact that the situation within the euro-zone differs materially, as the member countries are affected by the sovereign debt and euro crisis to highly different degrees. On the one hand, there are countries like Greece, Ireland, Portugal and Spain, and more recently also Italy, whose public debt forces them to take strict consolidation measures, which make growth virtually im-

possible. On the other hand, there are countries such as Germany, which are highly competitive and therefore benefit significantly from the increased demand, e.g. from the emerging markets, and which recorded strong capital spending activity (both spending on plant and equipment and construction spending). Accordingly, Germany's gross domestic product, which had increased by an impressive 3.7% already in 2010, rose by another 3.0% in 2011. As a result, some sectors in Germany reported sales revenues that exceeded the pre-crisis levels already in 2011. The major differences between the euro-zone economies are also reflected in the jobless rates, which picked up in countries such as Italy and Spain and declined in others, above all in Germany. At 10.1%, the jobless rate for the euro-zone as a whole remained unchanged from the previous year. In the course of the year, economic activity in the euro-zone slowed down markedly, though. Quarterly GDP growth rates declined and jobless rates picked up. Accordingly, some economic researchers already stated a mild recession for the euro-zone at the turn of the year 2011/2012.

The economy in Russia – A.S. Création's most important output market in Eastern Europe – remained virtually unimpressed by the euro and sovereign debt crisis in the west. As in the previous year, Russia benefited from growing global demand for commodities and energies

and, hence, from rising prices. China has become Russia's most important trading partner, as Chinese demand for Russian commodities and energies continues to grow. Besides the higher exports, the fact that consumer spending picked up against the background of declining inflation and a lower jobless rate also had a positive impact on the economy. With GDP growing by 4.3% in 2011, Russia's economic situation in the fiscal year deserves to be called positive. However, this reduces the pressure on government officials to push ahead the transformation of the Russian economy, which continues to be dominated by commodity-based sectors (oil, gas, minerals and metals). In the absence of internationally competitive industries outside the commodities sector, Russia risks being hit particularly hard by another global economic crisis. In the 2009 financial and economic crisis, Russia was the industrialised country whose GDP dropped most sharply, namely by 7.9%. Russia's accession to the World Trade Organization (WTO), which was decided on December 16, 2011, should provide positive stimulation to the Russian economy. The WTO organises international trade relationships through binding rules on the basis of free trade, provides procedures for settling disputes and monitors and scrutinises its members' trade policies and practices. In particular, trade between the European Union (EU) and Russia could benefit from lower customs tariffs and the harmonisation of product

standards and certifications. It remains to be seen whether this will ultimately even lead to a free trade zone between the EU and Russia.

As mentioned before, the prices of commodities and energy increased sharply in the past fiscal year. According to the Hamburg Institute of International Economics (HWWI), global commodity prices (excluding energy) increased by another 12.4%, while global energy prices rose by 25.0% (on a euro basis), following growth rates of 41.5% and 36.4%, respectively, in 2010. The recession-related price declines of the year 2009 have thus been more than offset in the meantime, and the prices of the main commodities and energy sources reached their historic highs in the course of 2011. In the wake of the economic slowdown mentioned above, commodity and energy prices declined moderately in the final quarter of 2011. However, this decline was insufficient to offset the increases of the first nine months, which means that commodity and energy prices were up on the previous year in the year 2011 as a whole. This sharp price increase also affected the main raw materials used by A.S. Création such as PVC, paints, paper and non-wovens as well as energy.

Conclusion: As had been expected, 2011 was marked by a difficult economic environment. On the one hand, economic growth in the markets that are relevant for A.S. Création was

driven primarily by capital spending and exports and not so much by consumer spending. Wallpapers and furnishing fabrics being consumer goods, A.S. Création was unable to benefit from the economic trend to the same extent as companies from other sectors. On the other hand, the rising prices of commodities and energies heavily weighed on A.S. Création's bottom line.

Industry-specific environment

The members of the Association of German Wallpaper Manufacturers (VDT) reported a 7.4% increase in sales revenues in 2011. In spite of this growth, sales revenues, at € 445.6 million, were still 6.6% below the € 477.2 million reported in 2008. This means that the German wallpaper industry has not yet fully recovered from the crisis of the year 2009.

In Germany the VDT members expanded their sales revenues by 3.1%, which means that, as in the previous years, wallpaper sales increased at a higher rate than consumer spending, which picked up by only 1.5% in Germany in 2011. This comparison shows that wallpaper is a product that enjoys great popularity and is very much en vogue. In the management reports for the years 2009 and 2010, the Managing Board already reported that trend researchers have identified a trend towards

homing or cocooning, which they see as a response to an environment that is increasingly being perceived as uncertain and fast-lived. This trend has been accelerated by the fact that, in view of the turbulent capital markets, many people prefer to invest in real assets, which also include renovation and refurbishment and the related value increase or preservation of one's own home. These trends are no doubt positive for wallpaper products.

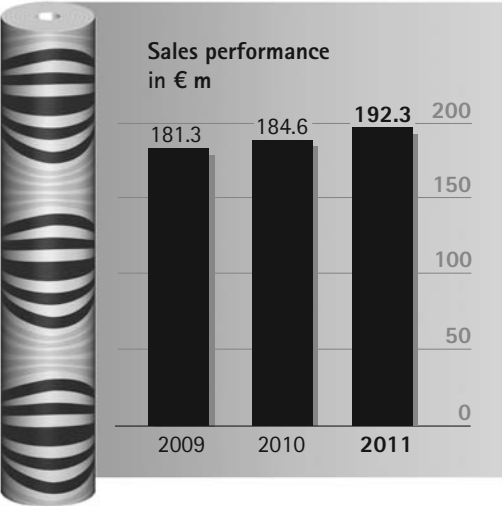
Wallpaper manufacturers' export sales increased by 9.9%, which means that sales growth exceeded the increase in consumer spending also in the international markets. But this growth rate must be seen against the background of the 25.7% drop in sales suffered by the wallpaper industry in 2009. Accordingly, the trend in export sales in 2011 was not satisfactory. The large wallpaper markets in Eastern Europe such as Russia and Ukraine play an important role for the export-oriented German wallpaper industry. In these markets, the depreciation of the local currencies in 2009 led to a shift in demand to locally produced products and a commensurate decline in the VDT members' sales revenues. In spite of an improved exchange rate trend (and the resulting better export conditions), German wallpaper manufacturers were unable to regain the market shares lost to local manufacturers in these countries.

The Managing Board of A.S. Création is of the opinion that the employment situation in the wallpaper industry improved in 2011, although the large Western European wallpaper manufacturers were not able to fully utilise their production capacity. The Managing Board's view is supported by the fact that there continues to be fierce price competition in spite of the increased commodity and energy prices. A.S. Création was able to expand its output in 2011 but did not return to full capacity utilisation. Apart from winning new customers, A.S. Création also benefited from the fact that the two French wholesalers acquired at the end of 2008, SCE – Société de conception et d'édition SAS and MCF Investissement, replaced additional parts of their respective product ranges with products made by A.S. Création Tapeten AG.

The Wallpaper Division of A.S. Création generated sales revenues of € 180.3 million in 2011, up 4.4% on the previous year's € 172.7 million. While A.S. Création remains the largest wallpaper manufacturer in the European Union, the growth rate was below the VDT average in 2011.

The Furnishing Fabrics Division again faced difficult sector-specific conditions in the year 2011. According to the Association of German Home Textiles Manufacturers, sales in the two market segments in which A.S. Création operates, namely furnishing fabrics and curtains,

were down by 0.4% and 4.3%, respectively, on the previous year. As in the previous years, the Furnishing Fabrics Division of A.S. Création was able to isolate itself from the general market trend and reported a 0.8% increase in sales from € 12.6 million in the previous year to € 12.7 million in 2011.



Sales

2011 was another fiscal year in which A.S. Création was able to increase its Group revenues. At € 192.3 million, sales revenues were up by 4.1% on the previous year's € 184.6 million. Following an increase of only 1.8% in the previous year, A.S. Création thus achieved much more dynamic growth, which is attributable to the following factors:

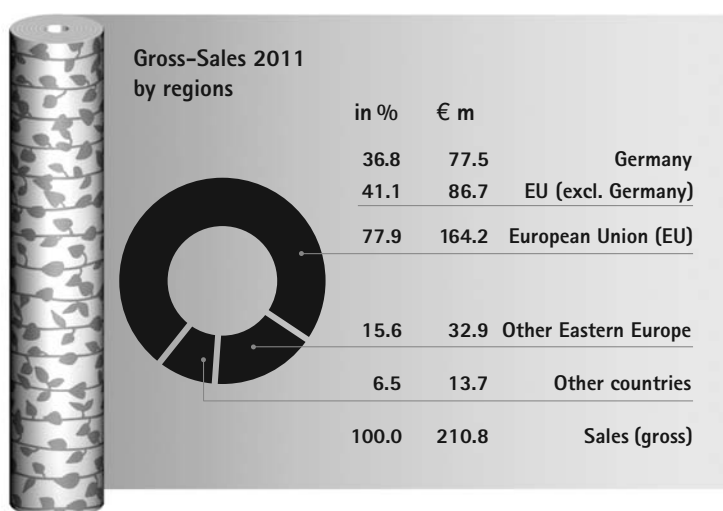
- In the German market, A.S. Création was able to increase its gross revenues by 13.8% (2010: 6.3%), primarily by winning new customers in the DIY store segment, and isolate itself from the general market trend. Accordingly, the German market was one of the main growth drivers for A.S. Création in the past fiscal year. Even though this sales growth includes one-off effects that are related to the first-time deliveries to the new customers, the Managing Board is very satisfied with the sales performance in the domestic market.
- The company achieved double-digit sales growth also in countries outside (Western and Eastern) Europe, where gross revenues increased by 15.0% (2010: 32.7%) on the previous year. This trend primarily reflects the dynamic growth in some Asian markets such as China.
- In the non-EU Eastern European countries, gross sales revenues were up by 4.5% (2010: 7.3%) on the previous year. This growth was mainly attributable to increased business with existing customers, for whom specific products were developed. The Managing Board nevertheless considers the growth rates currently achieved by A.S. Création in this region to be not yet satisfactory, as they are insufficient to offset the sales declines of the past. Sales

revenues generated by A.S. Création in non-EU Eastern European countries in 2011 were still about 44.1% below the pre-crisis level of the year 2008. Also, the other wallpaper manufacturers that are members of the German Wallpaper Industry Association were able to increase their exports to non-EU Eastern European markets more strongly than A.S. Création in 2011.

In the other EU countries, the euro crisis seems to be having a stronger effect on general consumer sentiment and wallpaper consumption than in Germany. Accordingly, A.S. Création reported another 2.6% drop in sales revenues in this region, following a decline by 5.9% in 2010. According to the Managing Board, the sales trend in this region is disappointing and the current level of revenues is unsatisfactory. On the upside, the downward trend in sales has slowed down markedly from 11.3% in the second half of 2010 to 3.6% in the first six months of 2011 to 1.4% in the second half of 2011. The Managing Board nevertheless believes it is too early to speak of a turnaround, as the signs, especially from France, the largest wallpaper market in the EU, are still not giving much cause for optimism. As had been planned, SCE – Société de conception et d'édition SAS and MCF Investissement SAS, the two French wallpaper wholesalers acquired in late 2008, continued to replace part of their product

ranges with products of A.S. Création Tapeten AG. While this resulted in better capacity utilisation, it did not lead to rising Group sales in France due to the decline in external sales.

Given that the sales growth in Germany more than offset the declines in other EU countries, the above factors did not lead to material shifts in the regional breakdown of Group sales. Accounting for 77.9% (2010: 78.4%) of Group sales, the European Union remains the largest output market of A.S. Création. Non-EU Eastern European countries contributed 15.6% to Group sales in 2011 (2010: 15.7%). The other markets, including Asian countries such as China, are currently playing only a minor role for A.S. Création, which is reflected in contribution to total Group sales of only 6.5% (2010: 5.9%). This percentage is expected to increase, though.

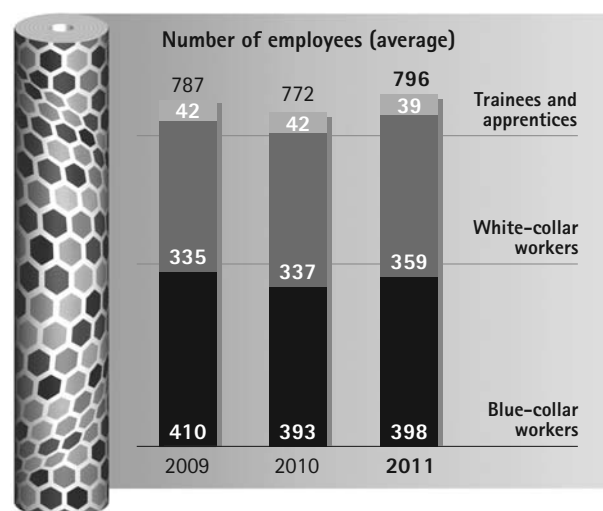


Both divisions contributed to the 4.1% increase in sales revenues from € 184.6 million to € 192.3 million, which is the highest level reached in the history of A.S. Création. While the Wallpaper Division accounted for 4.4% of this growth, the Furnishing Fabrics Division contributed 0.8%. The company thus almost met its sales projections, which provided for sales revenues of between € 195 million and € 205 million in the fiscal year 2011.

Employees

The average headcount of A.S. Création increased by 24 people or 3.1% from 772 in 2010 to 796 in 2011. 726 employees (2010: 706) worked in the Wallpaper Division and 70 (2010: 66) in the Furnishing Fabrics Division. As in the previous year, approx. 82% of the employees work at domestic Group companies, while about 18% are employed abroad.

The increase in the average headcount in the past fiscal year is mainly attributable to two factors. First, additional employees were required in Germany to manage the increased sales, especially in conjunction with the first-time deliveries to the new DIY store customers. Second, the Russian sales organisation continued to be expanded as planned so as to be able to market the locally manufactured wallpapers starting



September 2012. As the increase in the headcount was only slight lower than the rise in sales, staff productivity improved only moderately in the fiscal year, with sales per employee reaching € 0.242 million (2010: € 0.239 million). Staff productivity is thus still below the € 0.248 million reported in 2007.

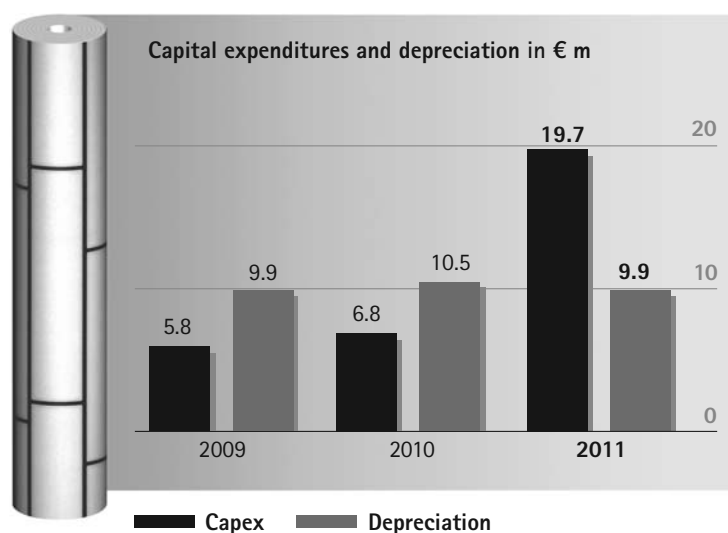
A.S. Création's long tradition of training young people should be seen against the background of the long-term development of the company. The Managing Board of A.S. Création is convinced that the training and further education of its workforce are important factors for the future of the company. Accordingly, the company decided to expand its training activities already back in 2007. This decision was not questioned even under the difficult economic conditions prevailing in the past years. The fact that the number of trainees and apprentices declined nevertheless from 42 to 39 in

the fiscal year is due to the revision of the examination regulations for some commercial professions. This was the reason why fewer industrial trainees were employed in the course of 2011. These uncertainties have been eliminated in the meantime, which means that more trainees will again be taken on in the next fiscal year. Trainees and apprentices accounted for 5.9% (2010: 6.6%) of the German workforce, which is still a good level in spite of the decline in the number of trainees and apprentices.

The Managing Board would like to take this opportunity to thank the employees of A.S. Création for their commitment in the past fiscal year, which helped both divisions to perform well in a difficult market and competitive environment. Our thanks also go to the members of the Staff Council and the employee representatives on the Supervisory Board for the trusting cooperation, which was marked by the will to contribute to both the well-being of the staff and the successful and secure future of A.S. Création.

Capital expenditures

At € 19.7 million (2010: € 6.8 million), capital expenditures in 2011 reached the second highest level in the history of A.S. Création, the highest



level having been reached in 2008. The high capital expenditures are attributable to two factors:

- In July 2011, A.S. Création (France) SAS acquired the remaining shares in SCE – Société de conception et d'édition SAS and MCF Investissement SAS at a total price of € 7.0 million (2010: € 0 million). The acquisition of the remaining shares had been firmly agreed at the time of the original takeover in 2008 but became effective only in the past fiscal year.
- In 2008, A.S. Création Tapeten AG and OOO Kof Palitra, Russia's leading wallpaper manufacturer, established a joint venture under the name of OOO A.S. & Palitra. The purpose of this joint venture is to produce higher-quality wallpapers for the Eastern

European market and the Russian market, in particular. Following the initial preparatory work in 2010, the building shells were erected in 2011 and the first plant and machinery ordered. To finance these measures, the share capital of 000 A.S. & Palitra was increased and shareholder loans were granted in the past fiscal year. The share of € 7.2 million (2010: € 0.9 million) that is attributable to A.S. Création Tapeten AG is stated as capital expenditures in the consolidated financial statements for the year 2011.

Adjusted for these two one-time effects, capital expenditures in the fiscal year totalled € 5.5 million and primarily related to replacement investments and to investments in printing tools for the new wallpaper collections. As in the previous year, no major investments in new plant capacity were required.

Product safety and environmental protection

All A.S. Création wallpapers are produced to applicable EN or DIN standards and thus comply with legal provisions. But A.S. Création offers its customers even greater safety, as our products meet the stricter requirements of "Gutegemeinschaft Tapete e.V.", which are documented in RAL-GZ-479. Compliance with this standard is regularly examined by the

internationally renowned Fraunhofer-Society on a random sample basis.

Pursuant to EN 15102, which implements EU Directive 89/106/EEC, all wallpapers, which are now regarded as construction products, must bear a CE mark starting January 1, 2011. Products which have proven to meet defined fire protection criteria are marked with the fire protection class and the number of the institute that has carried out the required tests in addition to the CE mark. In the course of 2010, A.S. Création had its own product groups tested by an authorised and independent test institute, so that all wallpapers produced by A.S. Création since January 1, 2011 bear a certified CE mark.

To promote environmental protection and sustainability, A.S. Création exclusively uses water-based paints on its heliogravure printing machines. Moreover, the company uses only FSC®-certified papers and non-wovens, which means that all wallpapers carry the FSC® seal. Established in 1993, the FSC® (Forest Stewardship Council) is a non-governmental, not-for-profit organisation committed to the environmentally and socially compatible and economically viable management of the world's forests. For this purpose, the FSC® has defined minimum standards for forest management. Every forest owner is checked for compliance with the FSC® stan-

dards by an independent auditor on an annual basis. Only after having passed the test may forest owners market their products using the FSC® label. Further tests down the process chain ensure that FSC® wood is not illegally mixed with non-certified wood. The latter tells consumers that wood from responsible and sustainable forest management was used for the product in question.

Our capital expenditures also reflect our commitment to a sparing use of resources. While all capital expenditures required to meet the increasingly stringent legal and regulatory requirements count as direct capital expenditures in environmental protection, capital expenditures in modernisation also contribute to environmental protection given that the use of advanced technologies usually also entails a higher degree of efficiency with regard to the resources used. The high level of capital expenditures aimed at ensuring growth as well as the company's future viability mean that A.S. Création is in a good position also in this respect.

Important events in FY 2011

After many years in office, Mr Bernhard Wagner resigned from the Managing Board of A.S. Création with effect from March 31, 2011 for reasons of age. His successor, Karl-Heinz Hallwig, had been appointed by the Supervisory

Board already in 2010. He joined the Managing Board of A.S. Création Tapeten AG with effect from April 1, 2011 and is in charge of Production and Logistics.

In the context of the regular Supervisory Board elections, all incumbent members of the Supervisory Board were re-elected for a full term of office in 2011. At the constituent meeting of the newly elected Supervisory Board, Mr Schneider was elected Chairman and Dr. Liebs was elected Vice Chairman of the Supervisory Board.

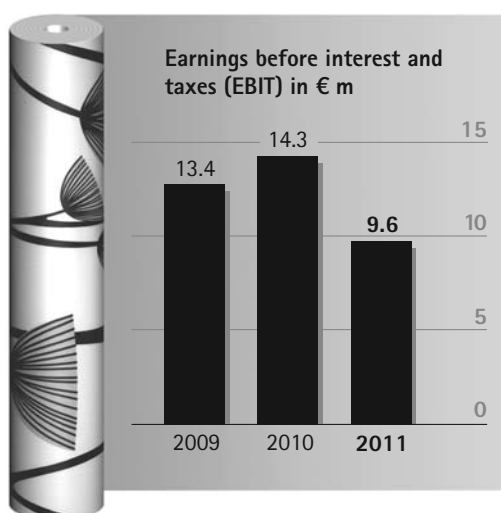
As reported under "Capital expenditures", A.S. Création (France) SAS acquired the remaining shares in SCE – Société de conception et d'édition SAS and MCF Investissement SAS at a total price of € 7.0 million in July 2011.

Following on from the search of the company's premises in November 2010, Germany's Federal Cartel Office formally notified A.S. Création Tapeten AG in November 2011 that administrative offence proceedings had been opened. The Cartel Office has raised several allegations of what it perceives to have constituted anti-competitive behaviour by A.S. Création Tapeten AG and individual company executives. Apart from A.S. Création Tapeten AG, administrative offence proceedings have been opened against four other renowned German wallpaper manufacturers as well as the German Association

of Wallpaper Manufacturers (VDT). As a leniency applicant, who is exempt from potential fines, Tapetenfabrik Gebr. Rasch GmbH & Co. KG has caused the investigations by the Federal Cartel Office.

Earnings position

The earnings position of A.S. Création deteriorated in the fiscal year 2011. While declining results had been projected, the actual reduction was much more pronounced than expected. Instead of the projected € 6.5 million to € 7.5 million, net profit for the year 2011 came in at only € 4.6 million, down 44.6% on the previous year's € 8.4 million. The detailed profit analysis shows that the operating result as well as the financial result and the tax ratio had an adverse impact on the company's bottom line in 2011.



The main reason for the poorer earnings position is the disappointing operating result of € 9.6 million, which was down by € 4.7 million on the previous year's € 14.3 million in spite of the € 7.7 million increase in sales revenues. Accordingly, the EBIT margin reached only 5.0% in 2011 (2010: 7.8%), which was the lowest level since 1998, the year in which the company adopted International Financial Reporting Standards (IFRS). This development is attributable to the following factors:

- **Increased procurement costs**

As described under "Macroeconomic environment", global commodity prices (excluding energy) increased by 12.4% and energy prices by 25.0% in 2011. These price increases also affected important raw materials used by A.S. Création such as paper, non-wovens, PVC and paint as well as energy purchases, which led to a rise in production costs by € 5.7 million. The procurement prices of merchandise such as furnishing fabrics increased as well and also weighed on the margins. A.S. Création pursues a product policy of compensating these price increases on the procurement side by successively expanding the percentage of higher-quality products in the wallpaper range. In response to the sharp rise in commodity and energy prices in the year 2010, A.S. Création had additionally announced an extraordinary price increase

with effect from March 1, 2011. In spite of these measures, the gross profit margin (quotient of gross profit and total output) declined by 2.7 percentage points from 48.5% in the previous year to 45.8% in 2011. In relation to the increased total output of € 193.5 million, the decline in the margin means that € 5.2 million less in earnings was available to cover other expenses. The comparison with earnings before interest and taxes of € 9.6 million illustrates the strong negative impact of the increased commodity and energy prices on the company's bottom line.

- **Increased personnel expenses**

As explained under "Employees", staff productivity did not improve materially in the fiscal year 2011 due to the increase in the company's headcount. Sales per employee amounted to € 0.242 million in the fiscal year, compared to € 0.239 in the previous year. Accordingly, A.S. Création was unable to offset the collective pay rise; as a result, personnel expenses as a percentage of total output deteriorated moderately from 21.1% in the previous year to 21.3% in 2011.

- **Adverse trend in other operating expenses**

The increased utilisation of the company's production capacity led to an improved

cost situation, as the fixed costs were spread over a higher total output. However, this contrasted with higher marketing and sales costs and increased expenses in conjunction with the first-time deliveries to the new DIY customers. Moreover, higher freight rates and a trend towards customers ordering smaller quantities per order led to a disproportionate increase in transport costs. As a result, other operating expenses as a percentage of total output deteriorated from the previous year's 14.6% to 14.8%.

As the rise in commodity and energy prices in 2011 could not be offset by increases in the company's own prices and internal productivity improvements, earnings before interest and taxes declined, as mentioned above, by 33.0% from € 14.3 million in the previous year to € 9.6 million in 2011.

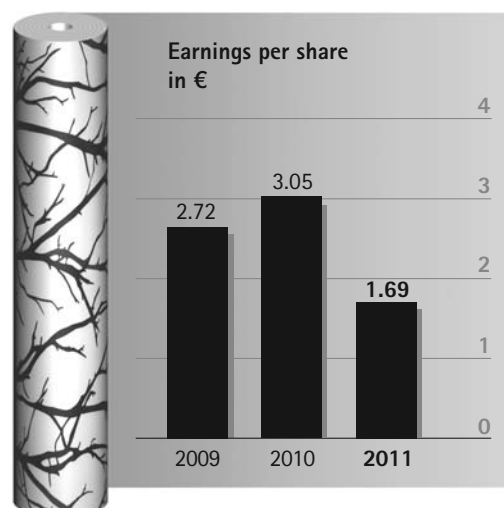
The financial result also had an adverse impact on the bottom line and deteriorated from € -2.0 million in the previous year to € -2.3 million in 2011. As in the previous year, the discount factor used for the actuarial calculation of the pension provisions had to be adjusted to reflect the developments in the capital market and was reduced from 4.9% to 4.6%. This led to an actuarial increase in pension provisions by € 0.3 million, which was recognised as interest expense. In the fiscal year 2010, the

adjustment of the discount factor from 5.0% to 4.9% led to interest expenses of € 0.1 million. As the Russian joint venture, A.S. & Palitra, continued to build up a production facility in Russia, the related start-up losses increased. The start-up losses attributable to A.S. Création amounted to € -0.2 million (2010: € -0.1 million) and are included in the financial result as loss from investments accounted for at equity.

The operating result and the financial result led to earnings before taxes of € 7.3 million, down 40.7% on the previous year's € 12.4 million. Due to the increase in the imputed tax ratio from 32.0% in 2010 to 36.5% in the past fiscal year, net profit declined more strongly than earnings before taxes, namely by 44.6% from € 8.4 million in 2010 to € 4.6 million in 2011. The higher imputed tax ratio is primarily attributable to two factors. First, the pro-rated loss for the year of the joint venture, A.S. & Palitra, which is recognised in the financial result in the income statement (and hence in earnings before taxes), does not lead to reduced consolidated tax expenses. Second, the tax audit carried out at A.S. Création Tapeten AG in 2011 for the fiscal years from 2006 to 2009 resulted in tax payments for prior years, which increased the imputed tax ratio for the fiscal year.

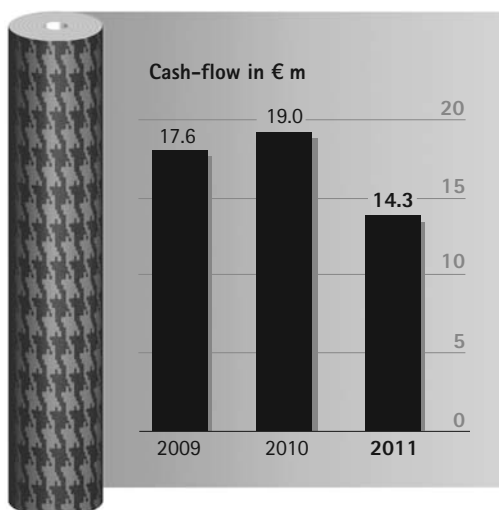
Based on the number of shares outstanding, which remained unchanged at 2,756,351 in

2011, earnings per share amounted to € 1.69 (2010: € 3.05).



Financial position

Due to the poorer earnings position, cash flow declined by 24.6% or € 4.7 million from the previous year's € 19.0 million to € 14.3 million. The reduced cash flow contrasted with greatly increased funding requirements, which were primarily attributable to the higher capital expenditures. As outlined under "Capital expenditures", the latter amounted to € 19.7 million in the past fiscal year, up € 12.9 million on the previous year's € 6.8 million due to the acquisition of the remaining shares in SCE – Société de conception et d'édition SAS and MCF Investissement SAS as well as to the start-up of wallpaper production in Russia.



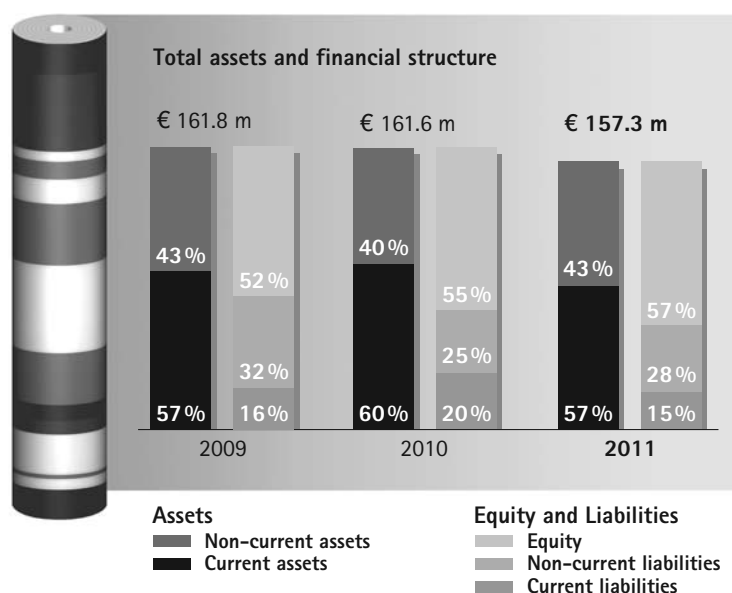
Fortunately, A.S. Création was able to release capital tied up in current assets in the past fiscal year. Given that a major portion of the assets of A.S. Création is tied up in inventories and trade receivables, the company has traditionally kept a close eye on these items. The analysis of the underlying figures shows that the capital tie-up in relation to sales revenues improved on balance in 2011. The imputed receivables collection period declined markedly from 70 days in the previous year to 65 days in fiscal 2011, while the imputed inventory turnover remained unchanged from the previous year at 4.2 times per year.

In spite of these positive factors, A.S. Création's internal financing capability was insufficient to finance the exceptionally high capital expenditures of the year 2011. Accordingly, net financial liabilities (difference between interest-bearing financial liabilities and cash and cash

equivalents) increased from € 16.3 million on December 31, 2010 by € 13.1 million to € 29.4 million on the balance sheet date. As € 8.4 million of this increase related to the use of cash and cash equivalents, the interest-bearing financial liabilities of A.S. Création rose by only € 4.7 million in the course of 2011 to € 31.8 million on December 31, 2011 (2010: € 27.1 million). The increase in net financial liabilities had already been anticipated in the Group's budget for 2011.

A.S. Création's conservative financing policy, which is characterised by long-term debt at fixed interest rates as well as by repayments during the term of the loans, has proven its worth especially in the financial crisis. Unlike other companies, A.S. Création did not face a reduction in credit lines or had to renegotiate the conditions of its existing loans. Only where unused credit lines appeared to be too high were they reduced in agreement with the lending banks. The Group has a very robust and sound financial structure, which is reflected in the following balance sheet figures:

- Based on equity capital of € 89.6 million as of December 31, 2011 (2010: € 88.8 million), the equity ratio reached a high level of 56.9% (2010: 54.9%).
- Equity capital and long-term debt capital are more than sufficient to finance non-



current assets. As of December 31, 2011, the respective ratio stood at 196.3% (2010: 199.3%), which means that the "golden rule of financing" was more than fulfilled.

- While the debt to equity ratio (net financial liabilities divided by equity) increased because of the higher liabilities, it was still low at 32.9% on December 31, 2011 (2010: 18.3 %).
- Due to the increased liabilities and the reduced cash flow, the debt repayment period (the quotient of net financial liabilities and cash flow) also deteriorated in the past fiscal year, when it reached 2.1 years (2010: 0.9 years).

The Managing Board also considers the net asset position of A.S. Création to be very sound. As of December 31, 2011, the Group's total assets amounted to € 157.3 million (2010: € 161.6 million), of which 82.4% (2010: 87.8%) related to property, plant and equipment, inventories, trade receivables as well as cash and cash equivalents. Goodwill recognised in the consolidated financial statements represented only 4.9% (2010: 4.8%) of total assets and 8.6% (2010: 8.7%) of the equity capital.

The Managing Board of A.S. Création believes that the net asset and financial position of A.S. Création is robust and sound and will enable the company to continue its growth strategy, which provides, among other things, for the start-up of a wallpaper production facility in Russia.

Profit appropriation

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 40% to 45%.

In spite of the uncertain environment prevailing in 2012 and the financing requirements resulting from the start-up of a wallpaper

production facility in Russia, the Managing Board and the Supervisory Board support a continuation of the existing dividend policy. This step is to ensure the consistency and the reliability of the company's dividend policy.

As explained under "Earnings position", the net profit for the year decreased from € 8.4 million (or € 3.05 per share) in the previous year to € 4.6 million (or € 1.69 per share) in fiscal 2011. In accordance with the traditional dividend policy, the lower profit will be reflected in a lower dividend. Accordingly, the Managing Board will propose payment of a dividend of € 0.75 (2010: € 1.35) per share to the General Meeting of Shareholders, which is scheduled for May 3, 2012. This represents a payout ratio of 44.4% (2010: 44.3%). Based on the number of 2.756 million shares outstanding as of December 31, 2011, this will result in a total dividend volume of € 2.1 million (2010: € 3.7 million).

Compensation report

The compensation earned by the Managing Board members comprises a performance-linked and a non-performance-linked component. The latter consists of a fixed monthly salary and the value of non-monetary compensation that needs to be stated under applicable tax legislation (mainly the use of a company car). 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 amounts differ depending on the member's personal circumstances. In the context of the renewal of the contracts of the Managing Board members, which became effective on April 1, 2011, the performance-linked component of the compensation system was fundamentally revised. At the same time, the compensation structure was geared to sustainable corporate development as provided for under the German Act on the Appropriateness of Executive Remuneration (Gesetz zur Angemessenheit der Vorstandsvergütung - VorstAG). Since this date, the Group's weighted average cash flow from three fiscal years has formed the basis of assessment for the calculation of the performance-linked component. Each member of the Managing Board will receive a fixed percentage of this basis of assessment. The adjustment of the basis of assessment has resulted in two major improvements. First, the cash flow, unlike the consolidated net profit, reflects the company's cash situation. Purely accounting-induced non-cash changes in the earnings position, such as changed depreciation standards or the effects of changes in the tax rates on deferred taxes, no longer have an impact on the amount of the Managing Board bonus. Second, the focus is no longer placed on the (short-term) economic performance of only one year but on a longer

three-year period. The new compensation scheme for the Managing Board, which became effective on April 1, 2011, was approved by a vast majority of the shareholders (95.88%) at the Annual General Meeting of Shareholders on May 5, 2011.

The performance-linked variable component of the Managing Board compensation has traditionally been of great importance to A.S. Création Tapeten AG and this has not changed as a result of the new compensation scheme. Of the total compensation of € 1.917 million received by the Managing Board in 2011 (2010: € 2.219 million), 68.5% or € 1.313 million (2010: 75.3% or € 1.672 million) related to the performance-linked component, while only 31.5% or € 0.604 million (2010: 24.7% or € 0.547 million) related to the fixed compensation. The compensation of the Managing Board members is not reported individually, as a clear majority of 86.82% of the shareholders attending the Annual General Meeting of Shareholders on May 5, 2011 voted against this form of disclosure.

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

Managing Board and the adjustment of the compensation system for the Managing Board members in the course of 2011, the Managing Board compensation of the year 2011 cannot be compared directly with that of the year 2010. However, the decline in the Managing Board compensation in 2011 is primarily attributable to the deterioration in the earnings position of A.S. Création.

In addition, the members of the Managing Board benefit from pension commitments. These are guaranteed fixed amounts that will be payable by the company when the pension entitlements arise. As of the balance sheet date, provisions in an amount of € 0.091 million (2010: € 0.299 million) had been established for these pension obligations. This performance-oriented system entails two imponderables from the company's point of view. First, it is uncertain, in view of the changing life expectancy, whether the provisions that have been established will be sufficient when the pension entitlements arise. Second, the outflow of funds is delayed in time, which means that today's pension commitments will limit the financial scope available to the company's future management.

To mitigate these disadvantages for A.S. Création Tapeten AG, the transfer of the pension commitments for the Managing Board members

from the performance-oriented system to a contribution-based system was initiated in 2006. Since then, a constant annual amount has been paid to an external relief fund, which will make the future pension payments. As a result, A.S. Création Tapeten AG's liabilities under the performance-based commitments will decline in the coming years, i.e. the respective pension provisions can be reduced gradually.

In fiscal 2011, the payments to the relief fund led to expenses of € 0.063 million (2010: € 0.072 million). At the same time, pension provisions in an amount of € 0.026 million (2010: € 0 million) could be released with the effect recognised in the profit and loss account. As a result, total pension expenses for the members of the Managing Board amounted to € 0.037 million in the fiscal year 2011 (2010: € 0.072 million).

The compensation of the Supervisory Board is defined by the Annual General Meeting of Shareholders and in the statutes of A.S. Création Tapeten AG. According to Article 14 of the current statutes (as amended on May 5, 2011) the members of the Supervisory Board receive a fixed compensation of € 9,000 in addition to the reimbursement of their expenses. The Chairman receives twice 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 € 4,500 for this activity, with the total compensation for committee work limited to the amount of the fixed compensation. In accordance with these regulations, the compensation of the Supervisory Board members for the past fiscal year totalled € 108,000, as in the previous year. Of this amount, Mr Schneider received € 31,500, Dr. Liebs received € 22,500, Dr. Schadt received € 18,000, Mrs Benner-Heinacher and Mr Schmuck each received € 13,500, while Mr Mourschinetz received € 9,000.

In addition, Supervisory Board Chairman Mr Schneider signed an agreement with A.S. Création Tapeten AG – with the consent of the Supervisory Board – for advice on and the realisation of certain projects that are important for the future of the company. In the fiscal year 2011, the fee for these advisory services amounted to € 0.120 million (2010: € 0.119 million).

Information to section 315 para. 4 of the German Commercial Code (Handelsgesetzbuch HGB) and explanatory report

According to Article 4 paragraph 1 and Article 18 paragraph 1 of the current statutes of A.S. Création Tapeten AG (as amended on May 5,

2011), the share capital of A.S. Création Tapeten AG amounts to € 9,000,000 and is divided into 3,000,000 no par value shares. Each share has 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 notifications received in accordance with sections 21 and 41 of the German Securities Trading Act (Wertpapierhandelsgesetz WpHG), more than 10% of the voting rights in A.S. Création Tapeten AG are held by Mr Franz Jürgen Schneider, who holds 29.10%, and Ms Karin Schneider, who holds 10.04%.

According to section 76 and 84 of the German Stock Corporation Act (Aktiengesetz AktG) and Article 6 of the current statutes of A.S. Création Tapeten AG, the Managing Board must consist of a minimum of two people. The exact number of Managing Board members is determined by the Supervisory Board of A.S. Création Tapeten AG. The Supervisory Board appoints the members of the Managing Board for a maximum term of five years. A re-appointment is permissible. The Supervisory Board may appoint one member 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 paragraph 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 5, 2010, 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, 2015. 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 December 31, 2011 the company holds 243,649 own shares. 125,000 of these shares were used as collateral for loans.

According to Article 4 paragraph 3 of the current statutes of A.S. Création Tapeten AG, the Managing Board is authorised, until May 4, 2016, 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 still amounted to € 4,500,000 as of December 31, 2011.

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.

**Information to section 315 para. 2
No. 5 of the German Commercial Code
(Handelsgesetzbuch HGB)**

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, most of which are 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 auditors. 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 ten of the eleven Group companies were audited or reviewed by KPMG in 2011. 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 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 discounting factor for the calculation of pension provisions are

predefined centrally by A.S. Création Tapeten AG. For the same reason, the goodwill impairment tests are also 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. 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 auditors also review the compilation of the consolidated financial statements from the individual 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 100% certainty that the individual financial statements or the consolidated financial statements are free of errors.

Opportunities and risks to the future development

Any business activity inevitably entails certain risks. Throughout its company history, however, A.S. Création Tapeten AG 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.

A risk management system analyses potential risks by their "likelihood" and their "effect on the company". The Managing Board pays special

attention to those factors that may have a strong negative effect on the company.

The future development of the economy may lead to risks for A.S. Création. 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 decline in consumer spending in the context of a recession may have a negative effect on A.S. Création's sales revenues. According to current projections for the year 2012, consumer spending in nearly all countries served by A.S. Création will stagnate or increase moderately. Consumer spending in the euro-zone, for instance, is expected to rise by 0.4%. The Managing Board cannot identify a structural decline in demand for wallpapers and does therefore see no potential risks that could jeopardise the continued existence of the company.

Industry-specific risks result from existing over-capacities in the wallpaper industry. Against the background of increased demand, new capacities for the production of wallpapers were installed in Western and Eastern Europe in the past years. Due to the sudden drop in demand in 2009 resulting from the global financial and economic crisis, the large Euro-

pean wallpaper manufacturers are currently no longer able to fully utilise their own production capacities. While capacity utilisation has since improved, the Managing Board of A.S. Création believes that the wallpaper industry is not operating at full capacity yet. This is also true for A.S. Création. The Managing Board sees the risk of this underutilisation leading to ruinous price competition and, hence, to a new consolidation process in the global wallpaper industry. Against the background of the pick-up in demand for wallpapers and the resulting better capacity utilisation, the likelihood of this scenario materialising is considered to be low, however. Should a new consolidation process arise nevertheless, A.S. Création expects to emerge from it as a winner thanks to its innovation and financial strength.

Another potential risk for the wallpaper industry results from the more stringent legal provisions regarding the use of chemicals in the production of wallpapers. Just like other industries, the wallpaper industry uses such additives, e.g. in the production of flat and expanded vinyl wallpapers. Should these substances be banned in general, these types of wallpaper could no longer be produced with current technology. There are two reasons, however, why the Managing Board considers this potential risk to be relatively low:

- There have been frequent discussions about the potential health hazards posed by additives such as plasticisers in the past. The theoretical hazard depends on the use of the finished product. If used as intended, wallpapers do not present any hazard. Moreover, in accordance with RAL-GZ 479, A.S. Création exclusively uses non-volatile plasticisers in its wallpapers. The sale of the wallpapers produced by A.S. Création has never been subject to any restrictions and it is unlikely that the risk classification of wallpapers will change in future.
- The above additives are also widely used outside the wallpaper industry. If an additive is likely to be banned or subjected to restrictions, manufacturers will be under great pressure to develop alternative solutions. A.S. Création liaises closely with its suppliers and will replace additives with new, state-of-the-art solutions, which is something the company has already done in the past.

In the worst-case scenario of a general prohibition of 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 only if a competitor were able to secure exclusive access to an equivalent substitute

product for PVC, which would result in a permanent competitive advantage for that competitor. To minimise this risk, A.S. Création is constantly looking at ways of processing substitute products in its existing production facilities.

In view of the special market conditions, a potential risk exists with regard to the company's procurement activities. For A.S. Création as a customer, there are only few suppliers in these markets, and the quantities purchased by the wallpaper industry in general and A.S. Création in particular are relatively small from the suppliers' viewpoint. In the event of rising raw materials prices, A.S. Création therefore has only limited negotiating clout and few alternatives to choose from. The strategy pursued by A.S. Création aims to prevent long-term pressure on margins with the help of an innovation-driven product policy. However, this strategy entails the risk that price increases on the procurement side can be passed on to customers only with a certain delay. Fluctuations in the gross profit margin in individual fiscal years can therefore not be ruled out. The long-term analysis shows that these fluctuations stayed within a narrow bandwidth of ± 2.5 percentage points around the 50% mark in the period from 1997 to 2011. 2007, 2008 and 2011 were the only fiscal years in which the company was unable to maintain

the gross profit margin within this bandwidth due to the "explosion" in commodity and energy prices. At 45.7% (2007), 44.9% (2008) and 45.8% (2011), the gross profit margin stood at a very low level. In spite of these adverse impacts, A.S. Création still generated positive results and sufficient cash flows to finance the regular capital expenditures also in these years. This is why the Managing Board of A.S. Création sees no risks arising from procurement prices that could jeopardise the company's continued existence.

Another potential risk on the procurement side relates to the availability of raw materials or intermediate products of adequate quality. Due to the sharp rise in global demand for raw materials, in conjunction with the concentration among the suppliers providing the raw materials and intermediate products required by A.S. Création, the procurement risk increased in the past years. Should A.S. Création be unable to obtain the required quantities of a raw material or an intermediate product due to a general increase in demand or the loss of a major supplier, this may lead to a temporary production outage. With a view to mitigating this risk, A.S. Création analyses and tests the quality and efficiency of new suppliers. This process has already made the supplier structure more international - a trend which the Managing Board expects to continue. In view of the higher

demand for raw materials as a result of the increased global output, the Managing Board considers the risk of insufficient availability to be higher than in the past.

No major risks exist in production and logistics. The production plants represent the state of the art, necessary capital expenditures in replacements and new capacity are made on an ongoing basis and can be funded from the company's cash flow.

As outlined in the analysis of the financial situation, the traditionally strong cash flow and the robust financial structure mean that no finance and liquidity bottlenecks are expected. 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.

A potential risk for A.S. Création arises from the current investigation by the German and French anti-trust authorities, which are conducting separate proceedings to find out whether there have been agreements in restraint of competition in the wallpaper industry. On November 30, 2010, the Federal Cartel Office searched the premises of A.S. Création Tapeten AG in Gummersbach-Derschlag and

of four other German wallpaper manufacturers and seized documents. On the same day, the French anti-trust authorities searched the premises of eight wallpaper dealers in France, including two companies of the A.S. Création Group, namely SCE – Société de conception et d'édition SAS and MCF Investissement SAS. In November 2011, Germany's Federal Cartel Office formally notified the company that administrative offence proceedings have been opened and submitted a letter of accusation, i.e. a list of the offences of which the company is accused. The Cartel Office has raised several allegations of what it perceives to have constituted anti-competitive behaviour by A.S. Création Tapeten AG and individual company executives. While most of these allegations essentially relate to the period from 2005 to 2010, some are related to a period prior to that. Apart from A.S. Création Tapeten AG, administrative offence proceedings have been opened against four other renowned German wallpaper manufacturers as well as the German Association of Wallpaper Manufacturers (VDT). As a leniency applicant, who is exempt from potential fines, Tapetenfabrik Gebr. Rasch GmbH & Co. KG has caused the investigations by the Federal Cartel Office. Besides raising allegations of price fixing in the context of the German Association of Wallpaper Manufacturers, the Federal Cartel Office has addressed working groups which have been established between the wallpaper manufacturers in conjunction

with supplies to joint customers. A.S. Création Tapeten AG has meanwhile responded in detail to the letter of accusation and objected to all allegations. The Federal Cartel Office has not yet responded to the company's arguments, which is why the Managing Board of A.S. Création is not in a position to make a reliable assessment of the possible outcome of the administrative offence proceedings. The same applies to the two proceedings in France, where the French anti-trust authorities have not submitted the letter of accusation yet. There is generally the risk of significant fines, which would have an adverse impact on the financial position of A.S. Création, as both the German and the French anti-trust laws provide for a maximum fine of 10% of Group sales revenues per each violation of anti trust law. Also, there is a potential risk of claims for damages being made in the follow-up to anti-trust proceedings.

The measures taken to build up a wallpaper production facility in Russia have been addressed in the chapter "Capital expenditures". According to these plans, A.S. Création Tapeten AG will invest about € 14.0 million in the project by late 2012. The project will increase the risk potential for A.S. Création in several respects. On the one hand, additional production capacities will be built up, which must be utilised. It is planned to use the wallpapers produced in Russia to tap market seg-

ments that have not been served at all or only to a limited extent by exports from Germany. On the other hand, this will be the first time in the history of A.S. Création that material assets will be 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. Moreover, the size of the additional risk is not considered to jeopardise the company's continued existence.

In the past years, the risk management issue attracted great attention in the public. As mentioned before, however, any corporate activity necessarily entails certain risks. Against the background of the large number of potential individual risks, it is therefore important not to neglect the overall risk. The Managing Board of A.S. Création Tapeten AG considers the overall risk to be relatively low. The likelihood of risks materialising that would jeopardise the company's continued existence is also relatively low. In the Managing Board's opinion, the scope of the risk management system, which is an integral element of A.S. Création's reporting system, is sufficient.

KPMG AG Wirtschaftsprüfungsgesellschaft, Cologne, has reviewed the risk management system of A.S. Création Tapeten AG and con-

firmed that the risks to the future development may be identified and documented by the early risk identification system established in accordance with section 91 of the German Stock Corporation Law (Aktiengesetz AktG) and that they have been properly presented in the management report. This year, the risk management system was again reviewed by KPMG in the context of the annual audit.

Important events after the end of the fiscal year

The Managing Board is of the opinion that no reportable events occurred after the end of the fiscal year.

Outlook

Nearly all forecasts for the year 2012 expect the world economy to slow down markedly, primarily because the unresolved debt crisis in the large economies will have an adverse impact on economic activity. As a result, the emerging countries will also see lower growth than in the year 2011, which is why the World Bank, for instance, expects the world economy to grow by only 2.5% in 2012.

The euro-zone economy will probably be hit particularly hard and is projected to report an

0.4% decline in the gross domestic product in 2012. Capital spending, which was the main growth driver in 2011, is expected to decrease by 0.3% this year. As capacity utilisation in the manufacturing sector is likely to decline due to reduced demand, there will be less need for investments in new plant capacity. Moreover, the general uncertainty arising from the euro crisis is having an adverse impact on companies' propensity to invest. Exports, the second growth driver of the year 2011, are expected to decline as well. Compared to these adverse effects, the projected 0.4% increase in consumer spending will be too low to prevent a recessionary trend in the euro-zone in 2012. The only positive aspect from the point of view of A.S. Création is that the expectations regarding private consumption expenditures in Germany and France, the company's two most important output markets, are somewhat better than for the other countries. Private consumption expenditures in these two countries are projected to grow by between 0.5% and 1.0%.

The projections for the Eastern European markets that are relevant for A.S. Création, especially Russia, have traditionally been subject to the greatest uncertainty. Factors such as the trend in commodity and export prices, exchange rate parity and the inflation trend will have a material impact on economic growth in these countries. Growth rates of between 4% and

5% are projected for Russia's GDP in 2012, with consumer spending again being one of the main growth drivers.

Commodity and energy prices will probably be influenced by both economic and political factors in 2012. On the one hand, the slowdown in economic activity in the industrialised countries should lead to reduced demand for commodities and energies and, hence, to declining prices. On the other hand, there are political trends, e.g. national efforts to reserve certain commodities for local economies, as well as the uncertainty about the oil supply arising from the dispute about Iran's nuclear policy. This is why the forecast of commodity and energy prices represents another factor of uncertainty. This view is supported by the fact that the HWWI Commodity Price Index, which declined in late 2011, picked up sharply again already in January 2012. The Managing Board of A.S. Création tends to believe that commodity and energy prices will increase further in 2012.

Conclusion: In view of the projected recessionary trend in the euro-zone and an only moderate increase in private consumption expenditures, the Managing Board expects the macroeconomic environment in 2012 to be more difficult than in 2011. It remains to be seen whether demand for wallpapers and furnishing

fabrics will be able to isolate itself from this general trend. However, the Managing Board is of the opinion that the trend towards wallpapers remains intact. From today's point of view, it is uncertain what, if any, impact the anticipated increase in commodity and energy prices will have on the earnings position of A.S. Création.

The Managing Board projects a difficult market environment for the Wallpaper Division in 2012, which will be marked by further increases in the prices of commodities and energies. Even though these price increases will probably be much more moderate than in 2011, these adverse effects must be compensated for in order to prevent a further decline in the gross profit margin. In response to this trend, the company has therefore announced an increase in its own sales prices in the first quarter of 2012. In view of the persistent fierce price competition in the international wallpaper industry, it is by no means certain that this measure will be sufficient. This makes it all the more important for A.S. Création to build its image through products and marketing concepts. In this respect, A.S. Création is very well positioned. The company continued to expand its competitive position in 2011 with the help of continued intensive product development efforts and the refinement of its marketing instruments, e.g. modern shop fitting and pre-

sentation concepts and innovative visualisation and consulting software that are made available to its retail partners. Moreover, the company has signed up two new, renowned licensors, namely VERSACE and PORSCHE DESIGN STUDIO, who will jointly develop new wallpaper collections with A.S. Création. Against this background, the Managing Board is confident that the Wallpaper Division will increase its sales revenues in 2012. Uncertainties exist with regard to the developments in Western Europe, especially France, where A.S. Création reported declining sales in 2011. The company must strengthen the market position of the three French subsidiaries, A.S. Création (France) SAS, SCE – Société de conception et d'édition SAS and MCF Investissement SAS, and win market share in France. Overall, the Managing Board projects internal sales growth in the Wallpaper Division for 2012. Additional contributions to sales will be made by the new wallpaper production facility in Russia which is scheduled to start production in September 2012.

The Furnishing Fabrics Division will also operate in what will be a less favourable market environment compared to the previous year in 2012. Accordingly, demand for curtains and furnishing fabrics is expected to decline or to stagnate at best. At the same time, rising prices for cotton, polyester and silk will continue to weigh on margins in 2012. Given that the German

home textiles sector is highly fragmented, the Managing Board considers the likelihood of company failures to be much higher than in the wallpaper industry. In this uncertain environment, the Furnishing Fabrics Division of A.S. Création can present itself as a solid and reliable partner to its customers, who has generated profits for the past eight years and is therefore able to make continuous investments in new products. Indes Fuggerhaus Textil GmbH will take advantage of this strength to offer retailers not only attractive products in 2012 but, to a growing extent, also marketing concepts such as shop-in-shop solutions. The Managing Board projects improved sales and earnings for the Furnishing Fabrics Division in 2012.

According to the plans for the fiscal year 2012, the increase in sales in both divisions will be reflected in Group sales of between € 195 million and € 205 million. As explained above, wallpaper production in Russia is scheduled to start in September 2012. Due to the investments to be made up to this date, A.S. Création's capital expenditures in 2012 are expected to amount to approx. € 13 million, which is above the normal level. The Group's budget nevertheless provides for a reduction in net financial liabilities. No material changes in the net asset position are anticipated. Besides the expected increase in commodity and energy prices, the

start-up losses incurred in Russia will also weigh on the company's earnings position in the fiscal year 2012. To ensure that production can start as planned in September 2012, the company will begin to hire staff and develop the collections in the course of 2012. Also, the distribution structures required to market the products will continue to be built up as planned. In spite of these adverse impacts on the bottom line, the Managing Board expects the Group's net profit to increase on the previous year and to reach between € 6.0 million and € 7.0 million. With most of the start-up losses incurred in 2012 and 2013 being the first full fiscal year of operation of the Russian wallpaper production, the Managing Board expects sales revenues to rise sharply to a new high and earnings to clearly exceed the level of 2012 in 2013.

The implementation of these plans will be a major challenge for A.S. Création. The Managing Board nevertheless sees the company in a good position to master this challenge:

- Both Divisions are profitable and have demonstrated their ability to adapt to changing conditions.
- The underlying business model, which focuses on wallpapers and furnishing fabrics, has proven its worth also in the years of the financial and economic crisis,

meaning that no structural weaknesses can be identified at this time.

- The financial situation of A.S. Création is sound and robust, which means that no liquidity bottlenecks are expected.

Statement pursuant to section 315 para. 1 sentence 6 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 for the remaining months of the financial year.

Gummersbach, February 29, 2012

A.S. Création Tapeten AG
The Managing Board

Kämper Hallwig Krämer

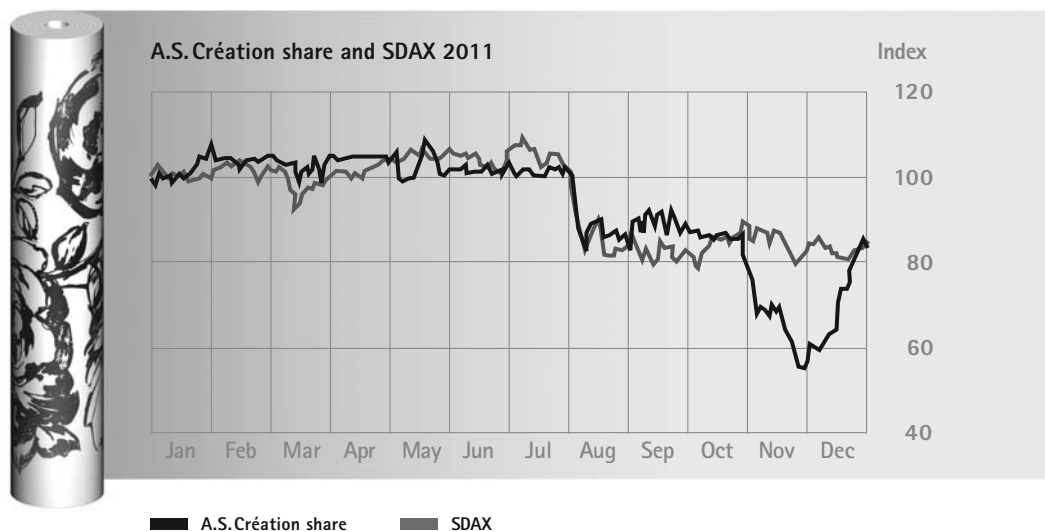
Political stock markets weigh on share prices

Looking back, 2011 was another turbulent year in the stock market. The European sovereign debt crisis dominated the public debate, causing great uncertainty among investors with regard to the outlook for the world economy. Accordingly, the various decisions taken by governments in the course of 2011 to master the euro crisis had a strong impact on share prices. They rose and fell in line with market participants' view of the appropriateness or inappropriateness of those political decisions. Positive or negative corporate news received relatively little attention, which is why 2011 was also called the year of unpredictable "political" stock markets. Against this background, it is understandable that the shares of banks and insurance companies were hit particularly hard and that share prices in general experienced high volatility. The German stock index DAX reached an annual high of over 7,500 points in early May 2011, only to fall by about 32% to below 5,100 points by September. On balance, the DAX lost 14.7% in the course of 2011. Due to the more favourable economic situation in Germany, the DAX did not drop quite as sharply as the benchmark indices of other European stock exchanges. The decline in share prices was not confined to the large caps but also affected the small and mid caps. Accordingly, both the MDAX (-12.1%) and the SDAX (-14.5%) declined at similar rates as the DAX.

The A.S. Création share lost in value in 2011

The chart on the next page shows that the A.S. Création share was unable to isolate itself from the general market trend but followed the trend in the SDAX until late November 2011. Accordingly, the price of the A.S. Création share initially moved sideways in the first seven months of 2011 and did not pick up significantly from the year's opening price of € 28.76. While the highest price of the year of € 31.00, which was reached during this period, was up by 7.8% on the year's opening price, this price level was not maintained. Early August 2011 then saw a slump in global share prices, which was caused by growing doubts about a political solution to the European sovereign debt crisis and concerns about a worldwide recession. The price of the A.S. Création share followed this general trend, dropping within a few days by 17.2% from € 29.00 on August 2, 2011 to € 24.02 on August 9, 2011. The publication of the interim report for the six-month period ended June 30, 2011 on August 4, 2011, in which A.S. Création reported a decline in net income by only 6.5% was unable to halt the decline in the share price but rather matched the depressed general mood in the capital market.

Until the end of October 2011, the price of the A.S. Création share stabilised at around € 25.00. But then A.S. Création had to publish



two ad-hoc releases at short notice which had a negative impact on the share price. On October 27, 2011, the Managing Board reported that the earnings projections for the fiscal year 2011 would probably not be met due to the sharp rise in commodity and energy costs. Second, the Federal Cartel Office notified the company that administrative offence proceedings had been opened, of which the Managing Board informed the public on November 15, 2011. As a result, the price of the A.S. Création share slumped and hit an annual low of € 16.73 on November 25, 2011. At this time, the market capitalisation of A.S. Création amounted to only € 46.1 million. This slump in the share price was accelerated by the decision of two major investors, US investment company Royce & Associates LLC and Belgium BNP

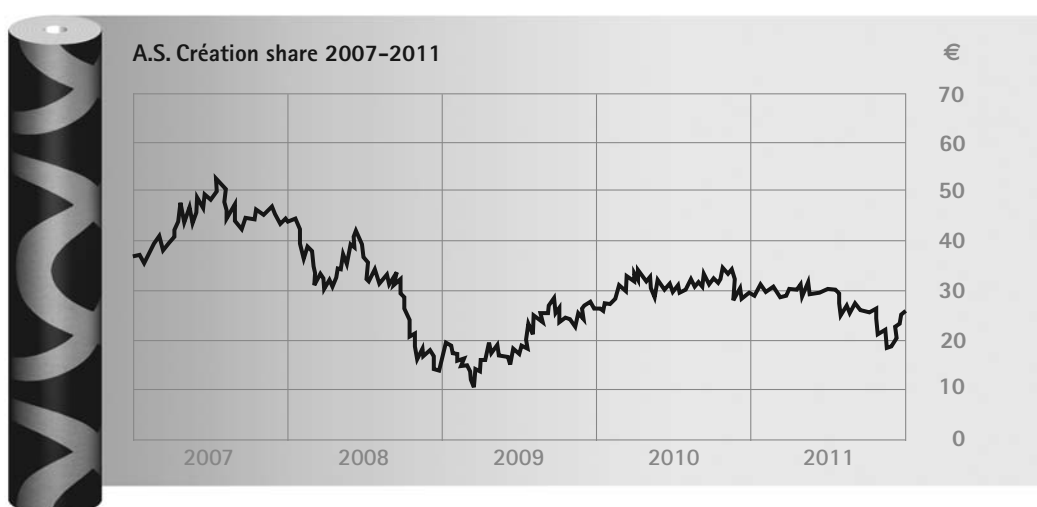
Paribas Investment Partners SA to divest their interests in A.S. Création. This led to additional pressure on the share price. Compared to the company's equity capital - which amounted to € 89.5 million according to the interim report for the period ended September 30, 2011, which was published on November 30, 2011 - the market capitalisation of A.S. Création stood at a very low € 46.1 million. Against the background of this attractive stock market valuation, Lins Wallpaper Ltd., UK, acquired over 5% of the shares in A.S. Création Tapeten AG by December 15, 2011. Lins Wallpaper Ltd. is the majority shareholder of OOO Kof Palitra, the leading Russian wallpaper manufacturer, with whom A.S. Création Tapeten AG has established a joint venture to build up a wallpaper manufacturing organisation in Russia. In the

light of this fact, the Managing Board considers Lins Wallpaper Ltd. a long-term investor and views the company's investment in A.S. Création very positively. Due to this demand for A.S. Création shares, the share price recovered by the end of the year and reached € 24.49 on December 30, 2011, the last trading day of the year. This was 14.8% below the year's opening price of € 28.76. At -14.5%, the SDAX declined at almost the same rate during this period. If the dividend of € 1.35 per share distributed to the shareholders of A.S. Création in May 2011 is taken into account, however, the A.S. Création share lost 10.2% in the year 2011. Even if this means that A.S. Création outperformed the SDAX, the share price is not satisfactory.

Market valuation remains unsatisfactory

Based on the year's closing price of € 24.49 and the number of shares outstanding (2,756,351) as of December 31, 2011, A.S. Création's market capitalisation stood at € 67.5 million. Compared to the balance sheet equity, which amounted to € 89.6 million as of December 31, 2011, this market capitalisation was € 22.1 million or 24.6% below the company's net asset value. Even a valuation at net asset value, i.e. excluding any positive goodwill, would be equivalent to a price of € 32.49 per share.

The analysis of the longer-term performance of the A.S. Création share also shows that the share price has not reached a satisfactory level yet. On December 31, 2011, the share price was 46.2% below the € 45.50 reported at the end of 2007 and as much as 54.1% below the 2007 high of € 53.40.

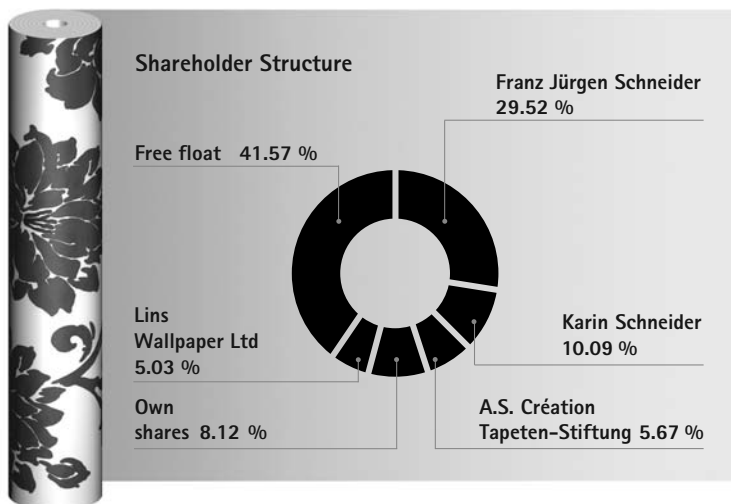


When assessing the share price, the uncertainty about the outcome of the anti-trust proceedings, which may take very long, and the marked deterioration in the earnings position of A.S. Création in 2011 must certainly be taken into account. As outlined in the Group management report, the bottom line in the fiscal year 2011 was adversely affected not only by the increased commodity and energy costs but also by the start-up losses incurred in conjunction with the start-up of production and distribution structures in Russia. The Managing Board is convinced that the start-up of wallpaper production in Russia is an important project to secure the future of A.S. Création, which is why the company must cope with the temporary decline in earnings, which is also taken into account in the Group's budgets and projections. The Managing Board therefore believes that the present share price does not appropriately reflect the financial strength and the future outlook of A.S. Création.

Changes in the shareholder structure

As outlined above, material changes in the shareholder structure of A.S. Création occurred in 2011, as both Royce & Associates LLC and BNP Paribas Investment Partners SA divested their interests in A.S. Création. The Managing Board regrets these decisions, as both companies had been shareholders of A.S. Création for several years, which means that A.S. Création has lost two long-term investors. Given that they have been succeeded by another long-term investor, Lins Wallpaper Limited, the Managing Board believes that the shareholder structure of A.S. Création remains stable. According to the Managing Board's knowledge, the shareholder structure was as follows on the balance sheet date:

The above changes in the shareholder structure led to a marked increase in the trading volume. While 2,635 A.S. Création shares were traded on a daily average in 2010, this number increased to 3,851 in 2011.

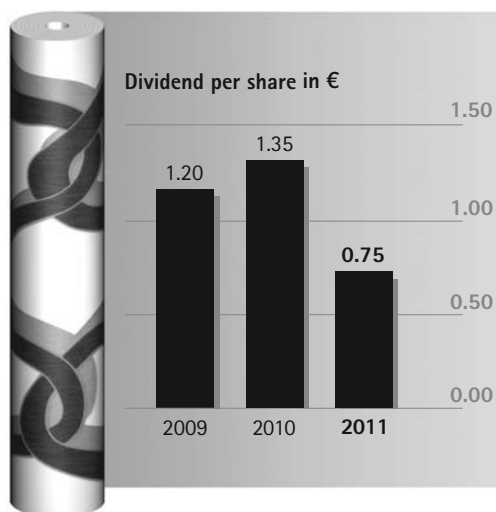


Consistent dividend policy

A.S. Création has always aimed for a high dividend payout ratio as long as this is permitted by the company's financial situation. In recent years, dividend payouts have consistently been in the 40% to 45% of EPS range.

In spite of the uncertain environment in 2012 and the further funding requirements resulting from the start-up of wallpaper production in Russia, the Managing Board and the Supervisory Board advocate maintaining the company's dividend policy to ensure consistency and reliability for the company's shareholders. Accordingly, a dividend payment of € 0.75 per share will be put forward to the Annual General Meeting of Shareholders, which is scheduled for May 3, 2012. Based on earnings

per share, this proposed dividend represents a payout ratio of 44.4%. Due to the poorer earnings position of A.S. Création in the past fiscal year, the absolute dividend will decline as shown in the chart below:



Key figures of the A.S. Création share		2007	2008	2009	2010	2011
Earnings per share	€/share	3.59	3.22	2.72	3.05	1.69
Dividend	€/share	1.60	1.40	1.20	1.35	0.75
Payout ratio	%	44.6	43.5	44.1	44.3	44.4
Year-closing-price	€/share	45.50	17.93	25.36	28.76	24.49
High	€/share	53.40	45.50	27.10	34.00	31.00
Low	€/share	35.10	13.91	10.40	24.68	16.73
Shares outstanding (year end)	million	2.784	2.756	2.756	2.756	2.756
Average trading volume *	pieces	2,429	2,086	3,167	2,635	3,851
Market value (year-end)	€ '000	126,691	49,421	69,901	79,273	67,503
Equity (book value)	€ '000	76,901	80,288	83,774	88,789	89,553
Market value/Equity	%	164.7	61.6	83.4	89.3	75.4
Price-earnings-ratio		12.7	5.6	9.3	9.4	14.5
Dividend yield	%	3.5	7.8	4.7	4.7	3.1

* Average daily trading volume of A.S. Création shares at Frankfurt Stock Exchange and via Xetra (electronic trading system).

CONSOLIDATED FINANCIAL STATEMENTS ACCORDING TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

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This English translation of the annual report 2011 is merely a convenience translation.
The German version is the prevailing one.

A.S. Création Tapeten AG, Gummersbach

Consolidated balance sheet

as per December 31, 2011

Assets			
	Notes No.	31.12.2011 €	31.12.2010 €
Tangible fixed assets	(1)	46,920,848.88	50,770,131.52
Intangible fixed assets	(2)	9,001,128.83	9,802,703.35
Financial assets	(3)	6,200,000.00	0.00
Investments accounted for at equity	(4)	2,041,657.95	1,342,895.36
Other assets	(5)	1,493,876.32	423,474.28
Income tax receivables	(6)	1,329,260.01	1,563,499.20
Deferred tax assets	(7)	776,571.49	557,273.41
Non-current assets		67,763,343.48	64,459,977.12
Inventories	(8)	46,415,176.50	44,706,348.68
Trade receivables	(9)	33,975,073.44	35,715,417.52
Other assets	(5)	5,892,747.02	5,403,738.17
Income tax receivables	(6)	922,420.17	547,475.64
Cash and cash equivalents	(10)	2,358,316.10	10,792,065.78
Current assets		89,563,733.23	97,165,045.79
Total assets		157,327,076.71	161,625,022.91

Equity and Liabilities			
	Notes No.	31.12.2011 €	31.12.2010 €
Capital stock		9,000,000.00	9,000,000.00
Capital reserves		13,756,740.32	13,756,740.32
Revenue reserves		52,169,692.11	48,120,041.27
Profit carried forward		14,017,704.07	13,481,797.61
Net profit		4,649,896.42	8,394,855.58
Adjustment for own shares		-4,020,836.57	-4,020,836.57
Currency translation differences		-20,211.28	55,933.50
Equity	(11)	89,552,985.07	88,788,531.71
Financial liabilities (interest-bearing)	(12)	27,787,148.79	23,498,719.51
Other liabilities	(13)	1,326,131.93	1,357,922.46
Provisions for pensions	(14)	7,613,124.00	7,051,118.07
Deferred tax liabilities	(7)	6,709,636.80	7,781,722.33
Non-current liabilities		43,436,041.52	39,689,482.37
Financial liabilities (interest-bearing)	(12)	4,013,125.09	3,545,082.77
Other liabilities	(13)	10,482,086.62	18,211,033.58
Trade payables		9,256,346.76	9,352,149.05
Other provisions	(15)	136,700.00	134,700.00
Tax liabilities		449,791.65	1,904,043.43
Current liabilities		24,338,050.12	33,147,008.83
Total equity and liabilities		157,327,076.71	161,625,022.91

A.S. Création Tapeten AG, Gummersbach**Consolidated income statement**

for the period from January 1, 2011 to December 31, 2011

	Notes No.	2011 €	2010 €
Sales	(17)	192,261,886.06	184,603,379.32
Increase or decrease in unfinished and finished goods		1,179,511.08	1,983,635.39
Other own work capitalised		72,432.75	2,175.00
Total output		193,513,829.89	186,589,189.71
Cost of materials	(18)	104,863,249.27	96,064,012.85
Gross profit		88,650,580.62	90,525,176.86
Other income	(19)	1,243,091.99	1,313,025.00
		89,893,672.61	91,838,201.86
Personnel expenses	(20)	41,275,742.88	39,335,859.68
Depreciation	(21)	9,932,699.02	10,504,180.96
Operating taxes		526,593.43	513,112.74
Other operating expenses	(22)	28,571,951.67	27,166,808.15
Operating expenses		80,306,987.00	77,519,961.53
Earnings before interest and taxes (EBIT)		9,586,685.61	14,318,240.33
Interest and similar income		183,249.46	77,016.42
Results from investments accounted for at equity		-226,391.41	-88,970.47
Interest and similar expenses		2,218,355.23	1,954,703.90
Financial result	(23)	-2,261,497.18	-1,966,657.95
Earnings before income taxes		7,325,188.43	12,351,582.38
Income taxes	(24)	2,675,292.01	3,956,726.80
Net profit		4,649,896.42	8,394,855.58
Earnings per share	(25)	1.69	3.05

A.S. Création Tapeten AG, Gummersbach
Consolidation statement of comprehensive income
for the period from January 1, 2011 to December 31, 2011

	2011 € '000	2010 € '000
Net profit	4,650	8,395
Foreign currency translation differences for fully consolidated companies	21	15
Foreign currency translation differences for investments accounted for at equity	-98	6
Change in fair value of an interest rate hedge	-127	-134
Deferred taxes on other comprehensive income	39	41
Other comprehensive income	-165	-72
Total comprehensive income	4,485	8,323

Consolidated statement of changes in equity
for the period from January 1, 2011 to December 31, 2011

	Capital Stock	Capital reserves	Revenue reserves	Profit carried forward	Net Profit	Adjust- ment for own shares	Currency translation differences	Total
	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000
December 31, 2009	9,000	13,757	44,567	12,937	7,499	-4,021	35	83,774
Net profit 2009	0	0	0	7,499	-7,499	0	0	0
Dividend payments	0	0	0	-3,308	0	0	0	-3,308
Allocation to revenue reserves	0	0	3,646	-3,646	0	0	0	0
Total comprehensive income 2010	0	0	-93	0	8,395	0	21	8,323
December 31, 2010	9,000	13,757	48,120	13,482	8,395	-4,021	56	88,789
Net profit 2010	0	0	0	8,395	-8,395	0	0	0
Dividend payments	0	0	0	-3,721	0	0	0	-3,721
Allocation to revenue reserves	0	0	4,138	-4,138	0	0	0	0
Total comprehensive income 2011	0	0	-88	0	4,650	0	-77	4,485
December 31, 2011	9,000	13,757	52,170	14,018	4,650	-4,021	-21	89,553

A.S. Création Tapeten AG, Gummersbach

Consolidated cash flow statement

for the period from January 1, 2011 to December 31, 2011

	2011 € '000	2010 € '000
Operating activities		
Net profit	4,650	8,395
+ Depreciation on tangible and intangible fixed asset	9,933	10,504
+/- Increase/decrease in long-term provisions	562	180
-/+ Income/expenses from investments accounted for at equity	226	89
-/+ Increase/decrease in present value of corporate income tax credit	225	216
-/+ Income/expenses from changes in deferred taxes	-1,258	-357
Cash-flow	14,338	19,027
-/+ Profit/losses from disposal of tangible and intangible fixed assets	-32	-55
-/+ Increase/decrease in inventories	-1,724	-3,701
-/+ Increase/decrease in trade receivables	1,745	-87
+/- Increase/decrease in trade payables	-95	-828
-/+ Increase/decrease in other net working capital	-4,256	432
Cash-flow from operating activities	9,976	14,788
Investing activities		
Capital expenditures on tangible and intangible fixed assets	-5,474	-5,844
-/+ Cash outflows/repayments for/from extended credits and bonds	-6,200	0
- Cash outflows for acquisitions of consolidated companies (less acquired cash and cash equivalents)	-6,970	-85
- Cash outflows for acquisitions of investments accounted for at equity	-1,023	-897
+ Proceeds from the disposal of tangible and intangible fixed assets	223	107
Cash-flow from investing activities	-19,444	-6,719
Financing activities		
Dividends paid to shareholders of A.S. Création Tapeten AG	-3,721	-3,308
- Repayment of liabilities from anticipation of the future acquisition of remaining shares	0	-407
+/- Raising/repayment of financial liabilities (interest-bearing)	-4,756	-4,584
Cash-flow from financing activities	1,035	-8,299
Net change in cash and cash equivalents	-8,433	-230
+/- Change in cash and cash equivalents due to exchange rate fluctuations	-1	14
+ Cash and cash equivalents at January 1	10,792	11,008
Cash and cash equivalents at December 31	2,358	10,792

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 statements

for fiscal year 2011

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 315a (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. The following new or revised standards and interpretations had to be observed in the fiscal year 2011:

- 2010 improvements to IFRS
- IAS 24 (rev. 2009) "Related Party Disclosures"
- Amendment to IAS 32 "Classification of Rights Issues"
- Amendment to IFRIC 14 "Prepayments of a Minimum Funding Requirement"
- IFRIC 19 "Extinguishing Financial Liabilities with Equity Instruments"

The above provisions had no material impact on the consolidated financial statements of A.S. Création.

The following standards and interpretations have been published and partly endorsed by the EU Commission but are mandatory only for annual periods beginning after January 1, 2011:

- Amendment to IFRS 7 "Disclosure Requirements for Transfer Transactions of Financial Assets"
- Amendment to IAS 1 "Presentation of Items in Other Comprehensive Income"
- Amendment to IAS 12 "Deferred Taxes on Investment Property"
- IAS 19 (rev. 2011) "Employee Benefits"
- Amendment to IAS 28 "Investments in Associates and Joint Ventures"
- Amendment to IAS 32 "Offsetting of Financial Assets and Financial Liabilities"
- Amendment to IFRS 7 "Disclosures – Offsetting of Financial Assets and Financial Liabilities"
- IFRS 9 "Financial Instruments"

- IFRS 10 "Consolidated Financial Statements"
- IFRS 11 "Joint Arrangements"
- IFRS 12 "Disclosure of Interests in Other Entities"
- IFRS 13 "Fair Value Measurement"

From today's point of view, the new or revised standards and interpretations that are applicable in subsequent years will, with the exception of IAS 19 (rev. 2011), have no material impact on the consolidated financial statements of A.S. Création. IAS 19 (rev. 2011) provides for all actuarial gains and losses arising in the calculation of pension provisions to be recognised directly in equity. Given that A.S. Création currently recognises these gains and losses in the income statement, IAS 19 (rev. 2011) will lead to a change in the recognition of earnings. If the new standard had been applied in the past financial year, earnings before taxes would have improved by € 0.403 million, net profit by € 0.279 million and earnings per share by € 0.10. Subject to transposition into EU law, IAS 19 (rev. 2011) is effective for annual periods beginning on or after January 1, 2012.

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.

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

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

Consolidation principles

Subsidiaries, in which A.S. Création Tapeten AG has the majority of voting rights and, hence, control over the financial and business policy, are fully consolidated. In accordance with IAS 31.38, jointly controlled companies 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.

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 current market 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, intragroup sales as well as expenses and income are set off against each other. Intercompany profits and losses in non-current assets and inventories are eliminated with the effect shown in the income statement. Intragroup value adjustments and provisions are written back.

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

Notes on the basis of consolidation

Next to A.S. Création Tapeten AG, 10 companies are consolidated. The basis of consolidation has remained unchanged compared to the previous year.

The table below shows the fully consolidated companies:

No.	Company, location	held by	Share in %	Nominal capital Dec. 31, 2011
Wallpaper Division				
1.	A.S. Création Tapeten AG, Gummersbach/Germany			9,000,000 €
2.	AS Creation (UK) Limited, Formby/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.	SCE Investissements SC, Boves/France	No. 6	100.0	1,000 €
8.	OOO A.S. Création (RUS), Moscow/Russia	No. 1	100.0	25,000,000 RUB
Furnishing Fabrics Division				
9.	A.S. Création Textil GmbH, Marienheide/Germany	No. 1	100.00	500,000 €
10.	Indes Fuggerhaus Textil GmbH, Marienheide/Germany	No. 9	100.00	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, 2011 and were audited by independent chartered accountants or reviewed by the Group's auditors.

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 non-current 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 non-current assets are shown in the development of the Group's tangible and intangible fixed assets schedule in the "Currency translation" 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.

An average annual rate of £ 0.86787/€ (2010: £ 0.85796/€) and a closing rate of £ 0.83670/€ (2010: £ 0.86250/€), were used for the pound sterling, while an average annual rate of RUB 40.88510/€ (2010: RUB 40.14295/€) and a closing rate of RUB 41.68680/€ (2010: RUB 40.47460/€) were applied for the Russian rouble.

Accounting and valuation principles

Tangible fixed assets are reported at the cost of acquisition or production to be capitalised. In accordance with IAS 17, 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.

With the exception of printing rollers and rotary screens, 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	10 to 15 years
Other machines	3 to 10 years
Other plant, furniture and fixtures	3 to 10 years

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

Printing 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 down 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 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.

In accordance with IAS 31.38, jointly controlled entities are recognised 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 not affecting income, provided that these changes relate to the shares of A.S. Création Tapeten AG.

Financial assets are accounted for as of the settlement date.

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.

Receivables are measured at amortised cost using the effective interest method less potential value impairments. The value impairments appropriately reflect the expected risk of default. The allowances are booked in separate allowance accounts. Receivables are written off only in case of an actual default. Where trade receivables are concerned, the risk of default is initially determined by analysing the customer's historical payment behaviour (itemised allowance). Thereafter, receivables are grouped on the basis of identical risk features and the risk of default of the respective groups is analysed (generalised itemised allowance).

Other assets and cash and cash equivalents are shown at their nominal values.

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 and losses are recognised in full in the income statement in the year in which they occur. Interest costs included in the pension expenses as well as any actuarial gain or loss resulting from a change in the interest rate for discounting purposes 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.

Liabilities under finance leases are reported at the present value using the interest rates on which the individual leasing agreements are based.

Other liabilities are initially recognised at the fair value and subsequently amortised at cost using the effective interest method.

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, which can be realised within the next five fiscal years. Country-specific tax rates are used. The overall tax rate in Germany, which comprises trade tax, corporate income tax and the solidarity surcharge, is unchanged from the previous year 30.71%.

Expenses and income are shown at the time of realisation. Sales revenues are realised at the time of the passage of risk, usually upon delivery. The regional breakdown of sales is based on the locations of customers' headquarters or, if the delivery address differs from the address of the headquarters, on the delivery address. Operating expenses are recognised at the time the underlying services are used, while advertising and sales promotion 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 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 initial consolidation ("purchase price allocation"). Material assumptions must be made especially for the measurement of intangible assets, e.g. trademark rights and customer relationships, 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 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 competitive

conditions, shorter useful 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.

Some companies of the A.S. Création Group are involved in litigations, 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 corresponding provisions have been established for this risk or that the amount of a provision is appropriate.

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, 2009	33,814	77,830	16,621	390	128,655
Addition	190	1,009	4,300	90	5,589
Reclassifications	-84	0	89	-5	0
Disposals	0	155	2,281	0	2,436
Currency translation differences	0	0	6	0	6
Dec 31, 2010	33,920	78,684	18,735	475	131,814
Addition	592	335	3,716	707	5,350
Reclassifications	15	37	38	-90	0
Disposals	0	202	2,761	0	2,963
Currency translation differences	0	0	1	0	1
Dec 31, 2011	34,527	78,854	19,729	1,092	134,202
Depreciation					
Dec 31, 2009	11,455	51,115	11,402	0	73,972
Addition	1,557	3,903	3,994	0	9,454
Reclassifications	-69	0	69	0	0
Disposals	0	150	2,233	0	2,383
Currency translation differences	0	0	1	0	1
Dec 31, 2010	12,943	54,868	13,233	0	81,044
Addition	1,533	3,745	3,729	0	9,007
Reclassifications	0	0	0	0	0
Disposals	0	112	2,660	0	2,772
Currency translation differences	0	0	2	0	2
Dec 31, 2011	14,476	58,501	14,304	0	87,281
Net book value					
Dec 31, 2010	20,977	23,816	5,502	475	50,770
Dec 31, 2011	20,051	20,353	5,425	1,092	46,921

Tangible fixed assets include assets on the basis of finance leases in an amount of € 8.570 million (2010: € 9.434 million). The finance leases refer to production and warehouse buildings.

(2) Intangible fixed assets

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

	Lizences and similar rights € '000	Goodwill € '000	Total € '000
Gross cost of acquisition or production			
Dec 31, 2009	4,951	9,276	14,227
Addition	256	0	256
Disposals	0	0	0
Dec 31, 2010	5,207	9,276	14,483
Addition	124	0	124
Disposals	50	0	50
Dec 31, 2011	5,281	9,276	14,557
Depreciation			
Dec 31, 2009	2,086	1,543	3,629
Addition	1,051	0	1,051
Disposals	0	0	0
Dec 31, 2010	3,137	1,543	4,680
Addition	926	0	926
Disposals	50	0	50
Dec 31, 2011	4,013	1,543	5,556
Net book value			
Dec 31, 2010	2,070	7,733	9,803
Dec 31, 2011	1,268	7,733	9,001

The Wallpaper Division and the Furnishing Fabrics Division, respectively, accounted for € 7.581million and € 0.152 million of goodwill, which remained unchanged at € 7.733 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 2012 and 2013. 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 2014, the budgeted cash flow before interest and taxes of the year 2013 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 9.7% and 8.0% were applied for the Wallpaper Division and the Furnishing Fabrics Division, respectively. The value in use thus determined exceeded the carrying amounts in both divisions, which means that the impairment tests did not provide any indication of an impairment loss. A discount factor of over 14.9% for the Wallpaper Division and of over 12.75% for the Furnishing Fabrics Division would indicate the need to recognise an impairment loss.

(3) Financial assets

In 2008, A.S. Création Tapeten AG and 000 Kof Palitra established a joint venture under the name of 000 A.S. & Palitra. Each founding shareholder holds 50% in the joint venture. 000 A.S. & Palitra is to build up a wallpaper production facility and to produce higher-quality wallpapers for the Eastern European, especially the Russian, market. Following the initial preparatory work in 2010, the building shells were erected in 2011 and the first plant and machinery ordered. Completion of the factory and the start of operations are scheduled for autumn 2012. To finance these measures, the share capital of 000 A.S. & Palitra was increased and shareholder loans were granted in the past fiscal year. The shareholder loan of A.S. Création Tapeten AG in an amount of € 6.200 million will mature on December 31, 2018 and has been recognised as a financial asset.

(4) Investments accounted for at equity

The table below shows the changes in investments accounted for at equity:

	2011	2010
	€ '000	€ '000
January 1	1,343	529
Addition	1,023	897
Pro-rata changes in equity		
Changes affecting income	-226	-89
Changes not affecting income	-98	6
December 31	2,042	1,343

This item comprises the investment in 000 A.S. & Palitra.

The company's assets mainly consist of property, plant and equipment in an amount of € 14.639 million (2010: € 1.248 million), other assets in an amount of € 1.106 million (2010: € 1.027 million) as well as cash and cash equivalents in an amount of € 1.171 million (2010: € 0.684 million). As of the balance sheet date, the company primarily funded itself using long-term interest-bearing financial liabilities in an amount of € 12.632 million (2010: € 0 million). Also, the company had other financial liabilities of € 8,565 million from order commitments for investments. The company reported sales revenues of € 0 million (2010: € 0 million) and a net loss for the year of € 0.452 million (2010: € 0.178 million). Due to the shareholder structure, 50% of these start-up losses, i.e. € -0.226 million (2010: € -0.089 million), is attributable to A.S. Création.

(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	
	31.12.11 € '000	31.12.10 € '000	31.12.11 € '000	31.12.10 € '000	31.12.11 € '000	31.12.10 € '000
Miscellaneous other assets	6,773	5,188	5,279	4,765	1,494	423
Deferred charges	614	639	614	639	0	0
	7,387	5,827	5,893	5,404	1,494	423

Miscellaneous other assets include, among others, supplier credits as well as VAT refund claims.

(6) Income tax receivables

The non-current income tax receivables in an amount of € 1.329 million (2010: € 1.563 million) refer to that portion of the capitalised corporate income tax benefit that will not be refunded in the following year.

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(7) Deferred taxes

Deferred tax assets break down as follows:

	31.12.11 € '000	31.12.10 € '000
Realisable future reductions in tax payments resulting from losses carried forward	521	337
Differences between the tax balance sheet and the commercial balance sheet	16	15
Adjustments of individual financial statements to IFRS	2	0
Consolidation processes	16	22
Items directly recognized in equity	222	183
	777	557

Losses carried forward for corporate income tax and solidarity surcharge in an amount of € 0.764 million (2010: € 1.070 million) as well as for trade tax in an amount of € 0.023 million (2010: € 0.338 million) exist in Germany. In addition, tax losses carried forward in an amount of € 1.687 million (2010: € 0.864 million) exist abroad. As in the previous year, deferred tax assets have been recognised for the whole amount of the losses carried forward.

Deferred tax liabilities break down as follows:

	31.12.11 € '000	31.12.10 € '000
Differences between the tax balance sheet and the commercial balance sheet	-1,180	-1,290
Adjustments of individual financial statements to IFRS	5,365	6,081
Consolidation processes	2,525	2,991
	6,710	7,782

Deferred taxes refer to the following balance sheet items:

	31.12.11		31.12.10	
	Deferred tax assets € '000	Deferred tax liabilities € '000	Deferred tax assets € '000	Deferred tax liabilities € '000
Tangible fixed assets	10	8,563	0	9,129
Intangible fixed assets	68	393	0	585
Inventories	127	0	106	0
Trade receivables and other assets	90	177	0	305
Provisions for pensions	895	0	784	0
Other provisions	18	0	18	0
Other liabilities	1,475	4	1,549	0
Tax losses carried forward	521	0	337	0
	3,204	9,137	2,794	10,019
Set-off*	-2,427	-2,427	-2,237	-2,237
	777	6,710	557	7,782

* 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.

(8) Inventories

Inventories comprise the following:

	31.12.11 € '000	31.12.10 € '000
Raw materials and supplies	3,798	3,971
Unfinished products	230	251
Finished goods and merchandise	42,387	40,484
	46,415	44,706

Inventories with carrying amounts of € 11.038 million (2010: € 10.581 million) are recognised at the fair value less cost to sell. Impairments of inventories in an amount of € 0.336 million (2010: € 0.449 million) were recognised as an expense in the past fiscal year.

(9) Trade receivables

€ 0.040 million (2010: € 0.028 million) of the trade receivables have a remaining term of more than one year.

The table below shows the allowances on trade receivables:

	2011 € '000	2010 € '000
As of January 1	2,421	2,779
Allocation	292	427
Use	274	273
Release	567	512
As of December 31	1,872	2,421

Of the total allowances, an amount of € 0.550 million (2010: € 0.711 million) refers to itemised allowances and an amount of € 1.322 million (2010: € 1.710 million) refers to generalised itemised allowances.

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 bet- ween 91 and 180 days	past due bet- ween 181 and 360 days	past due in more than 360 days
	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000
As of Dec 31, 2010	35,715	29,599	4,633	368	151	109
As of Dec 31, 2011	33,975	30,380	3,136	218	33	2

(10) Cash and cash equivalents

Cash and cash equivalents break down as follows:

	31.12.11 € '000	31.12.10 € '000
Cash in banks	1,828	9,749
Cash on hand, cheques and bills of exchange	530	1,043
	2,358	10,792

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 statement of changes in equity.

As of December 31, 2011, the share capital amounted to € 9,000,000.00, divided into 3,000,000 no par value shares.

According to Article 4 paragraph 3 of the current statutes of A.S. Création Tapeten AG (as amended on May 5, 2011), 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 4, 2016 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, 2011.

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 inappropriate 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, 2010, 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, 2015. 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.

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A dividend of € 0.75 per share, which translates into a total profit distribution of € 2.067 million, will be proposed for the fiscal year 2011. A dividend of € 1.35 per share was paid out for the previous fiscal year, resulting in a total distribution of € 3.721 million.

Under IFRS, some items are not recognised as income and expenses in the income statement but are recognised directly in equity. These changes in equity, which are included in revenue reserves and the currency translation differences, are shown in the table below:

	Financial derivative	Deferred taxes	Foreign currency translation differences from		Total
	€ '000	€ '000	fully consolidated companies € '000	companies accounted for at equity € '000	€ '000
As of Dec 31, 2009	-463	142	70	-35	-286
Changes recognized directly in equity 2010	-134	41	15	6	-72
As of Dec 31, 2010	-597	183	85	-29	-358
Changes recognized directly in equity 2011	-127	39	21	-98	-165
As of Dec 31, 2011	-724	222	106	-127	-523

(12) Financial liabilities (interest-bearing)

The breakdown and remaining terms of the interest-bearing financial liabilities are shown below:

	Total		Remaining term of up to 1 year		Remaining term of over 1 up to 5 years		Remaining term of over 5 years	
	31.12.11 € '000	31.12.10 € '000	31.12.11 € '000	31.12.10 € '000	31.12.11 € '000	31.12.10 € '000	31.12.11 € '000	31.12.10 € '000
Financial liabilities (without finance lease)	28,057	22,862	3,567	3,106	16,005	12,364	8,485	7,392
Liabilities from finance lease								
Gross value	4,347	4,952	598	605	3,661	2,345	88	2,002
Discounting	-604	-770	-152	-167	-450	-519	-2	-84
Present value	3,743	4,182	446	438	3,211	1,826	86	1,918
	31,800	27,044	4,013	3,544	19,216	14,190	8,571	9,310

The finance lease agreements include a purchase option at the end of the minimum term, whose value at the time the option is exercised is usually lower than the asset's current market value. The agreed purchase prices are therefore included in the finance lease obligations.

Interest-bearing financial liabilities are secured by land charges of € 34.418 million (2010: € 26.418 million) as well as assignments of machines with gross acquisition costs of € 11.711 million (previous year: € 11.711 million). 125,000 (2010: 125,000) own shares were also used as collateral.

Interest-bearing financial liabilities of € 31.800 million (2010: € 27.044 million) include € 31.332 million (2010: € 27.043 million) from credit agreements at fixed interest rates and € 0.468 million (2010: € 0.001 million) from credit agreements at variable interest rates. An amount of € 8.733 million (2010: € 9.980 million) of the interest-bearing financial liabilities is covered by an interest rate hedge. 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 interest rate 2011 %	Book value 31.12.11 € '000	Average interest rate 2010 %	Book value 31.12.10 € '000
of up to 1 year	3.9	3,544	3.9	3,545
of over 1 year up to 5 years	3.8	19,217	3.8	15,108
of over 5 years	3.9	8,571	4.1	8,390
		31,332		27,043

(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	
	31.12.11 € '000	31.12.10 € '000	31.12.11 € '000	31.12.10 € '000	31.12.11 € '000	31.12.10 € '000
Liabilities to employees	5,774	6,210	5,257	5,613	517	597
Liabilities due to social security charges	820	716	820	716	0	0
Liabilities due to other taxes	487	741	487	741	0	0
Liabilities due to bonuses/discounts	1,633	1,894	1,633	1,894	0	0
Miscellaneous other liabilities	3,094	10,008	2,285	9,247	809	761
	11,808	19,569	10,482	18,211	1,326	1,358

(14) Provisions for pensions

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 the Group companies it is determined based on the following parameters:

	2011 %	2010 %
Projected interest rate (discount rate)	4.60	4.90
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 2005 G from Prof. Dr. Klaus Heubeck.

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

	2011 € '000	2010 € '000
As of January 1	7,239	7,038
Pension payments	-349	-318
Current service cost	167	160
Interest cost	346	344
Actuarial losses from changes in the discount rate	332	143
Other actuarial gains (-) / losses (+)	67	-128
As of December 31	7,802	7,239

Of the defined benefit obligations, an amount of € 0.302 million is expected to be paid out in the following fiscal year.

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

	2011 € '000	2010 € '000
As of January 1	188	167
Employer contributions	15	14
Benefit payments	-18	0
Expected return on plan assets	8	8
Actuarial gains (+) / losses (-)	-4	-1
As of December 31	189	188

Re-insurance contributions are expected to amount of € 0.015 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 provisions in the balance sheet.

The table below shows the changes in pension provisions:

	2011 € '000	2010 € '000
As of January 1	7,051	6,871
Pension payments and employer contributions	-364	-332
Allocation	926	512
As of December 31	7,613	7,051

Allocations to pension provisions, i.e. net pension expenses for the pension commitments, were comprised as follows and are included in the respective items of the income statement:

	Income statement	2011 € '000	2010 € '000
Current service cost and benefit payments	Personnel expenses	185	160
Interest cost	Financial result	338	337
Actuarial losses from changes in the discount rate	Financial result	332	143
Other actuarial gains (-) / losses (+)	Personnel expenses	71	-128
		926	512

The table below shows the pension provisions and the actuarial gains and losses that resulted from experience adjustments:

	2011 € '000	2010 € '000	2009 € '000	2008 € '000	2007 € '000
Pension provision as of December 31	7,613	7,051	6,871	6,014	5,800
Actuarial gains (-)/losses (+) from experience adjustments	67	-129	-24	112	-94

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) Other provisions

Other short-term provisions mainly refer to potential losses from pending transactions and warranties. The table below shows the changes in other provisions:

	2011 € '000	2010 € '000
As of January 1	135	97
Use	58	88
Allocation	60	126
As of December 31	137	135

(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	
	31.12.11 € '000	31.12.10 € '000	31.12.11 € '000	31.12.10 € '000	31.12.11 € '000	31.12.10 € '000	31.12.11 € '000	31.12.10 € '000
from loan contracts	3,800	0	3,800	0	0	0	0	0
from building rents	1,532	1,032	813	564	496	468	223	0
from operating leases	825	696	299	305	526	391	0	0
from order commitments for investments in tangible fixed assets	34	503	34	503	0	0	0	0
	6,191	2,231	4,946	1,372	1,022	859	223	0

The current investigations by the German and French anti-trust authorities, which are conducting separate proceedings to establish whether there have been agreements in restraint of competition in the wallpaper industry, may entail contingent liabilities. The German authorities have opened administrative offence proceedings against A.S. Création Tapeten AG. The company has submitted detailed objections to all allegations specified in the letter of accusation. The Federal Cartel Office has not yet responded to the company's arguments, which is why the Managing Board of A.S. Création is not in a position to make a reliable assessment of the possible outcome of the

administrative offence proceedings. The same applies to the two proceedings in France, where the French anti-trust authorities have not submitted the letter of accusation yet. Consequently no provision has been set aside as of the balance sheet date. There is generally the risk of significant fines as both the German and the French anti-trust laws provide for a maximum fine of 10% of Group sales revenues. Also, there is a potential risk of claims for damages being made in the follow-up to anti-trust proceedings (please refer to the Group Management Report for more details).

Notes to the income statement

(17) Sales

A breakdown of Group sales by region is provided below:

	Wallpaper Division		Fabrics Division		Consolidation		Group	
	2011 € '000	2010 € '000	2011 € '000	2010 € '000	2011 € '000	2010 € '000	2011 € '000	2010 € '000
Germany	68,449	59,141	9,353	9,091	-284	-132	77,518	68,100
EU (excl. Germany)	84,562	86,888	2,480	2,550	-398	-493	86,644	88,945
European Union (EU)	153,011	146,029	11,833	11,641	-682	-625	164,162	157,045
Other Eastern Europe	31,797	30,429	1,129	1,089	0	0	32,926	31,518
Other countries	13,277	11,450	415	457	0	0	13,692	11,907
Sales (gross)	198,085	187,908	13,377	13,187	-682	-625	210,780	200,470
Reduction in revenues	-17,813	-15,255	-705	-612	0	0	-18,518	-15,867
Sales (net)	180,272	172,653	12,672	12,575	-682	-625	192,262	184,603

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(18) Cost of materials

The cost of materials includes:

	2011 € '000	2010 € '000
Cost of raw materials, consumables and supplies and purchased materials	101,954	93,360
Cost of purchased services	2,909	2,704
	104,863	96,064

(19) Other income

Other income includes, among other things, income from the release of allowances for doubtful receivables and income from the expiry of obligations. It also includes income from disposals of tangible and intangible fixed assets in an amount of € 0.065 million (2010: € 0.064 million) as well as foreign exchange gains in an amount of € 0.067 million (2010: € 0.194 million).

(20) Personnel expenses

Personnel expenses are comprised as follows:

	2011 € '000	2010 € '000
Wages and salaries	33,531	32,381
Social security contributions and pension expenses	7,745	6,955
	41,276	39,336

Social security contributions and pension expenses include contributions to state pension insurance institutions in an amount of € 2.751 million (2010: € 2.592 million), allocations to pension provisions in an amount of € 0.256 million (2010: € 0.032 million) as well as payments to external relief funds and similar pension organisations due to defined contribution plans in an amount of € 0.187 million (2010: € 0.202 million).

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

	2011 Persons	2010 Persons
Blue-collar workers	398	393
White-collar workers	359	337
Trainees and apprentices	39	42
	796	772

(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, total depreciation of € 9.933 million (2010: € 10.504 million) does not include any unscheduled depreciation.

(21) 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 € 0.033 million (2010: € 0.009 million) as well as foreign exchange losses of € 0.178 million (2010: 0.140 million).

(23) Financial result

The financial result includes interest expenses in an amount of € 0.670 million (2010: € 0.480 million), which result from allocations to pension provisions. For details, please refer to No. 14 of the Notes.

(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:

	2011 € '000	2010 € '000
Current income tax expenses	3,933	4,314
Deferred taxes	-1,258	-357
	2,675	3,957

At € 2.675 million (2010: € 3.957 million), tax expenses exceeded the expected tax expenses of € 2.250 million (2010: € 3.793 million) that would have arisen based on the overall German tax rate of 30.71% (2010: 30.71%) by € 0.425 million (2010: € 0.164 million). The difference between expected and effective income tax expenses in the Group is due to the following:

	2011 € '000	2010 € '000
Expected income tax expenses	2,250	3,793
Tax rate differentials to the overall German tax rate	50	71
Income from reimbursement of corporate income tax credit	-76	-85
Taxes unrelated to the accounting period	166	-2
Change in valuation allowances for deferred taxes	0	-41
Non-deductible expenses	187	154
Non-taxable income	-67	-86
Results from investments accounted for at equity	70	27
Other tax effects	95	126
Effective income tax expenses	2,675	3,957
Effective income tax rate	36.52%	32.03%

(25) Earnings per share

Earnings per share are calculated as follows:

		2011	2010
Number of shares outstanding (weighted average)	shares	2,756,351	2,756,351
Net profit	€	4,649,896	8,394,856
Earnings per share	€/share	1.69	3.05

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:

	2011 € '000	2010 € '000
Interest received	65	77
Interest paid	1,397	1,433
Income tax paid	5,443	3,347
Dividends received	0	0

Interest paid primarily relates to investment financing.

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

	2011 € '000	2010 € '000
Raising of financial liabilities (excl. financial lease)	8,200	0
Raising of liabilities under financial lease contracts	0	0
Repayment of financial liabilities (excl. financial lease)	-3,005	-2,925
Repayment of liabilities under financial lease contracts	-439	-1,659
	4,756	-4,584

(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 Division		Fabrics Division		Consolidation		Group	
	2011 € '000	2010 € '000	2011 € '000	2010 € '000	2011 € '000	2010 € '000	2011 € '000	2010 € '000
External sales	180,046	172,572	12,216	12,031	0	0	192,262	184,603
Intra-Group sales	226	81	456	544	-682	-625	0	0
Total sales	180,272	172,653	12,672	12,575	-682	-625	192,262	184,603
EBITDA ¹	19,067	24,092	450	730	2	0	19,519	24,822
EBITDA-margin	10.6%	14.0%	3.6%	5.8%			10.2%	13.4%
EBIT ²	9,280	13,728	305	590	2	0	9,587	14,318
EBIT-margin	5.1%	8.0%	2.4%	4.7%			5.0%	7.8%
Interest income	381	281	2	3	-200	-207	183	77
Results from investments accounted for at equity	-226	-89	0	0	0	0	-226	-89
Interest expenses	2,127	1,878	291	284	-200	-207	2,218	1,955
Earnings before taxes	7,308	12,043	15	309	2	0	7,325	12,352
Return on sales (before taxes)	4.1%	7.0%	0.1%	2.5%			3.8%	6.7%
Income taxes	2,673	3,897	2	60	0	0	2,675	3,957
Capital expenditures ³	19,482	6,636	185	190	0	0	19,667	6,826
Depreciation	9,787	10,364	146	140	0	0	9,933	10,504
Cash-flow	14,172	18,601	164	426	2	0	14,338	19,027
Segment assets ⁴	144,963	141,417	7,156	7,009	-177	-261	151,942	148,165
thereof non-current assets	(64,396)	(61,107)	(1,262)	(1,233)	(0)	(0)	(65,658)	(62,340)
Segment liabilities ⁵	19,712	28,043	1,666	1,272	-177	-260	21,201	29,055
Employees (average)	726	706	70	66	0	0	796	772

A breakdown of Group sales by geographical areas is provided in the notes on sales (see No. 17 above).

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 with the item which is shown in the consolidated 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 income tax receivables.

⁵ **Segment liabilities** are the total liabilities less shareholders' equity, pension provisions, tax liabilities, deferred tax liabilities and financial liabilities.

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

	Total		Remaining term of up to 1 year		Remaining term of over 1 year	
	31.12.11 € '000	31.12.10 € '000	31.12.11 € '000	31.12.10 € '000	31.12.11 € '000	31.12.10 € '000
Germany	112,788	110,729	67,046	66,611	45,742	44,118
EU (excl. Germany)	29,908	35,305	18,291	18,460	11,617	16,845
Other Eastern Europe	9,246	2,131	947	754	8,299	1,377
	151,942	148,165	86,284	85,825	65,658	62,340

(28) Research and development expenses

In the past fiscal year, € 2.388 million (2010: € 2.545 million) were spent on the development of new designs.

(29) Audit expenses

In the past fiscal year, € 0.189 million (2010: € 0.186 million) were spent on the audit of the financial statements of the companies included in the consolidated financial statements as well as on the audit of the consolidated financial statements. The Group auditor received € 0.101 million (2010: € 0.099 million) as well as an additional € 0.056 million (2010: € 0.032 million) for tax consulting services and € 0.001 million (2010: € 0.001 million) for other services.

(30) Risks from financial instruments

Only € 0.468 million or 1.5% (2010: € 0.001 million or 0.0%) of the total interest-bearing financial liabilities of € 31.800 million (2010: € 27.044 million) represent variable-rate loans. Accordingly, a rise in interest rates by one percentage point would increase interest expenses by € 0.005 million and reduce net profit by € 0.003 million. Most of the fixed-interest loans are medium-term or long-term loans and are repaid during their terms (see No. 12 above). A.S. Création's overall interest rate risk is manageable.

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 negligible in the A.S. Création Group, so that operations are not exposed to a material currency risk. Due to the fact that A.S. Création is largely funded in euros, currency risks resulting from the Group's financing activities are also negligible.

Due to the specific structure of A.S. Création, 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. One interest rate hedge (interest rate swap) whose term ends on December 30, 2018 existed on the balance sheet date. This 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, IAS 39 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, a negative market value (after deferred taxes) in an amount of € 0.502 million (2010: € 0.414 million) was recognised in equity as at the balance sheet date. Of this total amount, € -0.088 million (2010: € -0.093 million) is shown in the statement of comprehensive income. Going forward, the interest rate swap will have no impact on the bottom line.

Trade receivables are exposed to default risks, which relate to the creditworthiness of the individual debtors. 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 potential risk that could jeopardise its continued existence. Of the total trade receivables in an amount of € 33.975 million (2010: € 35.715 million), € 7.174 million or 21.1% (2010: € 8.850 million or 24.8%) were accounted for by the five largest debtors.

The liquidity risk is the risk of the company being unable to meet existing or future payment obligations due to a lack of cash or cash equivalents. To ensure that A.S. Création is able to meet its payment obligations, sufficient credit lines and cash and cash equivalents are maintained on the basis of the financial planning and systematic liquidity monitoring. As of the balance sheet date, the company had unused credit lines in an amount of € 17.132 million (2010: € 18.859 million). In view of the high cash flow and the sound financial structure, financing and/or 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 recognized according to IAS 39		Amount recognized according to IAS 17		Carrying amount		Fair value	
	31.12.11 € '000	31.12.10 € '000	31.12.11 € '000	31.12.10 € '000	31.12.11 € '000	31.12.10 € '000	31.12.11 € '000	31.12.10 € '000
Financial assets	6,200	0	0	0	6,200	0	6,200	0
Trade receivables	33,975	35,715	0	0	33,975	35,715	33,975	35,715
Other receivables	2,723	2,407	0	0	2,723	2,407	2,723	2,407
Cash and cash equivalents	2,358	10,792	0	0	2,358	10,792	2,358	10,792
Loans and receivables	45,256	48,914	0	0	45,256	48,914	45,256	48,914
Financial liabilities (without finance lease)	28,057	22,862	0	0	28,057	22,862	26,785	22,344
Other liabilities	1,730	8,913	0	0	1,730	8,913	1,730	8,913
Trade payables	9,256	9,352	0	0	9,256	9,352	9,256	9,352
Financial liabilities measured at amortized cost	39,043	41,127	0	0	39,043	41,127	37,771	40,609
Financial derivative	724	597	0	0	724	597	724	597
Liabilities from finance lease	0	0	3,743	4,182	3,743	4,182	3,629	4,100

The loan to 000 A.S. & Palitra is shown under financial assets. As this loan was granted at a market interest rate only in the past financial year, the carrying amount on the balance sheet date was largely equivalent to the fair value.

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

The fair values of the financial liabilities 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 derivative is an interest rate swap (see Notes No. 30), which, like the other financial instruments, is measured according to level 2 as defined in IFRS 7.27A(b), i.e. at a derived fair value.

In the past fiscal year, net losses of € -0.221 million (2010: € -0.043 million) resulted from the loans and receivables.

Interest income totalling € 0.183 million (2010: € 0.077 million) and interest expenses totalling € 1.466 million (2010: € 1.475 million) resulted from the financial instruments in fiscal year.

(32) Company acquisitions from previous years

On December 18, 2008, A.S. Création's Wallpaper Division acquired majority interests in the following companies:

- 70% of the shares in MCF Investissement SAS
- 75% of the shares in SCE – Société de conception et d'édition SAS
- 86% of the shares in SCE Investissements SC, which is a non-operating company

As the acquisition of the remaining shares had been firmly agreed already in 2008, this acquisition had to be anticipated according to IAS 32. On December 31, 2010, the fair value of the anticipated payments to the minority shareholders to acquire their shareholdings amounted to € 6.923 million. Accordingly, a current liability of the same amount was booked in anticipation of the future acquisition of the remaining shares. On July 15, 2011, the remaining shares were acquired at a price of € 6.970 million. The difference of € 0.047 million between the amount paid and the anticipated amount was recognised as other operating expense in the fiscal year.

(33) Managing Board

The Managing Board had the following members in FY 2011:

- Jörn Kämper, Chairman, Sales and Marketing
- Karl-Heinz Hallwig, Production and Logistics (since April 1, 2011)
- Maik Holger Krämer, Finance and Controlling
- Bernhard Wagner, Production and Logistics (until March 31, 2011)

As of the balance sheet date, members of the Managing Board held 4,983 shares (2010: 9,434 shares) in the company.

(34) Supervisory Board

In FY 2011, the Supervisory Board was comprised as follows:

	Profession practised	Supervisory Board member
Franz Jürgen Schneider Chairman	Businessman	–
Dr. Rüdiger Liebs Vice Chairman	Lawyer	Deutsche Investitions- und Vermögenstreuhand AG (DIVAG), Düsseldorf (Chairman) Dierig Holding AG, Augsburg
Jella Susanne Benner-Heinacher	Lawyer and Vice Managing Director of the DSW e. V., Düsseldorf (a German Shareholder's Association)	K+S AG, Kassel
Peter Mourschinetz Employee representative	Works council member released from productive working duties	–
Dr. Dieter Schadt	Businessman	Lufthansa Service Holding AG, Kriftel
Rolf Schmuck Employee representative	Works council member released from productive working duties	–

As of the balance sheet date, members of the Supervisory Board held 888,046 shares (2010: 890,546 shares) in the company.

(35) Compensation of Supervisory Board and Managing Board

The compensation of the Managing Board members in fiscal 2011 totalled € 1.917 million (2010: € 2.219 million). In addition, the payments to a relief fund and the reversal of pension provisions resulted in net expenses in an amount of € 0.037 million (2010: € 0.072 million).

The compensation of the Supervisory Board members in fiscal 2011 totalled € 0.108 million (2010: € 0.108 million).

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

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

Provisions for pensions for former members of the Managing Board and their descendants amounted to € 1.865 million (2010: € 1.523 million) as of the balance sheet date. Pension payments to former members of the Managing Board amounted to € 0.095 million (2010: € 0.094 million).

(36) Related party transactions

A.S. Création Tapeten AG has granted a loan at market interest rates to 000 A.S. & Palitra, which is accounted for using the equity method. The loan, which amounted to € 6.200 million (2010: € 0 million) on the balance sheet date, is recognised as a non-current financial asset. The resulting interest income of € 0.118 million (2010: € 0 million) is included in the financial result. As the interest incurred during the start-up phase is deferred in accordance with the loan agreement, receivables in an amount of € 0.118 million (2010: € 0 million) existed as of the balance sheet date, which are included in other assets.

With the consent of the Supervisory Board, the company has signed an agreement on project consulting and implementation with Franz Jürgen Schneider, Supervisory Board Chairman, in order to use his long-standing experience and his achievements in the wallpaper industry for the company. The remuneration under this consulting agreement is based on market hourly rates against proof of hours actually worked. In the fiscal year 2011, the fee for these consulting services amounted to € 0.120 million (2010: € 0.119 million).

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 € 0.030 million (2010: € 0.030 million) from A.S. Création Tapeten AG in support of its work.

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

On March 18, 2011, the Managing Board and the Supervisory Board issued the declaration of conformity for FY 2011 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 2012 will be discussed and adopted at the Supervisory Board meeting on March 15, 2012. This declaration will be published on the company's website and in the chapter "Corporate governance statement and report on corporate governance" of the 2011 Annual Report.

(38) Post balance sheet events

No events that require reporting have occurred.

The Managing Board of A.S. Création Tapeten AG has today released the consolidated financial statements and the Group management report for being passed on to the Supervisory Board. The latter has the task to review the consolidated financial statements and the Group management report and to declare whether it approves the consolidated financial statements and the Group management report.

Gummersbach, February 29, 2012

A.S. Création Tapeten AG
The Managing Board

Kämper

Hallwig

Krämer

Auditor's report

We have audited the consolidated financial statements prepared by A.S. Création Tapeten AG, Gummersbach – comprising the balance sheet, the income statement, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows and the notes to the consolidated financial statements-- together with the group management report for the financial year from January 1 to December 31, 2011. The preparation of the consolidated financial statements and the group management report in accordance with International Financial Reporting Standards (IFRSs), as adopted by the EU, and the additional requirements of German commercial law pursuant to § 315a, para. 1 HGB are the responsibility of the parent company's management. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with § 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by the legal representatives, as well as evaluating the overall presentation of the consolidated financial statements and the group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRSs, as adopted by the EU, and the additional requirements of German commercial law pursuant to § 315a, para. 1 HGB and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Cologne, February 29, 2012

KPMG AG

Wirtschaftsprüfungsgesellschaft

Clauss	Eppink
Wirtschaftsprüfer	Wirtschaftsprüfer
(Certified Public	(Certified Public
Accountant)	Accountant)

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Balance sheet of A.S. Création Tapeten AG according to HGB

as per December 31, 2011

Assets		
	31.12.2011	31.12.2010
	€	€
Fixed and financial assets		
Intangible fixed assets	92,485.38	104,158.75
Tangible fixed assets	18,023,023.50	19,875,590.51
Financial assets	30,140,135.91	20,630,033.47
	48,255,644.79	40,609,782.73
Current assets		
Inventories	32,173,015.35	31,250,431.28
Trade receivable	24,221,770.71	24,702,103.88
Receivables from affiliated companies	4,807,530.22	2,923,915.34
Receivables from investments	117,965.27	0.00
Other current assets	7,665,496.92	6,119,965.20
Cash and cash equivalents	289,960.18	5,599,125.31
	69,275,738.65	70,595,541.01
Prepaid expenses and deferred charges	801,567.55	598,079.42
Deferred taxes	881,524.33	906,531.98
Total assets	119,214,475.32	112,709,935.14

Equity and Liabilities		
	31.12.2011	31.12.2010
	€	€
Shareholders' equity		
Capital stock	9,000,000.00	9,000,000.00
Par value of own shares	-730,947.00	-730,947.00
	8,269,053.00	8,269,053.00
Capital reserve	13,752,488.72	13,752,488.72
Revenue reserves	50,063,533.86	46,032,741.46
Unappropriated retained earnings	7,277,961.62	7,751,866.25
	79,363,037.20	75,806,149.43
Provisions		
Provisions for pensions	5,799,574.00	5,532,663.00
Tax provisions	0.00	1,746,000.00
Other provisions	4,764,725.00	5,343,628.00
	10,564,299.00	12,622,291.00
Liabilities		
Loans from banks	23,663,032.51	17,617,473.00
Trade payable	3,257,478.62	4,423,596.27
Other liabilities	2,366,627.99	2,240,425.44
	29,287,139.12	24,281,494.71
Total equity and liabilities	119,214,475.32	112,709,935.14

Profit appropriation proposal

The financial statements of A.S. Création Tapeten AG for the year ended December 31, 2011 show unappropriated retained earnings of € 7,277,961.62.

The Managing Board and the Supervisory Board propose to the General Meeting of Shareholders that the unappropriated retained earnings should be used as follows: payment of a dividend of € 0.75 per dividend-bearing share and allocation of the remaining amount to the revenue reserves of A.S. Création Tapeten AG.

As of December 31, 2011, 2,756,351 of the 3,000,000 shares of A.S. Création Tapeten AG were entitled to dividend. 243,649 shares acquired in the context of the stock repurchase program are held by A.S. Création Tapeten AG. Based on the number of dividend-bearing shares as of December 31, 2011, the profit would be appropriated as follows:

Payment of a dividend	2,067,263.25 €
Allocation to revenue reserves	5,210,698.37 €
Unappropriated retained earnings	7,277,961.62 €

The General Meeting of Shareholders of A.S. Création Tapeten AG will be held in Gummersbach on May 3, 2012. The dividend will be payable on May 4, 2012.

Gummersbach, March 15, 2012

A.S. Création Tapeten AG

Jörn Kämper
Chairman of the Managing Board

Franz Jürgen Schneider
Chairman of the Supervisory Board

CORPORATE CALENDAR**121**

March 22, 2012	Analyst presentation
May 3, 2012	Interim report for the three-month period ended March 31, 2012
May 3, 2012	Annual General Meeting of Shareholders
May 4, 2012	Dividend Payment
August 13, 2012	Interim report for the six-month period ended June 30, 2012
November 6, 2012	Interim report for the nine-month period ended September 30, 2012

IMPRINT

Print

Druckhaus Gummersbach PP GmbH, Gummersbach

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Cover photo: **A fascinating microcosm**
Large-scaled structures, cells and membranes in a matt-gloss look and bold pop-art colours – "Micro" from the Lars Contzen 3 collection stands for pure joy of life. These stylish wallpapers give a vibrant feel to every room.
(Original sample article no.: 2552-42)

