



ANNUAL REPORT 2012 A.S. CRÉATION TAPETEN AG

A.S. CRÉATION: KEY FIGURES

		2008	2009	2010	2011	2012
Sales	€ '000	176,216	181,325	184,603	192,262	198,909
Earnings before interest and taxes (EBIT)	€ '000	13,502	13,428	14,318	9,587	15,727
Earnings before income taxes	€ '000	12,856	10,834	12,352	7,325	11,346
Net profit	€ '000	8,925	7,499	8,395	4,650	7,358
Cash-flow	€ '000	18,058	17,568	19,027	14,338	19,276
Capital expenditures	€ '000	23,893	5,771	6,826	19,667	13,071
Depreciation	€ '000	8,215	9,864	10,504	9,933	9,813
Non-current assets	€ '000	73,247	68,866	64,460	67,763	68,662
Shareholders' equity	€ '000	80,288	83,774	88,789	89,553	94,839
Non-current liabilities	€ '000	54,336	51,688	39,689	43,436	40,114
Total assets	€ '000	171,730	161,835	161,625	157,327	161,748
Earnings per share	€/share	3.22	2.72	3.05	1.69	2.67
Dividend	€/share	1.40	1.20	1.35	0.75	1.20
Number of employees (average)		719	787	772	796	820

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This English translation of the annual report 2012 is merely a convenience translation.
The German version is the prevailing one.

FOREWORD

Dear readers, dear shareholders,

The Managing Board of A.S. Création is very satisfied with the fiscal year 2012. While our earnings had declined sharply in 2011 due to the strong increase in commodity and energy prices, last year saw us continue the successful performance of previous years. We even improved on those achievements, with sales revenues reaching a new record level of € 198.9 million (2011: € 192.3 million) and earnings before interest and taxes (EBIT) improving by 64.1% from € 9.6 million in the prior year to € 15.7 million.

The year 2012 was marked by the economic and financial crisis, which still has not been solved in many countries and caused general uncertainty. In Western Europe, for instance, the difficult economic situation put a notable damper on consumer spending. A.S. Création was unable to fully isolate itself from these adverse macroeconomic effects and achieved only moderate sales growth of 1.0% in the European Union (EU), which was the result of growing sales in Germany and declining sales in the total of the other EU member countries. The good performance of A.S. Création in Germany is also confirmed by a comparison with the statistics of the Association of German Wallpaper Manufacturers (VDT). While wallpaper sales in Germany increased by 1.7% in 2012,

A.S. Création's Wallpaper Division reported much stronger growth of 4.4%. This shows that our attractive product ranges and good service appealed to customers and helped us win market share. Business in non-EU Eastern European countries and in Asia was good, too, with sales growing at double-digit rates in both regions.

Even more important than the increase in sales was the improvement in earnings in the past fiscal year. A.S. Création's EBIT margin reached 7.9% in fiscal 2012, compared to only 5.0% in the previous year. This is mainly attributable to the higher gross profit margin, which climbed from 45.8% in the previous year to 49.8%. This figure shows that we achieved higher average prices for our products in 2012 than in the previous year. On the one hand, we were able to implement a price adjustment in spring 2012; on the other hand, the general trend towards higher-quality non-woven wallpapers and the success of our branded and designer collections had a positive impact on average prices. These higher average prices were not offset by rising procurement prices in fiscal 2012. After the partly dramatic increases in 2011, commodity and energy prices stagnated at a high level in 2012. The improved EBIT margin of 7.9% means that A.S. Création's profitability was back at the level of the fiscal year 2010. Net profit for the year 2012 amounted to € 7.4

million (2011: € 4.6 million), with net earnings per share reaching € 2.67 (2011: € 1.69).

We want the improved earnings position to be reflected in the dividend. In keeping with our policy of high payout ratios, we will propose to the Annual General Meeting to pay out a dividend of € 1.20 per share for the fiscal year 2012 (2011: € 0.75 per share). This proposed dividend is equivalent to a payout ratio of 44.9% (2011: 44.4%) of earnings per share.

The good business figures of the past fiscal year are also reflected in the positive performance of the A.S. Création share. The share price climbed 38.8% or € 9.51 from € 24.49 at the beginning of the year to € 34.00 at the end of the year. Together with the dividend of € 0.75, the shareholders of A.S. Création gained € 10.26 per share or 41.9% in 2012. During the same time, the SDAX®, Germany's small-caps index, gained only 18.7%. Capital investors apparently share the Managing Board's view about the good future prospects of A.S. Création.

A project that will have a material impact on the future of A.S. Création is the start-up of wallpaper production in Russia. Together with Kof Palitra, the leading wallpaper manufacturer in Russia, we have established a joint venture under the name of A.S. & Palitra, which is head-

quartered in Dzerzhinsk near Nizhniy Novgorod. In fiscal 2012, this project was pushed ahead with great determination by all parties involved and the first wallpaper rolls were produced on the two new machines in late October 2012. This represented an important milestone in the implementation of the project. It has been agreed between the partners that A.S. Création is responsible for developing the designs and marketing. Great efforts were made in this respect in the past fiscal year. Apart from the development of a sufficient number of articles for the start of production, our own subsidiary, A.S. Création (RUS), built up a sales organisation and hired the required staff in 2012. The company currently employs 27 people at four locations. The wallpapers produced by the joint venture are marketed under the new "asc" brand. As had been expected, the start-up of the manufacturing and distribution companies, A.S. & Palitra and A.S. Création (RUS), resulted in a loss which weighed on A.S. Création's bottom line. In 2013, the focus will be on optimising the production process, training the workforce and gradually increasing the output. On the sales side, we will be challenged to market the wallpapers produced in Dzerzhinsk. The challenge is to develop interesting products that can compete successfully with the existing product ranges of other manufacturers. We are confident that we will be able to master this challenge, too. In 2013,

the Russian activities will doubtless have a stronger impact on A.S. Création's sales and earnings performance than last year. The amount of the sales and profit contributions will depend on how quickly and effectively we master the tasks which lie ahead.

In 2012, A.S. Création continued its efforts to support retailers and wholesalers with attractive marketing concepts:

- The flagship store concept launched in late 2011 has meanwhile been implemented in cooperation with a partner in downtown Cologne. Designed like a fashion boutique, the new "livingwalls Cologne" store showcases the whole wallpaper universe in an inspiring environment.
- Our attractive brand portfolio has been further expanded and upgraded. An attractive new addition, especially for our international customers, is the VERSACE HOME collection, which was presented in January 2013 and attracted worldwide attention. Moreover, our long-standing licensing partner ESPRIT has announced its intention to continue our successful cooperation, which means that there will be new ESPRIT home wallpaper collections also after 2013. Besides the above two licenses, we currently offer the following successful

branded and designer collections: SCHÖNER WOHNEN, DANIEL HECHTER, BRIGITTE HOME, PORSCHE DESIGN STUDIO, JETTE and LARS CONTZEN. Another licensed brand will join this brand portfolio in 2013, as A.S. Création has signed a cooperation agreement with renowned Berlin designer MICHAEL MICHALSKY. The first MICHALSKY wallpaper collection is to be launched in the market in autumn 2013.

- In the foreword of the 2011 Annual Report, I explained that the "tapeten-bestellshop" touch-screen module had been installed on over 500 devices in retail stores across the world. The success story of this innovative software, which helps retailers in providing consumers with much better advice and assistance, continued in 2012. The system is now being used in over 1,200 stores, and our employees ensure that its functionality is constantly adjusted and improved.

We are satisfied with the activities of Architects Paper, our relatively young sales unit. Capacity utilisation of the new digital printing unit is very good. Our Furnishing Fabrics Division, which comprises Indes Fuggerhaus Textil GmbH, was also able to increase both sales and earnings in a difficult market environment.

In November 2011, we reported that the Federal Cartel Office had opened administrative offence proceedings against A.S. Création and other wallpaper manufacturers. The accusations raised against our company are essentially based on statements by Tapetenfabrik Gebr. Rasch GmbH & Co. KG, which is a crown witness in the proceedings. We have reviewed these allegations and contradicted all of them in a detailed letter in January 2012. No penalty notice has been issued by the Federal Cartel Office so far. The Managing Board of A.S. Création remains determined to defend the company against all accusations.

Regardless of the uncertainties resulting from the pending anti-trust proceedings, A.S. Création is in excellent shape. In 2012, we were able to grow in a difficult market environment and to greatly improve our earnings position. The new wallpaper collections and concepts have met with a very good response from our customers. All this means that we have an excellent basis on which to continue our successful performance in the coming years. The Russian-made wallpapers are expected to boost our sales and earnings in the years to come.

We project consolidated sales revenues of between € 210 million and € 220 million for the fiscal year 2013 and consider a net profit between € 9 million and € 11 million to be

realistic. Overall, we are cautiously optimistic about the new fiscal year, even though from our customers point of view, until now the trough has not been passed against the background of the general economic and financial crisis.

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. We jointly strive to further expand the leading market position of A.S. Création. Our team's quality, creativity and their 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.

Gummersbach, February 2013



Jörn Kämper

Chairman of the Managing Board

Managing Board

Jörn Kämper

Chairman

Sales and Marketing

Maik Holger Krämer

Finance and Controlling

Karl-Heinz Hallwig (until March 31, 2013)

Production and Logistics

Antonios Suskas (from April 1, 2013)

Production and Logistics

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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 € 24.49 and closes the first trading day at € 23.86 – the lowest level of the year 2012.

The LED wallpaper, which Architects Paper developed in cooperation with light designer Ingo Maurer, wins the Interior Innovation Award 2012, a prestigious design prize.

June The first livingwalls store opened in Cologne on June 21. The concept of the store, which presents wallpapers in the style of a fashion boutique, was developed by A.S. Création and put into practice together with a local retailer.

September The A.S. Création Archive is opened at Wiehl-Bomig. The small museum provides an insight into the history of A.S. Création since 1974.

October On October 11, A.S. Création Tapeten AG produces the first wallpaper rolls for the new VERSACE HOME collection.

HIGHLIGHTS 2012

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A.S. & Palitra, the Russian joint venture, takes the new production facility into operation on October 20.

November The price of the A.S. Création share climbs to € 34.68 on November 1, marking the highest price of the year.

December On December 13, the Russian distribution company, A.S. Création (RUS), sells the first locally produced wallpaper rolls.

Mr Antonios Suskas is appointed Board member in charge of production and logistics and successor to Mr Karl-Heinz Hallwig with effect from April 1, 2013.

The A.S. Création share closes the year at € 34.00 on December 28.

14 REPORT OF THE SUPERVISORY BOARD

In the fiscal year 2012, the Supervisory Board held five ordinary meetings on February 22, March 15, May 3, September 6 and December 7, 2012. No Supervisory Board member attended less than half of the meetings. The composition of the Supervisory Board remained unchanged in 2012 as compared to the previous year.

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 15, 2012. At this meeting, the Committee for Managing

Board Matters primarily addressed the compensation of the Managing Board members in the fiscal year 2011.

Towards the end of the fiscal year, the members of the Committee for Managing Board matters also held talks with potential successors to Mr Karl-Heinz Hallwig. Mr Hallwig informed the Supervisory Board of his wish to resign from the Managing Board with effect from March 31, 2013. He had succeeded Bernhard Wagner as Board member in charge of Production and Logistics on April 1, 2011. During the first two years in this position, Mr Hallwig realised that this new task – unlike his previous activities at A.S. Création – was not to his liking. Against this background, he has asked the Supervisory Board not to renew his contract and to find a suitable successor to fill his position on the Managing Board. The Supervisory Board would like to express its sincere thanks and respect to Mr Hallwig for the way in which he has dealt with this realisation and the professionalism with which he has supported the transfer of his responsibilities. The Supervisory Board is especially pleased that Mr Hallwig will continue to work for A.S. Création after March 31, 2013 and will make his knowledge and experience available to support the future development of the company. The Committee for Managing Board Matters has recommended that the full Supervisory Board appoint Mr Antonios Suskas new Managing Board member

in charge of Production and Logistics with effect from April 1, 2013.

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 6 and on December 6, 2012. The two meetings were attended by the representatives of the auditors and by the Director of Finance and Controlling. The Audit Committee is chaired by the Vice Chairman of the Supervisory Board. He is an independent financial expert and has special knowledge and experience in accounting and auditing.

In the fiscal year, the Audit Committee focused on the audit of the financial statements and the consolidated financial statements for the year 2011, the supervision of the accounting process, the effectiveness of the internal control system (including the results of the relevant external review at SCE SAS, MCF Investissement SAS and A.S. Création Tapeten AG) and on planning the audit for the fiscal year 2012. At its meeting on December 6, 2012, the Audit Committee also addressed the compliance measures implemented at A.S. Création Tapeten AG. In addition, the Audit Committee discussed the interim report and the quarterly reports with the Managing Board prior to their publication.

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.

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:

- analysis and discussion of the financial statements and the consolidated financial

statements for the year ended December 31, 2011;

- discussion of the progress made by the 000 A.S. & Palitra joint venture in starting up wallpaper production in Russia as well as a resolution about the granting of a short-term loan to the joint venture to finance operating assets;
- discussion and consultation about the current state and the plans of the Russian distribution company, A.S. Création (RUS), as well as the strategic positioning, including the brand policy, of the Russian sales organisation;
- consultation about the strategic positioning of the French subsidiary, A.S. Création (France) SAS, especially against the background of the contracting wallpaper market in France;
- consultation about the current state of the administrative offence proceedings opened against the company by the Federal Cartel Office, including discussion and resolution on the release of the Managing Board from claims for damages and expenses in conjunction with these proceedings, with such release being conditional on the approval of the Annual General Meeting;

- discussion and resolution on the appointment of Mr Antonios Suskas as successor to the current Board member in charge of Production and Logistics, Mr Karl-Heinz Hallwig;
- approval of the corporate plan and the capital expenditure budget for fiscal year 2013;
- discussion about the compliance system of A.S. Création Tapeten AG, especially in the field of export and competition law and
- discussion about the recommendations and proposals of the German Corporate Governance Code including the efficiency audit provided for under the 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 a review in the context of the Groupwide risk management efforts. In the context of the consolidated financial statements for the year 2012, A.S. Création Tapeten AG, i.e. the ultimate

parent company of the Group, was subjected to such an external review. As in the previous years, this review was performed by a KPMG subsidiary specialising in such matters. The results of the review, including the respective report, were submitted to the Audit Committee and discussed by the latter. Overall, KPMG's assessment of the company's internal control systems was positive.

The financial statements of A.S. Création Tapeten AG and the consolidated financial statements for 2012 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 2012 was awarded by the Audit Committee of the Supervisory Board on the basis of the resolution adopted at its meeting on March 6, 2012. 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 2012 should be the determination of deferred taxes in the consolidated financial statements.

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 5, 2013 and at the Supervisory Board's annual accounts meeting on March 14, 2013. At the latter meeting, the Chairman of the Audit Committee provided the full Supervisory Board with an overview of the treatment 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, 2012. The financial statements 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 14, 2013



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 15, 2012. 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 14, 2013 and had the following wording:

The Managing Board and the Supervisory Board of A.S. Création Tapeten AG declare that the company complied with the German Corporate Governance Code as amended on May 26, 2010 in the period from March 15, 2012 to May 15, 2012, save for the exceptions listed in last year's declaration of conformity dated March 15, 2012, and has since complied and will continue to comply with the German Corporate Governance Code as amended on May 15, 2012 save for the following exception:

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. As this suitability does not depend on formal criteria such as age and gender, the Supervisory Board does not comply with this recommendation of the Code.

Work of the Managing Board and the Supervisory Board

A.S. Création Tapeten AG is a joint stock company under German law. One of the fundamental principles of German Stock Corporation Law

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

The members of the Managing Board are appointed by the Supervisory Board, which may also appoint a Chairman of the Managing Board. The Managing Board of A.S. Création Tapeten AG currently consists of 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 Supervisory Board has appointed Mr Antonios Suskas as Mr Hallwig's successor on the Managing Board for a period of three years, i.e. until March 31, 2016.

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 Tapeten 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
- 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 and 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.

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 finan-

cial 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 General Meeting of Shareholders of the year 2012 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 German Corporate Governance Code is incorrect.

Transparent corporate communication

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

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

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

Gummersbach, March 14, 2013

A.S. Création Tapeten AG

For the Supervisory Board



Franz Jürgen Schneider
Chairman of the Supervisory Board

For the Managing Board



Jörn Kämper
Chairman of the Managing Board

1. 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 2012 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.

Both divisions delivered a pleasing performance in what remained an uncertain macroeconomic environment. Accordingly, 2012 was a positive fiscal year for the A.S. Création Group as a whole:

- Group sales grew by 3.5% from € 192.3 million in the previous year to € 198.9 million, which was in line with the company's plans for 2012, which had provided for sales between € 195 million and € 205 million.
- Earnings before interest and taxes increased by 64.1% from € 9.6 million in the previous year to € 15.7 million. Due to this strong increase, the EBIT margin climbed from 5.0% in 2011 to 7.9% in the past fiscal year.
- Although pension provisions were subject to extraordinary charges, net profit for the fiscal year 2012 was up by 58.2% on the previous year's € 4.6 million to € 7.4 million, thus exceeding the original plan for 2012, which provided for a net profit of between € 6.0 million and € 7.0 million.
- Net financial liabilities were reduced by € 8.3 million from € 29.4 million on December 31, 2011 to € 21.1 million on the balance sheet date. Accordingly, the sound financial structure of A.S. Création improved even further.

Moreover, 2012 saw A.S. Création reach another important milestone in a strategic project involving the start-up of wallpaper production in Russia. On October 20, 2012, the factory in Dzerzhinsk was taken into operation and the first wallpaper rolls were produced. While not all start-up problems have been eliminated and the processes still need to be further aligned, it is safe to say that the planning and realisation of this large-scale project ran smoothly.

Against this background, the Managing Board of A.S. Création is very satisfied with the fiscal year 2012. Building on the improved operational profitability and the start-up of production in Russia, the Managing Board sees A.S. Création in a good position to take a big step forward in its growth strategy in 2013.

2. Macroeconomic environment

2.1 Economic developments

One of the fundamental problems of the euro-zone, the sovereign debt crisis, remained unresolved in 2012. The concern about a potential default of individual crisis countries or a break-up of the euro-zone declined temporarily in summer 2012 when the European Central Bank (ECB) announced its intention to buy unlimited amounts of government bonds from crisis

countries if necessary. An expansionary monetary policy of the ECB cannot do anything about the level of sovereign debt and the unsustainability of the fiscal policies pursued by some euro-zone countries. But this monetary policy can have "side-effects" such as a loss of confidence in the ECB's independence, a gradual devaluation of private assets by interest rates that are lower than the rate of inflation as well as rising inflation. While these effects are currently being discussed, their negative implications will probably be felt only in the medium term. The uncertainties had an adverse impact on both private consumption and capital spending, which were down by 1.1% and 3.6%, respectively, on the previous year. The export-oriented sectors benefited from positive stimulation in the form of growing demand, especially from emerging markets. However, this positive stimulation was insufficient to offset the adverse developments described above; as a result, the euro-zone slid into recession in 2012. Euro-zone GDP was down by 0.4% on the previous year, having increased by 1.5% in 2011. Due to the recession, the jobless rate in the euro-zone climbed from 10.2% in the previous year to 11.3% in 2012.

The overall data for the euro-zone conceal highly disparate developments in the individual member countries, which are affected by the sovereign debt crisis to very different degrees. On the one hand, there are countries such

as Greece, Portugal, Spain and Italy, which are facing high jobless rates that continue to rise and are forced by their high debt levels to pursue strict fiscal consolidation that leaves no room for economic growth. On the other hand, there are countries such as Germany and Austria, which, thanks to their competitiveness, continued to benefit from fast growing demand, e.g. from the emerging markets, and recorded an increase in domestic consumer spending also in 2012. But compared to the previous year, the economic environment has deteriorated slightly also in these countries. Germany's GDP, for instance, increased by only 0.7% in 2012, compared to 3.0% growth in 2011. Accordingly, the decline in the jobless rate has slowed down markedly. At 6.8%, Germany's jobless rate was only slightly below the previous year's 7.1%.

The recession in the euro-zone contrasted with positive economic developments in other countries and regions in 2012. The Russian economy – A.S. Création's most important output market in Eastern Europe – again performed well in 2012, although GDP growth slowed down from 4.3% in 2011 to 3.4% in 2012. Russia's economy remains heavily reliant on commodity-based sectors (oil, gas, minerals and metals). Building up competitive industries outside the commodities sector is taking longer than expected, even though gross fixed capital formation in 2012 was up by 5.5% on the previous year. Private consumption is another

important pillar of the Russian economy. Due to a lower jobless rate, rising real wages and a very low private savings ratio, consumer spending in 2012 was 6.1% higher than in the previous year. Russia's accession to the World Trade Organisation (WTO), which was decided in December 2011, was ratified by the Russian Parliament in summer 2012. Since this date, Russia has been a full member of the WTO, which organises international trade relationships through binding regulations based on free trade, provides arbitration mechanisms and monitors the trading practices of its member states. As a full member of the WTO, Russia is now bound by these regulations. This will result in a better integration of Russia into the world economy as well as in higher investment certainty, which should have a positive influence on the future development of the country. It remains to be seen whether this will result in a free trade zone between the European Union and Russia in the long term.

After the dramatic price increases in the previous year, the situation in the commodity and energy markets eased slightly in the past fiscal year. According to the Hamburg Institute of International Economics (HWWI), global commodity prices (excluding energy) declined by 5.4%, while global energy prices increased by 7.8% in 2012 (on a euro basis). These two opposite effects resulted in a 5.3% increase in the HWWI's combined commodities and energy

index in 2012. Compared to 2010, commodity and energy prices even increased by as much as 28.9%, according to the HWWI, which means that there are no signs of a downward trend in prices. The above trends were also observed by A.S. Création. Prices for some raw materials such as PVC, paints and paper reduced slightly while prices for gas and electricity increased in 2012.

Conclusion: As had been expected, the fiscal year 2012 was characterised by a difficult economic environment. The recession in the euro-zone, which was not least reflected in declining consumer spending, also had an adverse impact on demand for wallpapers and furnishing fabrics. Moreover, the year 2012 saw commodity prices decline moderately, but this was partly offset by rising energy prices. Also, the decline was far from sufficient to offset the strong price increases seen in prior years.

2.2. Industry-specific developments

The members of the Association of German Wallpaper Manufacturers (VDT) reported a 3.8% increase in sales revenues in 2012. The greatest stimulus came from foreign markets, where the VDT members posted a 4.8% rise in sales in 2012, which compared with only a moderate 1.7% increase in domestic sales.

Wallpaper sales thus again increased at a higher rate than consumer spending, which rose by only 0.8% in Germany in 2012 and were even down by 1.1% on the previous year in the euro-zone as a whole. This comparison shows that wallpaper is a product that enjoys great popularity and is very much en vogue. In the previous years' management reports, 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 continuing trends are no doubt positive for wallpaper products.

In spite of the positive trend of the past years, the German wallpaper industry has not yet fully recovered from the slump in sales of the year 2009, when total sales of the VDT members declined by 17.2%. The Managing Board believes that the same applies to other Western European wallpaper manufacturers, whose production plants are not yet operating at full capacity again. A.S. Création is no exception in this respect. This difficult market situation and the high commodity and energy prices have pushed some wallpaper manufacturers into

financial difficulties. As a result, two wallpaper manufacturers in Spain and France have filed for insolvency in the past months.

In this environment, A.S. Création Tapeten AG outperformed the other German wallpaper manufacturers. The company, whose sales revenues are included in the VDT figures, was able to boost its sales by 5.9% in 2012. A.S. Création Tapeten AG's domestic sales were up by 4.4% on the previous year, with international sales were up by 7.9%. The consolidated Wallpaper Division of A.S. Création increased its sales revenues by 3.2% from € 180.3 million in 2011 to € 186.0 million in 2012.

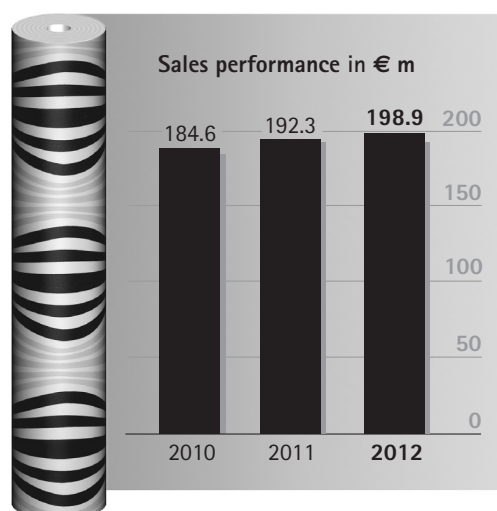
The sector-specific environment of the Furnishing Fabrics Division improved moderately. While the market volume declined in previous years, the furnishing fabrics/curtains segment reported a 1.0% increase in sales revenues in 2012, according to the Association of German Home Textiles Manufacturers. It remains to be seen whether this represents a turnaround in the trend in this area. In spite of this positive trend, the market consolidation continued in 2012, leading to a number of some major bankruptcies and mergers in Germany. The Furnishing Fabrics Division is one of the successful market players in this competitive environment. The division again outperformed the market in 2012. Sales revenues increased by 6.3% from € 12.7 million in 2011 to € 13.5 million in 2012,

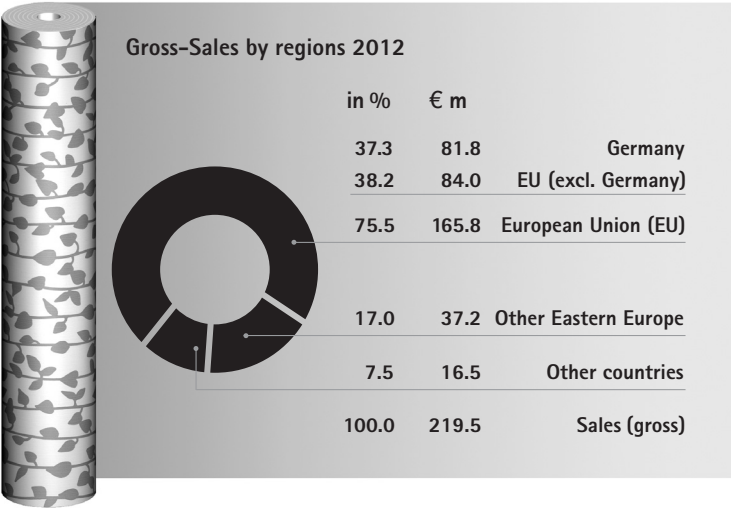
while the financial position was further improved through a reduction in net financial liabilities.

3. Earnings position

3.1. Sales revenues

At € 198.9 million, A.S. Création's sales revenues reached the highest level in the company's history in 2012 (previous year: € 192.3 million). Both Divisions contributed to this 3.5% increase in sales; the Wallpaper Division posted a growth rate of 3.2%, while the Furnishing Fabrics Division boosted its sales by 6.3%. However, sales growth clearly slowed down in the course of the fiscal year, namely from 4.5% in the first six months of 2012 to a moderate 2.3% in the second half of the year. The Managing Board is nevertheless satisfied with the Group's sales





revenues, all the more so as they were in line with the company's plans, which had provided for Group sales of between € 195 million and € 205 million.

A breakdown of sales by regions shows that the sales growth of the year 2012 cannot be attributed to individual regions but came from several sources:

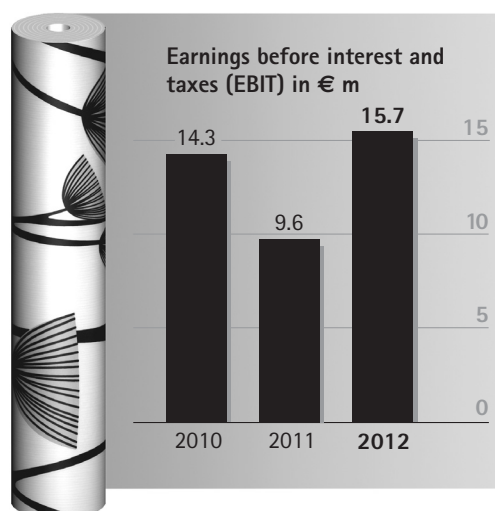
- In the German market, A.S. Création was able to increase its gross revenues by 5.6% (2011: 13.8%) in 2012. According to the Managing Board, this renewed increase in sales is all the more positive as the company had already posted high sales revenues in the previous year, when it had been able to win new customers in the DIY segment. This means that the increase in domestic sales revenues in the past fiscal year is mainly attributable to successful

marketing to specialist retailers. Both the Wallpaper Division and the Furnishing Fabrics Division achieved successes with their respective product ranges and marketing concepts.

- Non-EU Eastern European markets made a major contribution to sales in fiscal 2012. A.S. Création was able to boost its gross revenues in this region by an impressive 13.1% on the previous year (2011: 4.5%); it was pleasant to see that sales increased across nearly all markets in the region, but most importantly in Russia, Ukraine and Belarus. The Russian-made wallpapers did not yet make a material contribution to this sales growth, as the joint venture, A.S. & Palitra, produced the first wallpaper rolls in late October 2012, with marketing starting only in mid-December 2012, when a small range of products was available for presentation to customers.
- A.S. Création posted a double-digit growth rate also in other countries outside the EU and Eastern Europe, where sales were up by 20.3% on the previous year (2011: 15.0%). Growth was driven primarily by Western and Central Asian countries such as Azerbaijan and Kazakhstan, whereas A.S. Création's sales in South-East Asia declined.

As in the previous year, A.S. Création reported declining sales in the other EU-countries (i.e. excl. Germany) in 2012. Gross sales in this region were down by 3.1% (2011: 2.6%) on the previous year. This trend, which is unsatisfactory in the eyes of the Managing Board, is the result of two opposite effects. On the one hand, A.S. Création was able to expand its sales and achieve marketing successes in some countries, e.g. the UK and Scandinavia. On the other hand, the company's sales revenues in other countries such as France, Benelux and Romania, declined, even quite markedly in some cases. The Managing Board is of the opinion that the wallpaper markets in these countries suffered more strongly from the generally difficult economic situation than in other regions and A.S. Création was unable to isolate itself from these negative trends.

As the sales growth in Germany more than offset the decline in sales in the other EU countries, the EU again made the biggest contribution to total Group sales. In 2012, A.S. Création generated 75.5% (2011: 77.9%) of its gross revenues in this region. Non-EU countries in Eastern Europe form the second most important output market, accounting for 17.0% of gross revenues in 2012 (2011: 15.6%). As had been expected, other countries including Asia made a growing contribution to total Group sales but this is still relatively low at 7.5% (2011: 6.5%).



3.2. Earnings

A.S. Création's earnings position again improved significantly in fiscal 2012. Earnings before interest and taxes (EBIT) increased by 64.1% from € 9.6 million in the previous year to € 15.7 million in 2012, and the EBIT margin reached 7.9% (2011: 5.0%). While the previous year had seen the lowest EBIT margin since 1998, the year of the first-time adoption of IFRS, the Managing Board is very satisfied with the progress made in improving the company's earnings position in 2012.

Besides the sales growth outlined above, this improvement is mainly attributable to the increased gross profit margin. At 49.8% (2011: 45.8%), the latter reached a level last seen in fiscal 2005. In relation to the higher total output in fiscal 2012, this increase in the gross profit margin by four percentage points means that

sales contributed an additional € 7.9 million of gross profit to cover the company's other expenses. This positive trend is attributable to the following factors:

- **Higher sales prices**
The sales growth in 2012 was not achieved with the help of an aggressive pricing policy. Right on the contrary, A.S. Création was able to increase its average sales prices. On the one hand, the company continued its policy of increasing the share of higher-quality products in the product range; on the other hand, the prices of parts of the product range were raised in the first quarter of 2012.
- **Stagnating procurement prices**
While the prices of some raw materials and supplies had increased dramatically in 2011, the situation in the procurement markets eased in 2012. As outlined in paragraph 2.1 ("Economic developments"), global energy prices climbed by 7.8% in the course of 2012, whereas commodity prices (excl. energy) declined by 5.4%. A.S. Création's procurement prices have stagnated at a high level.
- **Lower reject and complaints rate**
As part of a long-term quality improvement project, A.S. Création Tapeten AG was able to reduce both the reject rate and the rate of complaints in the past fiscal year. This

had a positive impact on the gross profit margin.

Personnel expenses increased moderately at a higher rate than total output and weighed on the bottom line in the past fiscal year. At € 44.1 million, personnel expenses were up by 6.8% on the previous year's € 41.3 million. This trend is mainly attributable to the following factors:

- **Increased headcount**
The Group's average headcount increased by 24 from 796 in 2011 to 820 in 2012. Eight of the new employees were hired by A.S. Création (RUS), which built up the Russian sales organisation as planned in the fiscal year in order to start marketing the locally made wallpapers. As production was scheduled to start only in the fourth quarter of 2012, the additional employees did not correspond to higher sales revenues in 2012.
- **Pay rises**
Under the collective wage agreement, the wages and salaries of most of the company's domestic employees were raised by 1.3% with effect from March 1, 2012 and by another 3.1% with effect from November 1, 2012. Moreover, the performance-based compensation components paid by the Group increased significantly due to the improved earnings position.

The increased personnel expenses were not offset by additional sales growth or productivity improvements in 2012. Accordingly, personnel expenses as a percentage of total output deteriorated from 21.3% in 2011 to 22.1% in the past fiscal year. Due to the scheduled start-up of the Russian sales organisation, this deterioration had partly been anticipated.

Just like personnel expenses, other operating expenses also increased at a disproportionate rate of 4.6% from € 28.6 million in 2011 to € 29.9 million in 2012. Accordingly, other operating expenses as a percentage of total output deteriorated from 14.8% in the previous year to 15.0% in the reporting period. This is mainly attributable to the extensive modernisation of buildings and machinery in the past fiscal year. In addition, non-current assets were adjusted by planning expenses which had been capitalised in the past in conjunction with planned capacity increases. These one-time effects added € 1.5 million to other operating expenses in the fiscal year 2012. Adjusted for these one-time effects, other operating expenses as a percentage of total output stood at 14.3% in the past fiscal year, thus reflecting the improvement that would have been expected to result from the higher total output.

Between them, the above effects led to the before-mentioned 64.1% increase in earnings before interest and taxes from € 9.6 million in

2011 to € 15.7 million in 2012 and, hence, to an improved operational earnings position, which is reflected in a gratifying EBIT margin of 7.9% (2011: 5.0%). On balance, the Managing Board is very satisfied with the earnings performance in 2012, all the more so as the start-up losses of € 0.7 million (2011: 0.6 million) incurred by A.S. Création (RUS) in conjunction with the build-up of the Russian sales organisation weighed on the bottom line. The Managing Board regards these losses as an investment in the future, which is expected to pay off from the next fiscal year.

In contrast to the operating result, the financial result deteriorated by € 2.1 million from € -2.3 million in 2011 to € -4.4 million in 2012. This decline is the result of the following, partly opposite, effects:

- **Reduced discount factor used for the calculation of pension provisions**

As in the previous years, 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 4.6% to 3.1%. This led to an actuarial increase in pension provisions by € 2.2 million, which was recognised as interest expense. In 2011, the adjustment of the discount factor from 4.9% to 4.6% resulted in interest expenses of only € 0.3 million, which means that

this negative non-cash, accounting-related effect on the result of the fiscal year 2012 was € 1.9 million higher than in the previous year. This distortion of the result for the fiscal year 2012 is all the more annoying as these changes will no longer be recognised in the income statement under the amended International Financial Reporting Standards (IFRS) from the fiscal year 2013.

- **Start-up losses incurred by the Russian production company**

The new production plant in Dzerzhinsk, Russia, was taken into operation at the end of October 2012. In time for this start-up, the required employees were hired and inducted already in the course of 2012, resulting in additional personnel expenses. Moreover, start-up losses are regularly incurred in the start-up and early phases of a new factory, which are reflected in high reject rates and low efficiency. Accordingly, the Russian production company, A.S. & Palitra, posted a loss in fiscal year 2012. As A.S. Création Tapeten AG and the second shareholder, Kof Palitra, each hold 50% in the joint venture, the Russian production company is accounted for using the equity method, i.e. A.S. Création's share in the result is shown in the consolidated financial result. The start-up losses shaved € -1.0 million off the financial result in 2012 (2011: € -0.2 million).

- **Lower financing costs**

Adjusted for the above effects resulting from the reduction of the discount factor used to calculate the pension provisions, interest expenses decreased from € 1.9 million in 2011 to € 1.7 million in the fiscal year. This decline reflects the successful reduction in net financial liabilities (difference between interest-bearing financial liabilities and cash and cash equivalents), which were reduced by € 8.3 million from € 29.4 million on December 31, 2011 to € 21.1 million on December 31, 2012.

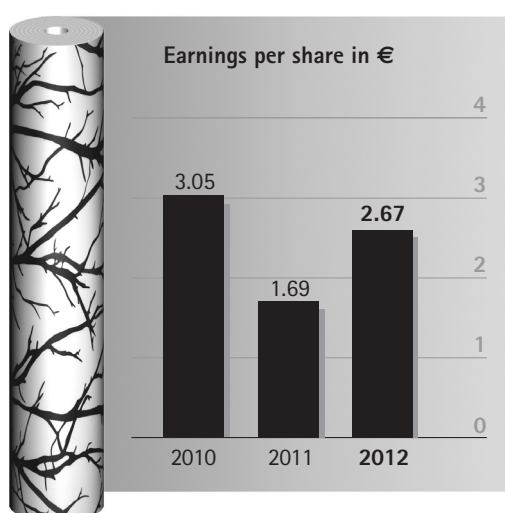
- **Higher interest income**

To finance the start-up of production in Russia, A.S. Création Tapeten AG not only made another equity contribution but also granted additional shareholder loans to the joint venture, A.S. & Palitra. As a result, interest income climbed from € 0.2 million in the previous year to € 0.5 million in 2012.

The operating result and the financial result led to earnings before taxes of € 11.3 million, up 54.9% on the previous year's € 7.3 million. In the previous year, tax payments for prior years, which resulted from a tax audit at A.S. Création Tapeten AG, had increased the imputed tax ratio to 36.5%. As no such extraordinary effect occurred in 2012, the tax ratio declined to 35.1%. Accordingly, net profit for

the year 2012 increased more strongly than earnings before taxes. At € 7.4 million, net profit for the year was up by 58.2% on the previous year's € 4.6 million.

Based on the number of shares outstanding, which remained unchanged at 2,756,351 in 2012, earnings per share amounted to € 2.67 (2011: € 1.69).



3.3. Profit appropriation

The Managing Board of A.S Creation 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 43% to 45%.

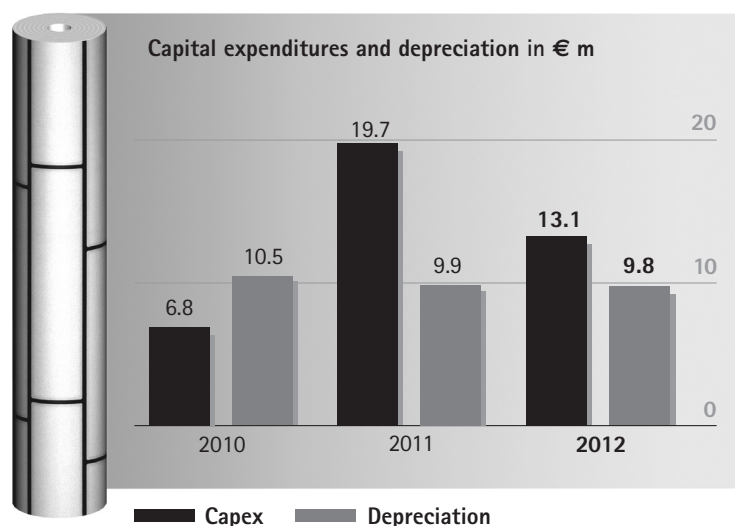
Although the environment in which A.S. Création operates is likely to remain uncertain in 2013, the Managing Board and the Supervisory Board support a continuation of the existing dividend policy to ensure that the company's shareholder can rely on a consistent dividend policy. Accordingly, the improved earnings position should be reflected in a higher dividend.

The Managing Board will propose payment of a dividend of € 1.20 (2011: € 0.75) per share to the General Meeting of Shareholders, which is scheduled for May 3, 2013. This represents a payout ratio of 44.9% (2011: 44.4%). Based on the number of 2.756 million shares outstanding as of December 31, 2012, this will result in a total dividend volume of € 3.3 million (2011: € 2.1 million).

4. Financial position

4.1. Capital expenditures

Due to the acquisition of the remaining shares in SCE – Société de conception et d'édition SAS and MCF Investissement SAS in July 2011 at a total price of € 7.0 million, the company's capital expenditures in 2011 had reached a very high level. Accordingly, the fiscal year 2012 saw capital expenditures decline by € 6.6 million from the previous year's € 19.7 million to € 13.1 million.



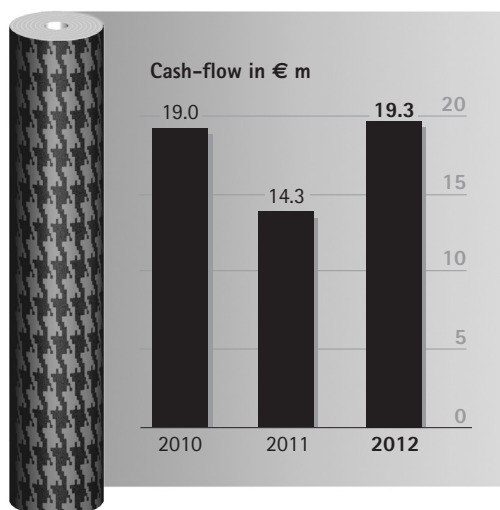
Of the total capital expenditures in the fiscal year, € 7.9 million (2011: € 7.2 million) related to the start-up of production in Russia. In 2008, A.S. Création Tapeten AG and OOO Kof Palitra, Russia's leading wallpaper manufacturer, established a joint venture under the name of OOO A.S. & Palitra. 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 first preparations in 2010, the production facility in Dzerzhinsk was built up in 2011 and 2012 to be taken into operation and produce the first wallpaper rolls at the end of October 2012. To finance these measures, the shareholders made equity contributions and granted shareholder loans to A.S. & Palitra. A.S. Création's share in this long-term financing is shown under capital expenditures in the consolidated financial state-

ments. Since the year 2008, the investments made by the two shareholders have added up to € 33.4 million on balance sheet date, of which € 16.7 million relates to A.S. Création. It is planned that both shareholders will make additional funds totalling € 5.1 million available in the year 2013.

Adjusted for the investments in Russia, capital expenditures in the fiscal year totalled € 5.2 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.

4.2. Cash flow statement and net financial liabilities

The improved profitability of A.S. Création also led to much higher internal financial resources in 2012. At € 19.3 million, cash flow was up by € 5.0 million on the previous year's € 14.3 million. As outlined above, the Group's financial result for the year 2012 was affected by the actuarial loss resulting from the adjustment of the discount factor used to calculate the pension provisions as well as A.S. Création's share in the start-up losses incurred by A.S. & Palitra, which are accounted for using the equity method. As both factors are non-cash, accounting-related effects, cash flow for the year 2012



increased much more strongly than net profit, which rose by only € 2.8 million.

The increased cash flow contrasted with much lower financing requirements in 2012. On the one hand, this was attributable to reduced capital expenditures, which were down by € 6.6 million on the previous year's € 19.7 million (2012: € 13.1 million). On the other hand, the dividend payment led to a lower outflow of funds than in the previous year. Due to the greatly reduced profit for the year 2011, a dividend of € 2.1 million was paid out in May 2012, which was € 1.6 million lower than the prior year dividend of € 3.7 million. Trade receivables and inventories – the items which tie up much of A.S. Création's capital – improved only moderately in 2012. Days of sales outstanding declined only slightly from 65 in the previous year to 62 in fiscal 2012. At 4.3 times per year,

the imputed inventory turnover was almost on a par with the previous year's 4.2 times per year.

Thanks to the increased internal financing resources and the reduced financing requirements, A.S. Création was able to reduce its net financial liabilities (difference between interest-bearing financial liabilities and cash and cash equivalents) in the fiscal year 2012. They declined from € 29.4 million on December 31, 2011 by € 8.3 million to € 21.1 million on December 31, 2012. This overall improvement is the result of a reduction in interest-bearing financial liabilities by € 3.5 million and an increase in cash and cash equivalents by € 4.8 million. As of the balance sheet date, A.S. Création thus had cash and cash equivalents of € 7.2 million (2011: € 2.4 million).

4.3. Balance sheet structure

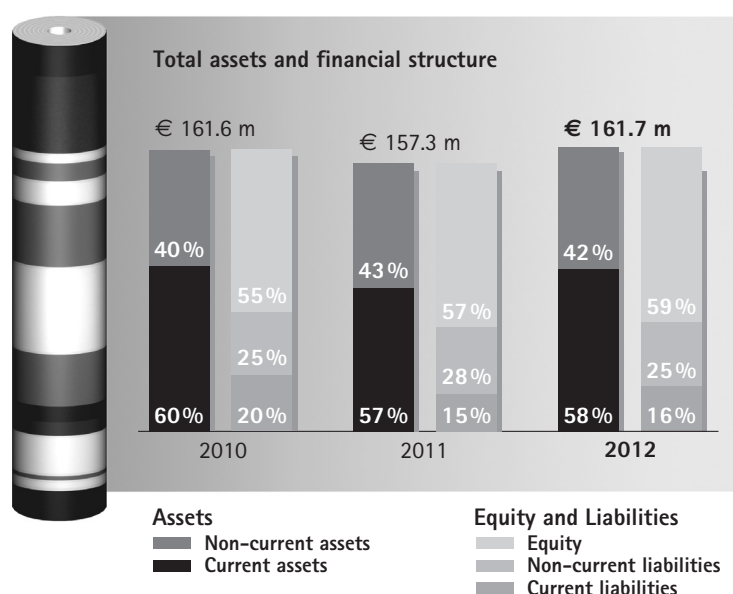
A.S. Création's conservative financing policy, which is characterised by long-term debt at fixed interest rates as well as by repayments during the term of the loans, has proven its worth especially in the financial crisis. In the past years, A.S. Création did not face a reduction in credit lines or 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 an equity of € 94.8 million as of December 31, 2012 (2011: € 89.6 million), the equity ratio exceeded the high level of the previous year (56.9%) and reached 58.6%.
- Equity and non-current liabilities are more than sufficient to finance non-current assets. As of December 31, 2012, the respective ratio stood at 196.5% (2011: 196.3%), which means that the "golden rule of financing" was more than fulfilled.
- The debt to equity ratio (net financial liabilities divided by equity) declined due to the reduction in liabilities and stood at a low 22.2% on December 31, 2012 (2011: 32.9%).
- Due to the reduced liabilities and the higher cash flow, the debt repayment period (the quotient of net financial liabilities and cash flow) improved in the past fiscal year, when it reached 1.1 years (2011: 2.1 years).

The Managing Board also considers the net asset position of A.S. Création to be very sound. As of December 31, 2012, the Group's total assets amounted to € 161.7 million (2011: € 157.3 million), of which 79.9% (2011: 82.4%) 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 4.8% (2011: 4.9%) of total assets and 8.2% (2011: 8.6%) of the equity.

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 further pursue its growth strategy though uncertain conditions.



5. Non-financial indicators

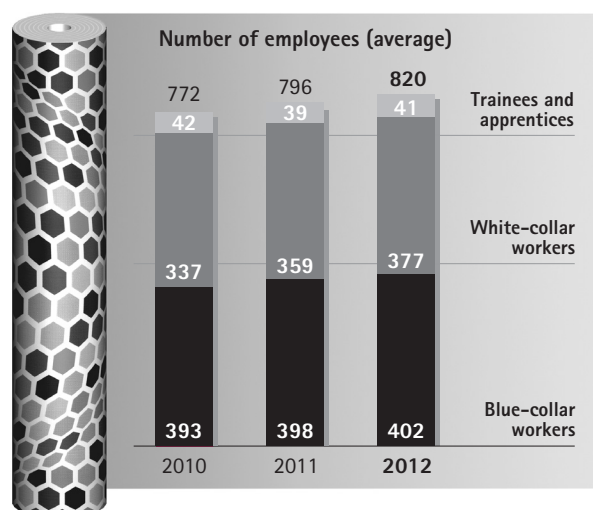
5.1. Employees

The average headcount of A.S. Création increased by 24 people or 3.0% from 796 to 820 in the course of 2012. 749 employees (2011: 726) worked in the Wallpaper Division and 71 (2011: 70) in the Furnishing Fabrics Division. A majority of 81.8% (2011: 82.3%) are employed by the domestic Group companies.

One of the reasons for the rise in the headcount in the past fiscal year is the start-up of the Russian sales organisation as planned. In the course of 2012, A.S. Création (RUS) laid the foundation for marketing the first Russian-made wallpapers. As distribution did not start before the end of the year, the eight additional employees did not correspond to higher sales in 2012. Moreover, the workforce was expanded, especially at A.S. Création Tapeten AG, to manage the increased sales.

As the headcount increased more or less in sync with sales revenues, staff productivity remained virtually unchanged in the current fiscal year. At € 0.243 million, sales per employee were almost on a par with the previous year's € 0.242 million.

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. As announced in last year's management report, the average number of trainees and apprentices increased, namely from 39 in 2011 to 41 in 2012. As a result, trainees and apprentices as a percentage of the domestic workforce climbed from 5.9% in the previous year to 6.2% in 2012. The company plans to further expand its vocational training efforts in 2013.

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.

5.2. Product safety and environmental protection

All A.S. Création wallpapers are produced to applicable EN or DIN standards and thus comply with legal provisions. For instance, all wallpapers made by A.S. Création bear a qualified CE mark to EN 15102. This shows that A.S. Création wallpapers have proven to meet the fire protection criteria defined by the EU. According to a French ordinance that came into effect on January 1, 2012, all building products, floor and wall coverings as well as paints and varnishes used indoors must be marked with their emission class. The results of an analysis performed by an accredited test institute, demonstrate that all wallpapers made by A.S. Création meet the limits of the emission class "A+", which is the lowest emission class, and that they are all labelled accordingly. But apart from complying with legal requirements, A.S. Création offers its customers even greater safety, as the company's wallpapers meet the more stringent

requirements of Germany's "Gütegemeinschaft Tapete e. V.", which are documented in RAL-GZ-479. Compliance with this standard is reviewed by the internationally renowned Fraunhofer Society on a random basis.

To promote environmental protection and sustainability, A.S. Création exclusively uses water-based paints on its heliogravure printing machines. Moreover, the company has used 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. The FSC® label 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. In this context, the reject

rate and the average energy consumption in the production of a wallpaper roll have been reduced over the past years.

6. Important events in FY 2012

As described above, the start-up of the production facility in Russia advanced to such a stage that the first wallpaper rolls were produced on October 20, 2012. Marketing started in December 2012, marking an important milestone in this strategically important project for A.S. Création.

In December 2012, the Supervisory Board appointed Mr Antonios Suskas as successor to Mr Karl-Heinz Hallwig as Managing Board member in charge of production and logistics with effect from April 1, 2013. Mr Hallwig had informed the Supervisory Board of his wish to resign as Board member with effect from March 31, 2013. He will continue to work for A.S. Création even after this date, contributing his knowledge and experience to the future development of the company.

7. 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.

8. Statutory information

8.1. Corporate governance statement and report on corporate governance

The latest corporate governance statement of A.S. Création Tapeten AG pursuant to Article 289a of the German Commercial Code (Handelsgesetzbuch HGB) and the report on corporate governance are published on the website of A.S. Création (www.as-creation.de) under "Investor Relations – Corporate Governance" and in the chapter "Corporate governance statement and report on corporate governance" of the 2012 Annual Report.

8.2. Compensation report

The annual salaries earned by the Managing Board members comprise performance-linked and non-performance-linked components. The latter consist of a fixed monthly salary and the value of non-monetary compensation that needs to be stated under applicable tax legislation (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 value differ depending on the member's personal circumstances. The Group's weighted average cash flow from three fiscal years forms the basis of assessment for the

calculation of the performance-linked component. Each member of the Managing Board receives a fixed percentage of this basis of assessment. The new compensation scheme for the Managing Board was approved by a vast majority of the shareholders (95.88%) at the General Meeting of Shareholders on May 5, 2011.

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

In accordance with the recommendation to provide incentives for responsible management, the performance-linked, variable component has traditionally represented the major portion of the Managing Board compensation paid by A.S. Création Tapeten AG. In fiscal 2012, the performance-linked component accounted for 70.4% or € 1,481 million (previous year: 68.5% or € 1,313 million) of the Managing Board's annual compensation of € 2,105 million (previous year: € 1,917 million), while the non-performance-linked component represented only 29.6% or € 0.624 million (previous year: 31.5% or € 0.604 million). The increase in the Managing Board compensation in 2012 is mainly related to the performance-linked, variable component and is attributable to the company's improved earnings position.

In the past, the members of the Managing Board additionally benefited from pension commitments. These are guaranteed fixed amounts that will be payable by the company when the pension entitlements arise. This performance-oriented system entails two imperatives 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. Pension obligations towards the active Managing Board members and, hence, the respective pension provisions, nevertheless increased by € 0.056 million in 2012 from € 0.091 million on December 31, 2011 to € 0.147 million on the balance sheet date. This increase is due to the

fact that the discount factor used for the actuarial calculation of the pension provisions was adjusted to the capital market situation, which resulted in expenses (for details refer to paragraph 3.2 "Earnings"). There was no increase in pension commitments.

In fiscal 2012, the payments to the relief fund led to expenses of € 0.060 million (2011: € 0.063 million). At the same time, pension provisions in an amount of € 0.056 million had to be increased through profit and loss, whereas pension provisions in an amount of € 0.026 million were released through profit and loss in the previous year. As a result, total pension expenses for the members of the Managing Board amounted to € 0.116 million in the fiscal year 2012 (2011: € 0.037 million).

The table below shows the total compensation of the Managing Board:

The compensation of the Managing Board members is not reported individually, as a clear majority of 86.82% of the shareholders attending the General Meeting of Shareholders on May 5, 2011 voted against this form of disclosure.

The compensation of the Supervisory Board is defined by the 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 com-

	2012 € '000	2011 € '000
Fixed salary	564	545
Side benefits	60	59
Non-performance-related component	624	604
Performance-related component (bonus)	1,481	1,313
Annual compensation	2,105	1,917
Payment to an external relief fund	60	63
+/- Addition to / release of pension provisions	56	-26
Pension expenses	116	37
	2,221	1,954

pensation 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 2012, the fee for these advisory services amounted to € 0.098 million (2011: € 0.120 million).

8.3. 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 all Group companies were audited or reviewed by KPMG in 2012. On the other hand, the internal control systems of the Group companies (and, hence, those that are used in the accounting process) are regularly reviewed by external specialists with a view to refining and updating the processes. The Supervisory Board of A.S. Création Tapeten AG – in particular its Audit Committee – is involved in the evaluation of the results of these reviews.

To prepare the consolidated financial statements, the Group companies' financial statements are transferred into the Group accounting system and complemented with additional information to form a reporting package. This standardised reporting package is defined by A.S. Création Tapeten AG for all Group companies and is used not only for the financial statements but also for monthly reporting. The data from the reporting packages is transferred via an interface to the consolidation system in which the consolidated financial statements of A.S. Création Tapeten AG 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 pre-defined 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.

8.4. 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 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%, Lins Wallpaper Limited (and indirectly Mr Oleg Dzhagaev, to whom all shares in Lins Wallpaper Limited are imputable) which holds 15.01% and Ms Karin Schneider, who holds 10.04%.

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 Shareholders' Meeting.

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 Shareholders' Meeting 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 Shareholders' Meeting dated May 7, 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, 2012 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, 2012.

A.S. Création Tapeten AG and 000 Kof Palitra established a Russian joint venture under the name of 000 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.

9. 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 2013, consumer spending in the euro-zone will decline by 0.3%. By contrast, a 5.4% increase is projected for Russia. 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 European 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 of A.S. Création. The Managing Board sees the risk of this under-utilisation 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. The REACH chemicals regulation, for instance, is applicable throughout the European Union (EU). The acronym REACH stands for "Registration, Evaluation, Authorisation and Restriction of Chemicals". On the basis of this regulation, the hazards which chemicals may pose to human health and the environment are assessed. Substances of very high concern are put on a SVHC list, which means that the use of these chemicals has to be reported. In extreme cases, certain substances may be banned throughout the EU. Just like other industries, the wallpaper industry uses such additives, e.g. plasticisers, 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 per-

manent 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 2012. 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 and/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.

Contingent liabilities result from the current investigations 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. In November 2010, the German Federal Cartel Office searched the premises of A.S. Création Tapeten AG in Gummersbach-Derschlag and of four other German wallpaper manufacturers. 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 and the French anti-trust authorities. Besides raising allegations of price fixing in the context of the German Association of Wallpaper Manufacturers (VDT), the Federal Cartel Office has addressed working groups which have been established between the wallpaper manufacturers in conjunction with supplies to joint customers. In the two French proceedings, the French anti-trust authorities have not issued any letters of accusation or penalty notices yet. Violations of anti-trust law gen-

erally pose a 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 per each violation of anti-trust law. Also, there is a potential risk of claims for damages being raised by third parties in conjunction with anti-trust proceedings as well as with regard to charges resulting from the release of the company's directors and officers from potential penalty payments and claims for damages. A.S. Création Tapeten AG has released most of the people affected by the proceedings from potential penalty payments and claims for damages. In the case of the responsible Managing Board members, however, this release is subject to the approval of the Annual General Meeting of Shareholders; this approval will be voted on at the next AGM. Having adopted a suitable defence strategy, A.S. Création Tapeten AG issued a detailed statement in response to the Cartel Office's accusations in January 2012, in which it contradicted all allegations. The Managing Board is of the opinion that the arguments brought forward are suited to invalidate the accusations. Up to this date, the Federal Cartel Office has neither commented in detail on the arguments brought forward by the company nor issued a penalty notice. The Managing Board is therefore unable to predict the outcome of these administrative offence proceedings. In view of the current state of the proceedings as outlined above and

the defence strategy pursued by the company, no provision has been established, as in the previous year.

The measures taken to build up a wallpaper production facility in Russia have been addressed in chapter 4.1 "Capital expenditures". Up to the end of the start-up investments in the course of 2013, A.S. Création Tapeten AG will have financed the project with about € 19.0 million in the form of equity capital and shareholder loans. 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 segments 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. According to IGI, the international wallpaper association, some 183 million rolls of wallpaper were sold in Russia in 2011, compared to only about 36 million rolls in Germany. 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 early risk identification system of A.S. Création Tapeten AG and confirmed that 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 early risk identification system was again reviewed by KPMG in the context of the annual audit.

10. Outlook

Against the background of the slow recovery in the industrialised countries, especially the euro-zone, the World Bank downgraded its growth forecast for the world economy in January 2013. The World Bank now expects the world economy to grow by 2.4% instead of the originally projected 3.0% in 2013.

The forecasts for the euro-zone are essentially based on the assumption that gross domestic product will stop to contract in the first half of 2013. As the uncertainty about the future of the euro-zone, capital spending and private consumption should pick up as the year progresses. In addition, exports are expected to provide positive stimulation. Not all euro-zone countries will participate in these developments, though. Those countries which are pursuing strict fiscal consolidation and are forced to make their economies competitive again will benefit from the positive effects of the reforms only in the medium term. At the bottom line, the forecasts for the euro-zone for the full year 2013 assume that GDP will decline moderately or stagnate at the prior year level at best. This means that the euro-zone will remain in recession in 2013. Private consumption is expected to be about 0.3% lower than in the previous year. From A.S. Création's point of view, the only positive thing is that the projections for consumer spending in Germany are better than

for other countries. Consumer spending in Germany, where A.S. Création generated as much as 37.3% of its Group sales in 2012, is projected to grow by 1.0% in 2013.

By contrast, the expectations for non-EU Eastern European markets are much more optimistic. For instance, economic researchers project a GDP growth rate of between 3.5% and 4.0% for Russia, which is the world's largest wallpaper market. From A.S. Création's point of view, it is positive that here, too, private consumption is expected to be a major growth driver, with a projected increase of 5.4%.

Commodity and energy prices are likely to pick up in 2013. Although the economic recovery is slower than originally expected, the economic situation will improve in the course of 2013. This will lead to growing demand for commodities, which should tend to send prices rising, all the more so as many commodity producers are facing increased production costs as a result of the higher energy prices. Besides the actual rise in demand from the real economy, the financial markets also have an influence on commodity prices, which is almost impossible to predict, however. Should low interest rates and a high rate of inflation – the possible side-effects of an expansionary monetary policy – lead to another flight into real assets, this could intensify the anticipated rise in commodity prices significantly. Energy prices, especially the

oil price, have traditionally been influenced by economic and political factors. The uncertainties about the oil supply resulting from political developments in the main oil producing countries are just one example. In spite of these uncertainties, global commodity and energy prices are likely to increase in 2013. This view is underlined by the fact that the HWWI commodity price index picked up by 2.2% already in January 2013, following a moderate decline at the end of 2012.

Conclusion: In view of the projected recession in the euro-zone and the decline in consumer spending, the Managing Board expects the macroeconomic environment to remain difficult in 2013. It remains to be seen whether demand for wallpapers and furnishing fabrics remain isolated from this general trend. From today's point of view, it is also difficult to predict to what extent the anticipated increase in commodity and energy prices will weigh on A.S. Création's bottom line.

For the Wallpaper Division, 2013 will be a challenging year in more respects than one. Close attention will be paid to the activities in Russia. The aim for A.S. & Palitra, the Russian production company, is to optimise its production process and to maintain continuous operations at a good quality level in 2013. The distribution company, A.S. Création (RUS), will have to use the customer contacts that have been estab-

lished so far to market the new product ranges. This will lead to aggressive competition with existing suppliers. In view of the growing purchasing power of the Russian population, the Managing Board assumes that this competition will drive the suppliers of simple wallpapers out of the market and is confident that the strategy of developing and locally producing higher-quality wallpapers for the Russian market will be successful. In addition, the company plans to expand its exports from Germany to Russia. With A.S. Création's gross revenues in non-EU Eastern European markets having increased by 4.5% in 2011 and by 13.1% in 2012, the Managing Board expects an even higher growth rate for 2013. Specific product development activities for these markets, which also comprise a VERSACE licensed collection, have laid the basis for the planned sales growth in the past fiscal year.

As outlined above, the economic environment in the EU, the biggest output market of A.S. Création, is expected to remain difficult in 2013. Consumer spending is likely to decline even further and the Managing Board is unable to predict if wallpaper consumption will be affected by this trend. Competition will therefore intensify. A.S. Création will continue to face this intensifying competition in the EU with an innovation-driven product policy and creative marketing concepts. As sales in Germany were increased markedly already in recent years,

the potential for growth lies in the other EU member countries. While sales in this region declined in the past three years, the Managing Board projects a turnaround for the year 2013. On balance, the Wallpaper Division should achieve strong sales growth in 2013.

The Furnishing Fabrics Division started the fiscal year 2013 in a stronger position. The strategy of presenting itself as a solid and reliable partner to its customers in an uncertain environment again paid off in 2012. In a competitive environment characterised by a large number of suppliers whose financial stability and viability appear highly uncertain in some cases, the Furnishing Fabrics Division has generated profits for the past nine years, which gives it the possibility to continuously invest in new products and marketing concepts. The Division will continue its expansion in Germany in 2013. The aim for the Western and Eastern European markets is to halt the decline in sales and to return to growth. Accordingly, the Managing Board expects the Furnishing Fabric Division's sales revenues and earnings to improve in 2013.

The projections for the fiscal year 2013 provide for the sales growth in both divisions to result in total Group sales of between € 210 million and € 220 million. As most of the start-up investments in the Russian production facility have been made, A.S. Création's capital expenditures will decline in 2013 and probably amount to

approx. € 10 million. In spite of the uncertainties arising from the start-up phase in Russia and the uncertain macroeconomic environment, the Group's net profit is projected to increase sharply, as the 2013 consolidated financial statements will benefit from two accounting-related effects. First, the changes in pension provisions resulting from the adjustment of the discount factor will be recognised directly in equity i.e. in the other comprehensive income with effect from the year 2013. This is mandatory under the new International Financial Reporting Standards (IFRS). In the fiscal year 2012, this effect had shaved off € 2.2 million of the Group's net profit before taxes. Second, the write-downs resulting from the purchase price allocation of the 2008 acquisitions in France will decline by € 0.7 million, as the phased depreciation of the acquired customer bases ended in 2012. Accordingly, the Managing Board assumes that the consolidated net profit will reach a much higher level of between € 9 million and € 11 million in 2013. These projections do not take into account any charges that may arise from the pending anti-trust proceedings in Germany and France.

Based on the assumption that the processes at the Russian production and distribution company will begin to run smoothly – as planned – in the course of 2013 and that the additional quantities can be absorbed by the market, the Managing Board projects strong sales growth

and a disproportionate increase in consolidated net profit for 2014. This means that the new size and the improved profitability of A.S. Création would first be fully reflected in the 2014 consolidated financial statements.

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 strategic large-scale project of building up a wallpaper production facility in Russia has advanced to such a state that the focus can be placed on marketing the products.
- 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 27, 2013

A.S. Création Tapeten AG
The Managing Board

Kämper Hallwig Krämer

THE SHARE AND OUR SHAREHOLDERS

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2012 an excellent stock market year

2012 was a better year for the world's stock markets than had been anticipated by most analysts at the beginning of the year. With Germany's benchmark index, the DAX®, gaining 29.1% in the course of the year, the German stock market performed particularly well. But this increase was by no means straightforward, as the stock markets reacted very sensitively to political news, which had already been the case in the previous year. Having opened the year at 5,898 points, the DAX® crossed the 7,000 points mark already in March 2012, only to plunge below 6,000 points in the following three months, when the euro crisis intensified again. The subsequent recovery to over 7,400 points was followed by a renewed drop below the 7,000 points mark in November 2012, when political news again had an adverse impact on stock market sentiment; the USA was facing massive government spending cuts as Democrats and Republicans were unable to agree on a new budget. The DAX® then climbed steeply until the end of 2012 and reached 7,612 points on December 28, 2012.

It was primarily the share prices of larger corporations which benefited from this stock market environment. This was due to the fact that these companies are considered safer on account of their size and that their shares have a larger trading volume and are therefore more liquid.

In a highly uncertain environment, these are important arguments for buying a share. Accordingly, the DAX® and the MDAX® gained an impressive 29.1% and 33.9%, respectively in 2012. While the SDAX® small caps index also showed a positive performance (+18.7%), it underperformed the DAX® and MDAX®.

A.S. Création share outperformed the SDAX®

As the chart on the opposite side shows, the A.S. Création share outperformed the SDAX® in 2012. In spring 2012, the share price initially moved sideways and failed to pick up markedly from the year's opening price of € 24.49. The price of the A.S. Création share did not pick up before early May, and this trend continued until the beginning of November. The price increase was mainly attributable to the improved earnings position announced by A.S. Création in early May 2012, when the company published its report for the period ended March 31, 2012. As a result, the share price climbed to about € 30. When the six-month report published in mid-August confirmed the positive business trend, the share price climbed even further. The capital market apparently appreciated the fact that A.S. Création reported 4.5% sales growth and a disproportionate 21.6% increase in net profit for the first six months of 2012. From this moment on, the A.S. Création



share clearly outperformed the SDAX®. On October 31, 2012, A.S. Création had more good news for its shareholders. Thanks to the continued good business situation, net profit for the first nine months of 2012 was up by 48.7% on the previous year, prompting the Managing Board to upgrade its profit guidance for the full year 2012. As a result, the price of the A.S. Création share reached a high of € 34.68 on November 1, 2012, which was almost maintained until the end of the year; on December 28, the share closed the year at € 34.00.

2012 was a very successful year for the shareholders of A.S. Création, who saw their share gain 38.8% or € 9.51 from € 24.49 at the beginning of the year to € 34.00 at the end of 2012. Including the dividend of € 0.75 per share, which was paid out on May 4, 2012, they even gained as much as € 10.26 or 41.9%. The

A.S. Création share thus clearly outperformed the German stock indices, most importantly the SDAX®, which gained "only" 18.7% in the course of 2012.

Market valuation remains unsatisfactory

The price gains of the year 2012 have resulted in an improved market valuation of A.S. Création. Based on the year's closing price of € 34.00 and the number of shares outstanding (2,756,351) as of December 31, 2012, A.S. Création's market capitalisation stood at € 93.7 million, up by € 26.2 million on the previous year's € 67.5 million. The company's market valuation was thus more or less on a par with its equity, which amounted to € 94.8 million as of December 31, 2012. This valuation by the capital market would suggest that the company has no

positive goodwill over and above its net asset value. Accordingly, the Managing Board, while being pleased about the share price increases, is not satisfied with the market valuation reached.

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, 2012, the share price was only just back at the level that had been reached already in 2010. The share is still far below the € 45.50 reported at the end of 2007 or the 2007 high of € 53.40. To return to these levels, the share price would have to pick up by another 33.8% and 57.1%, respectively.

When making a general assessment of the share price, the uncertainty about the outcome of the anti-trust proceedings in Germany and France,

which may take a long time, should certainly be taken into account (for details, refer to the Group management report). As anti-trust proceedings generally entail the risk of significant penalties, such proceedings tend to have an adverse impact on a company's share price. It is impossible for the Managing Board to say to what extent these effects influence the current price of the A.S. Création share. The Managing Board believes, however, that the present share price does not appropriately reflect the financial strength and the future outlook of A.S. Création. In the medium term, the earnings position of A.S. Création should improve not least thanks to the start-up of production in Russia.

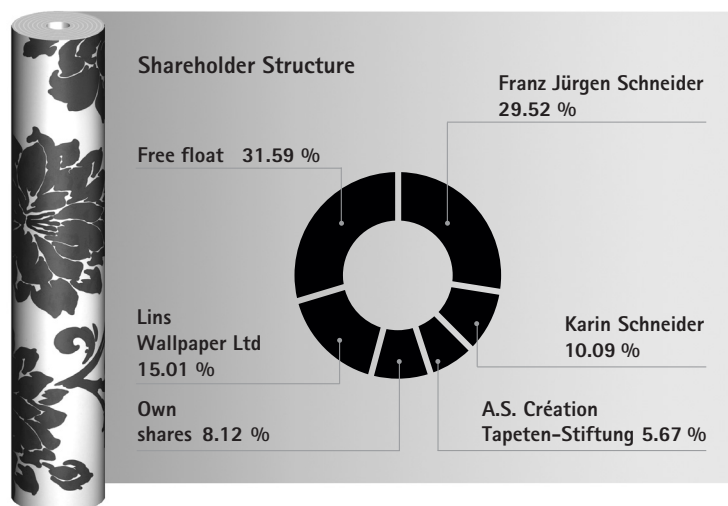


Stable shareholder structure

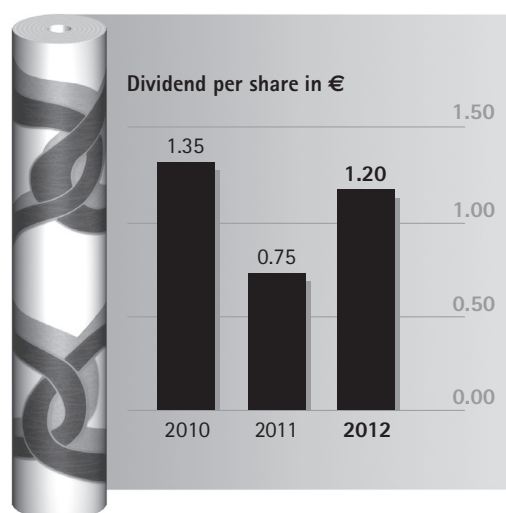
While material changes in the shareholder structure of A.S. Création occurred in 2011, when two investment companies divested their interests in A.S. Création, no comparable shifts in the shareholder structure occurred in 2012. Right on the contrary, Lins Wallpaper Ltd., which joined the circle of shareholders in 2011 as a new, long-term investor, acquired additional A.S. Création shares over the past months. On February 12, 2013, the company informed us that its share in A.S. Création Tapeten AG amounted to 15.01% as of that date. Lins Wallpaper Ltd. is the majority shareholder of Russian wallpaper manufacturer Kof Palitra. Together with the latter, A.S. Création Tapeten AG established a joint venture, A.S. & Palitra, to start producing wallpapers in Russia. In the opinion of the Managing Board of A.S. Création, the investment by Kof Palitra proves that the Russian partner is equally convinced of the success of the joint Russian activities.

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 44% to 45% of EPS range.



Although the environment in which A.S. Création operates is likely to remain uncertain also in 2013, the Managing Board and the Supervisory Board advocate maintaining the company's dividend policy in order to ensure consistency and reliability for the company's shareholders. Accordingly, a dividend payment of € 1.20 per share will be proposed to the Annual General Meeting of Shareholders, which is scheduled for May 3, 2013. Based on earnings per share, this proposed dividend represents a payout ratio of 44.9%. Due to the improved earnings position of A.S. Création in the past fiscal year, the absolute dividend will thus increase markedly as shown in the following chart.



Change to registered shares planned

A.S. Création attaches great importance to open and transparent communication, which is an important element of good corporate governance.

This also includes direct contacts with the shareholders. In this respect, registered shares have major advantages over bearer shares, as they allow the company to provide the shareholders that are registered in its share register with specific information on the company's performance. Moreover, registered shares make it easier to prepare the Annual General Meetings, as the invitations can be sent directly to the shareholders, for instance. This is why the Managing Board and the Supervisory Board plan to convert the A.S. Création shares into registered shares. The respective resolution is to be adopted at the next Annual General Meeting of Shareholders.

Key figures of the A.S. Création share		2008	2009	2010	2011	2012
Earnings per share	€/share	3.22	2.72	3.05	1.69	2.67
Dividend	€/share	1.40	1.20	1.35	0.75	1.20
Payout ratio	%	43.5	44.1	44.3	44.4	44.9
Year-closing-price	€/share	17.93	25.36	28.76	24.49	34.00
High	€/share	45.50	27.10	34.00	31.00	34.68
Low	€/share	13.91	10.40	24.68	16.73	23.86
Shares outstanding (year end)	million	2.756	2.756	2.756	2.756	2.756
Average trading volume *	pieces	2,086	3,167	2,635	3,851	2,232
Market value (year-end)	€ '000	49,421	69,901	79,273	67,503	93,716
Equity	€ '000	80,288	83,774	88,789	89,553	94,839
Market value/Equity	%	61.6	83.4	89.3	75.4	98.8
Price-earnings-ratio		5.6	9.3	9.4	14.5	12.7
Dividend yield	%	7.8	4.7	4.7	3.1	3.5

* 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 2012 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, 2012

Assets			
	Notes No.	31.12.2012 €	31.12.2011 €
Tangible fixed assets	(1)	42,290,473.51	46,920,848.88
Intangible fixed assets	(2)	8,196,774.59	9,001,128.83
Financial assets	(3)	13,240,000.00	6,200,000.00
Investments accounted for at equity	(4)	1,989,233.49	2,041,657.95
Other assets	(5)	955,474.69	1,493,876.32
Income tax receivables	(6)	1,085,065.82	1,329,260.01
Deferred tax assets	(7)	904,714.72	776,571.49
Non-current assets		68,661,736.82	67,763,343.48
Inventories	(8)	45,570,887.30	46,415,176.50
Trade receivables	(9)	34,230,993.61	33,975,073.44
Other assets	(5)	5,763,394.76	5,892,747.02
Income tax receivables	(6)	367,253.22	922,420.17
Cash and cash equivalents	(10)	7,153,474.94	2,358,316.10
Current assets		93,086,003.83	89,563,733.23
Total assets		161,747,740.65	157,327,076.71

Equity and Liabilities			
	Notes No.	31.12.2012 €	31.12.2011 €
Capital stock		9,000,000.00	9,000,000.00
Capital reserves		13,756,740.32	13,756,740.32
Revenue reserves		59,691,155.84	52,169,692.11
Profit carried forward		9,042,113.89	14,017,704.07
Net profit		7,358,271.27	4,649,896.42
Adjustment for own shares		-4,020,836.57	-4,020,836.57
Currency translation differences		11,830.13	-20,211.28
Equity	(11)	94,839,274.88	89,552,985.07
Financial liabilities (interest-bearing)	(12)	23,572,712.29	27,787,148.79
Other liabilities	(13)	1,250,943.58	1,326,131.93
Provisions for pensions	(14)	10,016,129.00	7,613,124.00
Deferred tax liabilities	(7)	5,274,090.65	6,709,636.80
Non-current liabilities		40,113,875.52	43,436,041.52
Financial liabilities (interest-bearing)	(12)	4,636,402.01	4,013,125.09
Other liabilities	(13)	12,741,988.79	10,482,086.62
Trade payables		7,352,214.84	9,256,346.76
Other provisions	(15)	103,000.00	136,700.00
Tax liabilities		1,960,984.61	449,791.65
Current liabilities		26,794,590.25	24,338,050.12
Total equity and liabilities		161,747,740.65	157,327,076.71

A.S. Création Tapeten AG, Gummersbach

Consolidated income statement

for the period from January 1, 2012 to December 31, 2012

	Notes No.	2012 €	2011 €
Sales	(17)	198,909,418.54	192,261,886.06
Increase or decrease in unfinished and finished goods		-30,371.10	1,179,511.08
Other own work capitalised		14,815.50	72,432.75
Total output		198,893,862.94	193,513,829.89
Cost of materials	(18)	99,873,567.50	104,863,249.27
Gross profit		99,020,295.44	88,650,580.62
Other income	(19)	1,012,543.99	1,243,091.99
		100,032,839.43	89,893,672.61
Personnel expenses	(20)	44,064,289.31	41,275,742.88
Depreciation	(21)	9,813,306.33	9,932,699.02
Operating taxes		528,945.39	526,593.43
Other operating expenses	(22)	29,899,176.95	28,571,951.67
Operating expenses		84,305,717.98	80,306,987.00
Earnings before interest and taxes (EBIT)		15,727,121.45	9,586,685.61
Interest and similar income		484,798.70	183,249.46
Results from investments accounted for at equity		-1,002,802.51	-226,391.41
Interest and similar expenses		3,863,497.72	2,218,355.23
Financial result	(23)	-4,381,501.53	-2,261,497.18
Earnings before income taxes		11,345,619.92	7,325,188.43
Income taxes	(24)	3,987,348.65	2,675,292.01
Net profit		7,358,271.27	4,649,896.42
Earnings per share	(25)	2.67	1.69

A.S. Création Tapeten AG, Gummersbach
Consolidation statement of comprehensive income
for the period from January 1, 2012 to December 31, 2012

	2012 € '000	2011 € '000
Net profit	7,358	4,650
Foreign currency translation differences for fully consolidated companies	-8	21
Foreign currency translation differences for investments accounted for at equity	41	-98
Change in fair value of an interest rate hedge	-57	-127
Deferred taxes on other comprehensive income	19	39
Other comprehensive income	-5	-165
Total comprehensive income	7,353	4,485

Consolidated statement of changes in equity
for the period from January 1, 2012 to December 31, 2012

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	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, 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
Net profit 2011	0	0	0	4,650	-4,650	0	0	0
Dividend payments	0	0	0	-2,067	0	0	0	-2,067
Allocation to revenue reserves	0	0	7,559	-7,559	0	0	0	0
Total comprehensive income 2012	0	0	-38	0	7,358	0	33	7,353
December 31, 2012	9,000	13,757	59,691	9,042	7,358	-4,021	12	94,839

A.S. Création Tapeten AG, Gummersbach

Consolidated cash flow statement

for the period from January 1, 2012 to December 31, 2012

	2012 € '000	2011 € '000
Operating activities		
Net profit	7,358	4,650
+ Depreciation on tangible and intangible fixed assets	9,813	9,933
+/- Increase/decrease in long-term provisions	2,403	562
-/+ Income/expenses from investments accounted for at equity	1,003	226
-/+ Increase/decrease in present value of corporate income tax credit	234	225
-/+ Income/expenses from changes in deferred taxes	-1,535	-1,258
Cash-flow	19,276	14,338
-/+ Profit/losses from disposal of tangible and intangible fixed assets	570	-32
-/+ Increase/decrease in inventories	861	-1,724
-/+ Increase/decrease in trade receivables	-230	1,745
+/- Increase/decrease in trade payables	-1,905	-95
-/+ Increase/decrease in other net working capital	4,766	-4,256
Cash-flow from operating activities	23,338	9,976
Investing activities		
Capital expenditures on tangible and intangible fixed assets	-5,122	-5,474
- Cash outflows for credits and bonds granted	-7,040	-6,200
- Cash outflows for acquisitions of consolidated companies (less acquired cash and cash equivalents)	0	-6,970
- Cash outflows for acquisitions of investments accounted for at equity	-909	-1,023
Capital expenditures	-13,071	-19,667
+ Proceeds from the disposal of tangible and intangible fixed assets	176	223
Cash-flow from investing activities	-12,895	-19,444
Financing activities		
Dividends paid to shareholders of A.S. Création Tapeten AG	-2,067	-3,721
+/- Raising/repayment of financial liabilities (interest-bearing)	-3,591	4,756
Cash-flow from financing activities	-5,658	1,035
Net change in cash and cash equivalents	4,785	-8,433
+/- Change in cash and cash equivalents due to exchange rate fluctuations	10	-1
+ Cash and cash equivalents at January 1	2,358	10,792
Cash and cash equivalents at December 31	7,153	2,358

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 2012

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 2012:

- Amendment to IFRS 7 "Disclosure Requirements for Transfer Transactions of Financial Assets"
- Amendment to IAS 12 "Deferred Taxes on Investment Property"

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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, 2012:

- Amendment to IFRS 7 "Disclosures – Offsetting of Financial Assets and Financial Liabilities"
- Amendment to IAS 1 "Presentation of Items in Other Comprehensive Income"
- 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"
- IFRS 10 "Consolidated Financial Statements"
- IFRS 11 "Joint Arrangements"
- IFRS 12 "Disclosure of Interests in Other Entities"
- IFRS 13 "Fair Value Measurement"
- IFRS 9 "Financial Instruments"
- IFRS 9/IFRS 7 "Adjustment of the time of coming into force and the disclosures for first-time adoption"

- IFRS 10,11,12 "Changes for implementation of amended standards"
- Improvement to IFRS 2009-2011 (IFRS 1, IAS 1, 16, 32, 34)

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, i.e. in the other comprehensive income. 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 € 2.206 million, net profit by € 1.525 million and earnings per share by € 0.55. IAS 19 (rev. 2011) is effective for fiscal years beginning 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 wall-papers in all main materials and for all main purposes. The spectrum of activities is complemented by the trade in furnishing fabrics. In line with the Group's products and services, segment reports according to IFRS 8 are prepared for the Wallpaper Division (segment) and the Furnishing Fabrics Division (segment).

Consolidation principles

Subsidiaries, in which A.S. Création Tapeten AG has the majority of voting rights and, hence, control over the financial and business policy, are fully consolidated. In accordance with 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 transactions are carried out with a jointly controlled entity, the resulting unrealised gains or losses are eliminated in accordance with the share held in the jointly controlled enterprise.

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, 2012
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, 2012 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 £ 0.81092/€ (2011: £ 0.86787/€) and a closing rate of £ 0.81580/€ (2011: £ 0.83670/€), were used for the pound sterling, while an average annual rate of RUB 39.95238/€ (2011: RUB 40.88510/€) and a closing rate of RUB 40.22860/€ (2011: RUB 41.68680/€) 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. If more time is needed to get an asset ready for its intended use, directly attributable borrowing costs incurred during this time are capitalised. Assets acquired under finance leases are shown at the lower of their current market value at the beginning of the lease or the present value of the minimum lease payments in accordance with IAS 17.

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

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

Fixed assets are written 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 economic lives of mostly three to five years and no more than ten years.

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

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

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 affecting other comprehensive 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.

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 first 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 economic life as well as the choice of the discount factor have a material impact on the fair value.

As outlined under the consolidation principles, goodwill is tested for impairment. The underlying profit projections of the two divisions and the choice of the discount factor constitute estimates that have a material impact on the result of the impairment test. Although the Managing Board believes that the assumptions made are appropriate, an unexpected need for adjustment of these assumptions may lead to an impairment that has an adverse impact on the net worth, financial and earnings position of A.S. Création.

A.S. Création must examine at every balance sheet date whether there are indications of impairment regarding other intangible assets, property, plant and equipment and financial assets. Such impairment may be the consequence of a number of factors including changed competitive conditions, shorter useful economic lives resulting from technological progress or increased

capital charges. Accordingly, the Managing Board's estimates are based on certain assumptions regarding the economic environment. Although the Managing Board believes that the assumptions made are appropriate, an unexpected need for adjustment of these assumptions may lead to an impairment that has an adverse impact on the net worth, financial and earnings position of A.S. Création.

Pension provisions are recognised for current pension obligations as well as future old age, disability and survivors' pension commitments. Pension provisions are calculated using actuarial methods. For this purpose, assumptions must be made regarding the discount factor, the anticipated future salary and pension trends and the mortality rate. These actuarial assumptions may deviate materially from actual future developments and may lead to material changes in future obligations and future expenses.

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, 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
Addition	391	403	4,183	35	5,012
Reclassifications	0	707	0	-707	0
Disposals	0	1,229	3,906	385	5,520
Currency translation differences	0	0	6	0	6
Dec 31, 2012	34,918	78,735	20,012	35	133,700
Depreciation					
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
Addition	1,551	3,724	3,624	0	8,899
Reclassifications	0	0	0	0	0
Disposals	0	1,010	3,764	0	4,774
Currency translation differences	0	0	4	0	4
Dec 31, 2012	16,027	61,215	14,168	0	91,410
Net book value					
Dec 31, 2011	20,051	20,353	5,425	1,092	46,921
Dec 31, 2012	18,891	17,520	5,844	35	42,290

Tangible fixed assets include assets on the basis of finance leases in an amount of € 7.705 million (2011: € 8.570 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, 2010	5,207	9,276	14,483
Addition	124	0	124
Disposals	50	0	50
Dec 31, 2011	5,281	9,276	14,557
Addition	110	0	110
Disposals	44	0	44
Dec 31, 2012	5,347	9,276	14,623
Depreciation			
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
Addition	914	0	914
Disposals	44	0	44
Dec 31, 2012	4,883	1,543	6,426
Net book value			
Dec 31, 2011	1,268	7,733	9,001
Dec 31, 2012	464	7,733	8,197

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 2013 and 2014. 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 2014 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 8.1% and 7.0% 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 16.3% for the Wallpaper Division and of over 14.9% 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. The factory was completed and taken into operation at the end of 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 € 13.240 million (2011: € 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:

	2012	2011
	€ '000	€ '000
January 1	2,042	1,343
Addition	909	1,023
Pro-rata changes in equity		
Changes affecting income	-1,003	-226
Changes not affecting income	41	-98
December 31	1,989	2,042

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 € 27.615 million (2011: € 14.639 million), inventory in an amount of € 3.378 million (2011: € 0.025 million), other assets in an amount of € 1.419 million (2011: € 1.106 million) as well as cash and cash equivalents in an amount of € 1.768 million (2011: € 1.171 million). As of the balance sheet date, the company primarily funded itself using long-term interest-bearing financial liabilities in an amount of € 26.685 million (2011: € 12.632 million). Also, the company had other financial liabilities of € 0 million (2011: € 8.565 million) from order commitments for investments. The company reported sales revenues of € 0.154 million (2011: € 0 million) and a net loss for the year after elimination of intercompany profits of € 2.006 million (2011: € 0.452 million) for the past financial year. Due to the shareholder structure, 50% of these start-up losses, i.e. € -1.003 million (2011: € -0.226 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	
	31.12.12 € '000	31.12.11 € '000	31.12.12 € '000	31.12.11 € '000	31.12.12 € '000	31.12.11 € '000
Miscellaneous other assets	6,108	6,773	5,152	5,279	956	1,494
Deferred charges	611	614	611	614	0	0
	6,719	7,387	5,763	5,893	956	1,494

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 € 1.085 million (2011: € 1.329 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 taxes are calculated using country-specific tax rates pursuant to IAS 12. The total tax rate in Germany, which comprises trade tax, corporate income tax and solidarity surcharge, was 31.06% (2011: 30.71%).

Deferred tax assets break down as follows:

	31.12.12 € '000	31.12.11 € '000
Realisable future reductions in tax payments resulting from losses carried forward	593	521
Differences between the tax balance sheet and the commercial balance sheet	19	16
Adjustments of individual financial statements to IFRS	31	2
Consolidation processes	21	16
Items directly recognized in equity	241	222
	905	777

Losses carried forward for corporate income tax and solidarity surcharge in an amount of € 0.638 million (2011: € 0.764 million) as well as for trade tax in an amount of € 0.0 million (2011: € 0.023 million) exist in Germany. In addition, tax losses carried forward in an amount of € 2.163 million (2011: € 1.687 million) exist abroad. The increase is attributable to the start-up losses incurred in conjunction with the start-up of the Russian sales organisation. As in the previous year, deferred tax assets in the same amount have been recognised for the whole amount of the losses carried forward.

Deferred tax liabilities break down as follows:

	31.12.12 € '000	31.12.11 € '000
Differences between the tax balance sheet and the commercial balance sheet	-1,221	-1,180
Adjustments of individual financial statements to IFRS	4,485	5,365
Consolidation processes	2,010	2,525
	5,274	6,710

Deferred taxes refer to the following balance sheet items:

	31.12.12		31.12.11	
	Deferred tax assets € '000	Deferred tax liabilities € '000	Deferred tax assets € '000	Deferred tax liabilities € '000
Tangible fixed assets	5	7,860	10	8,563
Intangible fixed assets	62	139	68	393
Inventories	182	50	127	0
Trade receivables and other assets	73	212	90	177
Provisions for pensions	1,613	0	895	0
Other provisions	11	0	18	0
Other liabilities	1,363	10	1,475	4
Tax losses carried forward	593	0	521	0
	3,902	8,271	3,204	9,137
Set-off*	-2,997	-2,997	-2,427	-2,427
	905	5,274	777	6,710

* 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:

	31.12.12 € '000	31.12.11 € '000
Raw materials and supplies	3,992	3,798
Unfinished products	238	230
Finished goods and merchandise	41,341	42,387
	45,571	46,415

Inventories with carrying amounts of € 10.671 million (2011: € 11.038 million) are recognised at the fair value less cost to sell. Impairments of inventories in an amount of € 1.450 million (2011: € 0.336 million) were recognised as an expense in the past fiscal year.

(9) Trade receivables

€ 0.132 million (2011: € 0.040 million) of the trade receivables have a remaining term of more than one year.

The table below shows the allowances on trade receivables:

	2012 € '000	2011 € '000
As of January 1	1,872	2,421
Allocation	369	292
Use	76	274
Release	290	567
As of December 31	1,875	1,872

Of the total allowances, an amount of € 0.517 million (2011: € 0.550 million) refers to itemised allowances and an amount of € 1.358 million (2011: € 1.322 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, 2011	33,975	30,380	3,136	218	33	2
As of Dec 31, 2012	34,231	31,610	2,255	170	14	4

(10) Cash and cash equivalents

Cash and cash equivalents break down as follows:

	31.12.12 € '000	31.12.11 € '000
Cash in banks	6,462	1,828
Cash on hand, cheques and bills of exchange	691	530
	7,153	2,358

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, 2012, 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, 2012.

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

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

According to a resolution passed by the General Meeting of Shareholders dated May 7, 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 € 1.20 per share, which translates into a total profit distribution of € 3.308 million, will be proposed for the fiscal year 2012. A dividend of € 0.75 per share was paid out for the previous fiscal year, resulting in a total distribution of € 2.067 million.

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

	Financial derivative	Deferred taxes	Foreign currency translation differences from		Total
			fully consolidated companies	companies accounted for at equity	
	€ '000	€ '000	€ '000	€ '000	€ '000
As of Dec 31, 2010	-597	183	85	-29	-358
Other comprehensive income 2011	-127	39	21	-98	-165
As of Dec 31, 2011	-724	222	106	-127	-523
Other comprehensive income 2012	-57	19	-8	41	-5
As of Dec 31, 2012	-781	241	98	-86	-528

(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	
	31.12.12 € '000	31.12.11 € '000	31.12.12 € '000	31.12.11 € '000	31.12.12 € '000	31.12.11 € '000	31.12.12 € '000	31.12.11 € '000
Financial liabilities (without finance lease)	24,911	28,057	4,183	3,567	15,689	16,005	5,039	8,485
Liabilities from finance lease								
Gross value	3,749	4,347	590	598	3,159	3,661	0	88
Discounting	-451	-604	-137	-152	-314	-450	0	-2
Present value	3,298	3,743	453	446	2,845	3,211	0	86
	28,209	31,800	4,636	4,013	18,534	19,216	5,039	8,571

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 (2011: € 34.418 million) as well as assignments of machines with gross acquisition costs of € 11.711 million (2011: € 11.711 million). 125,000 (2011: 125,000) own shares were also used as collateral.

Interest-bearing financial liabilities of € 28.209 million (2011: € 31.800 million) include € 28.155 million (2011: € 31.332 million) from credit agreements at fixed interest rates and € 0.054 million (2011: € 0.468 million) from credit agreements at variable interest rates. An amount of € 7.485 million (2011: € 8.733 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 2012 %	Book value 31.12.12 € '000	Average interest rate 2011 %	Book value 31.12.11 € '000
of up to 1 year	3.8	4,582	3.9	3,544
of over 1 year up to 5 years	3.8	18,534	3.8	19,217
of over 5 years	3.8	5,039	3.9	8,571
		28,155		31,332

(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	
	31.12.12 € '000	31.12.11 € '000	31.12.12 € '000	31.12.11 € '000	31.12.12 € '000	31.12.11 € '000
Liabilities to employees	6,925	5,774	6,567	5,257	358	517
Liabilities due to social security charges	739	820	739	820	0	0
Liabilities due to other taxes	762	487	762	487	0	0
Liabilities due to bonuses/discounts	1,663	1,633	1,663	1,633	0	0
Miscellaneous other liabilities	3,904	3,094	3,011	2,285	893	809
	13,993	11,808	12,742	10,482	1,251	1,326

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(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:

	2012 %	2011 %
Projected interest rate (discount rate)	3.10	4.60
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:

	2012 € '000	2011 € '000
As of January 1	7,802	7,239
Pension payments	-342	-349
Current service cost	181	167
Interest cost	353	346
Actuarial losses from changes in the discount rate	2,162	332
Other actuarial losses	44	67
As of December 31	10,200	7,802

Of the defined benefit obligations, an amount of € 0.304 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:

	2012 € '000	2011 € '000
As of January 1	189	188
Employer contributions	18	15
Benefit payments	-30	-18
Expected return on plan assets	9	8
Actuarial losses	-2	-4
As of December 31	184	189

Re-insurance contributions are expected to amount of € 0.018 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:

	2012 € '000	2011 € '000
As of January 1	7,613	7,051
Pension payments and employer contributions	-360	-364
Allocation	2,763	926
As of December 31	10,016	7,613

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	2012 € '000	2011 € '000
Current service cost and benefit payments	Personnel expenses	211	185
Interest cost	Financial result	344	338
Actuarial losses from changes in the discount rate	Financial result	2,162	332
Other actuarial losses	Personnel expenses	46	71
		2,763	926

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

	2012 € '000	2011 € '000	2010 € '000	2009 € '000	2008 € '000
Pension provision as of December 31	10,016	7,613	7,051	6,871	6,014
Actuarial gains (-)/losses (+) from experience adjustments	44	67	-129	-24	112

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:

	2012 € '000	2011 € '000
As of January 1	137	135
Use	124	58
Release	13	0
Allocation	103	60
As of December 31	103	137

(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	
	31.12.12 € '000	31.12.11 € '000	31.12.12 € '000	31.12.11 € '000	31.12.12 € '000	31.12.11 € '000	31.12.12 € '000	31.12.11 € '000
from loan contracts	2,560	3,800	2,560	3,800	0	0	0	0
from building rents	1,475	1,532	466	813	860	496	149	223
from operating leases	830	825	314	299	516	526	0	0
from order commitments for investments in tangible fixed assets	351	34	351	34	0	0	0	0
	5,216	6,191	3,691	4,946	1,376	1,022	149	223

Contingent liabilities result from the current investigations 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. In November 2010, the German Federal Cartel Office searched the premises of A.S. Création Tapeten AG in Gummersbach-Derschlag and of four other German wallpaper manufacturers. 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 and the French anti-trust authorities. 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. In the two French proceedings, the French anti-trust authorities have not issued any letters of accusation or penalty notices yet. Violations of anti-trust law generally pose a 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 per each violation. Also, there is a potential risk of claims for damages being raised by third parties in conjunction with anti-trust proceedings as well as with regard to charges resulting from the release of the company's directors and officers from potential penalty payments and claims for damages. A.S. Création Tapeten AG has released most of the people affected by the proceedings from potential penalty payments and claims for damages. In the case of the responsible Managing Board members, however, this release is subject to the approval of the Annual General Meeting of Shareholders; this approval will be voted on at the next AGM. Having adopted a suitable defence strategy, A.S. Création Tapeten AG issued a detailed statement in response to the Cartel Office's accusations in January 2012, in which it contradicted all allegations. The Managing Board is of the opinion that the arguments brought forward are suited to invalidate the accusations. Up to this date, the Federal Cartel Office has neither commented in detail on the arguments brought forward by the company nor issued a penalty notice. The Managing Board is therefore unable to predict the outcome of these administrative offence proceedings. In view of the current state of the proceedings as outlined above and the defence strategy pursued by the company, no provision has been established, as in the previous year.

Notes to the income statement

(17) Sales

A breakdown of Group sales by region is provided below:

	Wallpaper Division		Fabrics Division		Consolidation		Group	
	2012 € '000	2011 € '000	2012 € '000	2011 € '000	2012 € '000	2011 € '000	2012 € '000	2011 € '000
Germany	71,458	68,449	10,720	9,353	-313	-284	81,865	77,518
EU (excl. Germany)	82,001	84,562	2,203	2,480	-229	-398	83,975	86,644
European Union (EU)	153,459	153,011	12,923	11,833	-542	-682	165,840	164,162
Other Eastern Europe	36,424	31,797	814	1,129	0	0	37,238	32,926
Other countries	15,902	13,277	563	415	0	0	16,465	13,692
Sales (gross)	205,785	198,085	14,300	13,377	-542	-682	219,543	210,780
Reduction in revenues	-19,809	-17,813	-825	-705	0	0	-20,634	-18,518
Sales (net)	185,976	180,272	13,475	12,672	-542	-682	198,909	192,262

(18) Cost of materials

The cost of materials includes:

	2012 € '000	2011 € '000
Cost of raw materials, consumables and supplies and purchased materials	95,413	101,954
Cost of purchased services	4,461	2,909
	99,874	104,863

(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 € 0.068 million (2011: € 0.065 million) as well as foreign exchange gains in an amount of € 0.128 million (2011: € 0.067 million).

(20) Personnel expenses

Personnel expenses are comprised as follows:

	2012 € '000	2011 € '000
Wages and salaries	35,983	33,531
Social security contributions and pension expenses	8,081	7,745
	44,064	41,276

Social security contributions and pension expenses include contributions to state pension insurance institutions in an amount of € 2.895 million (2011: € 2.751 million), allocations to pension provisions in an amount of € 0.257 million (2011: € 0.256 million) as well as payments to external relief funds and similar pension organisations due to defined contribution plans in an amount of € 0.189 million (2011: € 0.187 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:

	2012 Persons	2011 Persons
Blue-collar workers	402	398
White-collar workers	377	359
Trainees and apprentices	41	39
	820	796

(21) Depreciation

A breakdown of depreciation is provided in the notes to tangible and intangible fixed assets (see No. 1 and No. 2 above). Of the total depreciation, an amount of € 0.865 million (2011: € 0.865 million) relates to assets capitalised on the basis of finance leases. As in the previous year, no write-downs for impairment occurred in the fiscal year.

(22) Other operating expenses

Other operating expenses mainly include expenses on freight out, advertising, rental and operating leases, maintenance and insurance policies. Moreover, they include losses from disposals of tangible and intangible fixed assets in an amount of € 0.638 million (2011: € 0.033 million) as well as foreign exchange losses of € 0.128 million (2011: € 0.178 million).

(23) Financial result

The financial result includes interest expenses in an amount of € 2.506 million (2011: € 0.670 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:

	2012 € '000	2011 € '000
Current income tax expenses	5,522	3,933
Deferred taxes	-1,535	-1,258
	3,987	2,675

At € 3.987 million (2011: € 2.675 million), tax expenses exceeded the expected tax expenses of € 3.484 million (2011: € 2.250 million) that would have arisen based on the overall German tax rate of 30.71% (2011: 30.71%) by € 0.503 million (2011: € 0.425 million). The difference between expected and effective income tax expenses in the Group is due to the following:

	2012 € '000	2011 € '000
Expected income tax expenses	3,484	2,250
Tax rate differentials to the overall German tax rate	111	50
Income from reimbursement of corporate income tax credit	-66	-76
Taxes unrelated to the accounting period	-42	166
Expenses from change in deferred tax rate from 2013	44	0
Non-tax-deductible expenses	178	187
Non-taxable income	-57	-67
Results from investments accounted for at equity	308	70
Other tax effects	27	95
Effective income tax expenses	3,987	2,675
Effective income tax rate	35.14%	36.52%

(25) Earnings per share

Earnings per share are calculated as follows:

		2012	2011
Number of shares outstanding (weighted average)	shares	2,756,351	2,756,351
Net profit	€	7,358,271	4,649,896
Earnings per share	€/share	2.67	1.69

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:

	2012 € '000	2011 € '000
Interest received	15	65
Interest paid	1,263	1,397
Income tax paid	3,214	5,443
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:

	2012 € '000	2011 € '000
Raising of financial liabilities (excl. financial lease)	31	8,200
Raising of liabilities under financial lease contracts	0	0
Repayment of financial liabilities (excl. financial lease)	-3,177	-3,005
Repayment of liabilities under financial lease contracts	-445	-439
	-3,591	4,756

(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	
	2012 € '000	2011 € '000	2012 € '000	2011 € '000	2012 € '000	2011 € '000	2012 € '000	2011 € '000
External sales	185,698	180,046	13,211	12,216	0	0	198,909	192,262
Intra-Group sales	278	226	264	456	-542	-682	0	0
Total sales	185,976	180,272	13,475	12,672	-542	-682	198,909	192,262
EBITDA ¹	24,938	19,067	602	450	0	2	25,540	19,519
EBITDA-margin	13.4%	10.6%	4.5%	3.6%			12.8%	10.2%
EBIT ²	15,275	9,280	452	305	0	2	15,727	9,587
EBIT-margin	8.2%	5.1%	3.4%	2.4%			7.9%	5.0%
Interest income	678	381	2	2	-195	-200	485	183
Results from investments accounted for at equity	-1,003	-226	0	0	0	0	-1,003	-226
Interest expenses	3,687	2,127	371	291	-195	-200	3,863	2,218
Earnings before taxes	11,263	7,308	83	15	0	2	11,346	7,325
Return on sales (before taxes)	6.1%	4.1%	0.6%	0.1%			5.7%	3.8%
Income taxes	3,964	2,673	24	2	0	0	3,988	2,675
Capital expenditures ³	12,902	19,482	169	185	0	0	13,071	19,667
Depreciation	9,663	9,787	150	146	0	0	9,813	9,933
Cash-flow ³	18,940	14,172	336	164	0	2	19,276	14,338
Segment assets ⁴	145,427	144,963	6,991	7,156	-180	-177	152,238	151,942
thereof non-current assets	(65,407)	(64,396)	(1,265)	(1,262)	(0)	(0)	(66,672)	(65,658)
Segment liabilities ⁵	19,987	19,712	1,643	1,666	-180	-177	21,450	21,201
Employees (average)	749	726	71	70	0	0	820	796

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** and **cash flow** 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	
	31.12.12 € '000	31.12.11 € '000	31.12.12 € '000	31.12.11 € '000	31.12.12 € '000	31.12.11 € '000
Germany	105,112	109,128	67,872	67,046	37,240	42,082
EU (excl. Germany)	30,253	33,568	16,108	18,291	14,145	15,277
Other Eastern Europe	16,873	9,246	1,586	947	15,287	8,299
	152,238	151,942	85,566	86,284	66,672	65,658

(28) Research and development expenses

In the past fiscal year, € 2.551 million (2011: € 2.388 million) were spent on the development of new designs.

(29) Audit expenses

In the past fiscal year, € 0.187 million (2011: € 0.189 million) were spent on the audit of the financial statements of the fully consolidated companies as well as on the audit of the consolidated financial statements. The Group auditor received € 0.111 million (2011: € 0.101 million) as well as an additional € 0.060 million (2011: € 0.056 million) for tax consulting services and € 0.086 million (2011: € 0.001 million) for other services.

(30) Risks from financial instruments

Only € 0.054 million or 0.2% (2011: € 0.468 million or 1.5%) of the total interest-bearing financial liabilities of € 28.209 million (2011: € 31.800 million) represent variable-rate loans. Accordingly, a rise in interest rates by one percentage point would increase interest expenses by € 0.001 million and reduce net profit by € 0.0 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 still negligible in the A.S. Création Group, so that operations are not exposed to a material currency risk. This risk will increase as the activities in Russia are expanded. 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 € 0.540 million (2011: € 0.502 million) was recognised in equity as at the balance sheet date. Of this total amount, € -0.038 million (2011: € -0.088 million) is shown in the other comprehensive income. Going forward, the interest rate swap will have no impact on the net profit.

Credit and default risks from financial instruments arise from the possibility that a contractual partner may fail to meet their (payment) obligations towards A.S. Création. The creditworthiness of the contractual partner therefore plays an important role in assessing the default risks. At the operational level, default risks primarily result from trade receivables. A.S. Création's risk policy aims to limit the inherent risk. The company therefore uses available means such as credit insurance and bank guarantees to transfer the risk to third parties. These instruments do not always make economic sense, as they entail costs, and are not always available. Great importance is therefore attached to the monitoring of the agreed payment deadlines and credit lines in the context of internal debtor management. Despite these measures, not all default risks can be eliminated. The residual default risk is mitigated by allowances on trade receivables. The potential effects which a default could have on the net worth, financial and earnings position of A.S. Création can be assessed on the basis of the concentration of debtors. In this context, A.S. Création has identified no potential risk that could jeopardise its continued existence. Of the total trade receivables in an amount of € 34.231 million (2011: € 33.975 million), € 7.961 million or 23.3% (2011: € 7.174 million or 21.1%) were accounted for by the five largest debtors. At the financial level, default risks mainly relate to cash with banks and to the financing of the joint venture, 000 A.S. & Palitra. To minimise the default risk, A.S. Création only cooperates with banks that have excellent credit ratings and/or are connected to a deposit guarantee fund. The shareholder loans of € 13.240 million (2011: € 6.200 million) granted to A.S. & Palitra constitute the first time in the history of A.S. Création that material assets are tied up in a country exposed to much

higher economic and political risks than Germany. The Managing Board believes, however, that the company should take these additional risks in what is the world's largest wallpaper market as they are outweighed by the resulting opportunities and the size of the additional risk is not considered to jeopardise the company's continued existence.

The liquidity risk is the risk of the company being unable to meet existing or future payment obligations due to a lack of cash or cash equivalents. To ensure that A.S. Création is able to meet its payment obligations, sufficient credit lines and cash and cash equivalents are 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 € 18.256 million (2011: € 17.132 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 recognised according to IAS 39		Amount recognised according to IAS 17		Carrying amount		Fair value	
	31.12.12 € '000	31.12.11 € '000	31.12.12 € '000	31.12.11 € '000	31.12.12 € '000	31.12.11 € '000	31.12.12 € '000	31.12.11 € '000
Financial assets	13,240	6,200	0	0	13,240	6,200	13,240	6,200
Trade receivables	34,231	33,975	0	0	34,231	33,975	34,231	33,975
Other receivables	2,084	2,723	0	0	2,084	2,723	2,084	2,723
Cash and cash equivalents	7,153	2,358	0	0	7,153	2,358	7,153	2,358
Loans and receivables	56,708	45,256	0	0	56,708	45,256	56,708	45,256
Financial liabilities (without finance lease)	24,911	28,057	0	0	24,911	28,057	25,227	26,785
Other liabilities	1,876	1,730	0	0	1,876	1,730	1,876	1,730
Trade payables	7,352	9,256	0	0	7,352	9,256	7,352	9,256
Financial liabilities measured at amortised cost	34,139	39,043	0	0	34,139	39,043	34,455	37,771
Financial derivative	781	724	0	0	781	724	781	724
Liabilities from finance lease	0	0	3,298	3,743	3,298	3,743	3,378	3,629

The loan to 000 A.S. & Palitra is shown under financial assets. As part of 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 € 0.237 million (2011: net profits of € 0.221 million) resulted from the changes in valuation allowances for loans and receivables.

Interest income totalling € 0.485 million (2011: € 0.183 million) and interest expenses totalling € 1.357 million (2011: € 1.466 million) resulted from the financial instruments in fiscal year.

(32) Disclosures on capital management

The financial policy of A.S. Création is aimed at securing the company's ability to meet its payment obligations at all times as well as at minimising financial risks. Accordingly, A.S. Création has a high equity ratio, which stood at 58.6% on December 31, 2012 (2011: 56.9%). When it comes to raising debt capital, the financing policy of A.S. Création generally provides for long-term loans with fixed interest rates and repayments during the term of the loans. As a result, A.S. Création's equity capital and debt capital are more than sufficient to finance assets that are tied up in the long term. As of December 31, 2012, the debt-to-equity ratio was 196.5% (2011: 196.3%). Under its financial policy, A.S. Création additionally maintains liquidity reserves and

free credit lines to be able to cover short-term financing requirements arising from its operating activities.

(33) Managing Board

The Managing Board had the following members in FY 2012:

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

As of the balance sheet date, members of the Managing Board held 4,983 shares (2011: 4,983 shares) in the company.

(34) Supervisory Board

In FY 2012, 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 Vermögensstreuhand 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 (until June 30, 2012)
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 (2011: 888,046 shares) in the company.

(35) Compensation of Supervisory Board and Managing Board

The annual salaries of the Managing Board members in fiscal 2012 totalled € 2.105 million (2011: € 1.917 million). In addition, the payments to a relief fund and the reversal of pension provisions resulted in net expenses in an amount of € 0.116 million (2011: € 0.037 million).

The compensation of the Supervisory Board members in fiscal 2012 totalled € 0.108 million (2011: € 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 € 2.269 million (2011: € 1.865 million) as of the balance sheet date. Pension payments to former members of the Managing Board amounted to € 0.097 million (2011: € 0.095 million).

(36) Related party transactions

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

In the fiscal year, A.S. Création maintained business relations with 000 A.S. & Palitra (also see note No. 4), which is accounted for using the equity method. In this context, shareholder loans were granted, services were provided to the company and goods were acquired by the company. According to the loan agreement, interest payments that become due during the start-up phase until March 31, 2013 are deferred until December 31, 2018. The resulting receivable has been discounted accordingly. Details of the business relationship are shown below:

	2012 € '000	2011 € '000
Sales	161	0
Purchases	134	0
Interest income	470	118

	31.12.12 € '000	31.12.11 € '000
Shareholder loans	13,240	6,200
Receivables	643	118
Liabilities	157	0

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 2012, the fee for these consulting services amounted to € 0.098 million (2011: € 0.120 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 € 0.020 million (2011: € 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 15, 2012, the Managing Board and the Supervisory Board issued the declaration of conformity for FY 2012 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 2013 will be discussed and adopted at the Supervisory Board meeting on March 14, 2013. This declaration will be published on the company's website and in the chapter "Corporate governance statement and report on corporate governance" of the 2012 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 27, 2013

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, 2012. 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, March 1, 2013

KPMG AG

Wirtschaftsprüfungsgesellschaft

Pütz	Eppink
Wirtschaftsprüfer	Wirtschaftsprüfer
(Certified Public	(Certified Public
Accountant)	Accountant)

PROFIT APPROPRIATION PROPOSAL 115

Balance sheet of A.S. Création Tapeten AG according to HGB	116
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Balance sheet of A.S. Création Tapeten AG according to HGB

as per December 31, 2012

Assets		
	31.12.2012	31.12.2011
	€	€
Fixed and financial assets		
Intangible fixed assets	89,851.99	92,485.38
Tangible fixed assets	15,449,872.70	18,023,023.50
Financial assets	37,923,073.36	30,140,135.91
	53,462,798.05	48,255,644.79
Current assets		
Inventories	32,278,358.57	32,173,015.35
Trade receivables	24,835,186.75	24,221,770.71
Receivables from affiliated companies	6,539,646.15	4,807,530.22
Receivables from investments	642,944.88	117,965.27
Other current assets	6,039,161.84	7,665,496.92
Cash and cash equivalents	3,585,883.76	289,960.18
	73,921,181.95	69,275,738.65
Prepaid expenses and deferred charges	793,695.09	801,567.55
Deferred taxes	897,578.18	881,524.33
Total assets	129,075,253.27	119,214,475.32

Equity and Liabilities		
	31.12.2012	31.12.2011
	€	€
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	55,274,232.23	50,063,533.86
Unappropriated retained earnings	11,186,970.01	7,277,961.62
	88,482,743.96	79,363,037.20
Provisions		
Provisions for pensions and similar obligations	6,096,336.00	5,799,574.00
Tax provisions	1,703,000.00	0.00
Other provisions	5,993,040.31	4,764,725.00
	13,792,376.31	10,564,299.00
Liabilities		
Loans from banks	21,137,784.30	23,663,032.51
Trade payable	3,320,367.86	3,257,478.62
Other liabilities	2,341,980.84	2,366,627.99
	26,800,133.00	29,287,139.12
Total equity and liabilities	129,075,253.27	119,214,475.32

Profit appropriation proposal

The financial statements of A.S. Création Tapeten AG for the year ended December 31, 2012 show unappropriated retained earnings of € 11,186,970.01.

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 € 1.20 per dividend-bearing share and allocation of the remaining amount to the revenue reserves of A.S. Création Tapeten AG.

As of December 31, 2012, 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, 2012, the profit would be appropriated as follows:

Payment of a dividend	3,307,621.20 €
Allocation to revenue reserves	7,879,348.81 €
Unappropriated retained earnings	11,186,970.01 €

The General Meeting of Shareholders of A.S. Création Tapeten AG will be held in Gummersbach on May 3, 2013. The dividend will be payable on May 6, 2013.

Gummersbach, March 14, 2013

A.S. Création Tapeten AG

Jörn Kämper

Chairman of the Managing Board

Franz Jürgen Schneider

Chairman of the Supervisory Board

CORPORATE CALENDAR**119**

March 21, 2013	Analyst presentation
May 3, 2013	Interim report for the three-month period ended March 31, 2013
May 3, 2013	Annual General Meeting of Shareholders
May 6, 2013	Dividend Payment
August 5, 2013	Interim report for the six-month period ended June 30, 2013
November 4, 2013	Interim report for the nine-month period ended September 30, 2013

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