



ANNUAL REPORT 2014 A.S. CRÉATION TAPETEN AG

A.S. CRÉATION: KEY FIGURES

		2010	2011	2012	2013	2014
Sales	€ '000	184,603	192,262	198,909	199,818	189,128
Earnings before interest and taxes (EBIT)	€ '000	14,318	9,587	15,727	10,238	3,306
Earnings before income taxes	€ '000	12,352	7,325	11,346	5,233	-5,052
Earnings after income taxes	€ '000	8,395	4,650	7,358	1,323	-9,338
Cash-flow	€ '000	19,027	14,338	19,276	16,393	6,118
Capital expenditures	€ '000	6,826	19,667	13,071	8,667	5,115
Depreciation	€ '000	10,504	9,933	9,813	9,469	9,340
Non-current assets	€ '000	64,460	67,763	68,662	63,961	54,265
Shareholders' equity	€ '000	88,789	89,553	94,839	93,473	86,891
Non-current liabilities	€ '000	39,689	43,436	40,114	37,184	32,730
Total assets	€ '000	161,625	157,327	161,748	159,067	146,162
Earnings per share	€/share	3.05	1.69	2.67	0.48	-3.39
Dividend	€/share	1.35	0.75	1.20	0.25	0.00
Number of employees (average)		772	796	820	837	822

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This English translation of the annual report 2014 is merely a convenience translation.
The German version is the prevailing one.

FOREWORD

Dear readers, dear shareholders,

2014 was a difficult fiscal year, which A.S. Création closed with a consolidated net loss of € -9.3 million, compared to a moderate consolidated net profit of € 1.3 million in the previous year. Two extraordinary effects were the main reasons for the first loss posted by the company since 1989:

- Political developments in Russia and Ukraine led to a fast depreciation of the local currencies against the euro towards the end of the year. As a result, A.S. Création's export conditions to these countries deteriorated. In addition, the depreciation of the Russian rouble led to very high exchange losses in the 2014 consolidated financial statements, as the two Russian Group companies have mostly been funded in euros.
- The penalty notice from the German Federal Cartel Office was received in February 2014, followed by the corresponding notice from the French antitrust authority in December. The maximum penalty imposed by the antitrust authorities is now known to amount to € 15.5 million. A.S. Création has appealed against the penalty notices both in Germany and in France. We will now have to develop our defence strategy together with our law-

yers in order to keep the actual damage for A.S. Création as low as possible. Due to the uncertainties generally arising from court proceedings, however, a provision of € 7.0 million has been established as a precautionary measure for potential penalty payments arising from the antitrust proceedings.

Apart from these two special factors, the declining business also had an adverse impact on the company's earnings. Sales revenues of A.S. Création declined by € 10.7 million or 5.3% from € 199.8 million in the previous year to € 189.1 million in 2014. The fact that over 50% of this reduction in sales revenues relates to Eastern European countries outside the European Union (EU) shows just how much A.S. Création is affected by the consequences of the Ukraine crisis. Wallpaper sales in the EU are also far from recovery. The French wallpaper market – A.S. Création's second most important EU market behind Germany – was below the prior year level in 2014. Countries such as the Netherlands and Belgium were still characterised by restrained consumer spending. As a result of these unfavourable conditions, some major export customers had to file for insolvency in 2014.

As announced last year, a key focus was placed on Russia in the fiscal year 2014,

although the performance of our two Russian subsidiaries during this period still fell short of expectations. While our local distribution company, A.S. Création (RUS), managed to boost its sales, the macroeconomic situation prevented it from achieving the originally projected higher growth rates. However, we are confident that the company will break even in 2015. On the one hand, the collections launched in the market in the course of 2014 have met with a good response, which should translate into sales revenues. On the other hand, A.S. Création (RUS) meanwhile has full responsibility for marketing all regular product lines produced in Germany. These collections used to be marketed exclusively by our German export department. This should make A.S. Création (RUS) much more attractive to large Russian customers. Moreover, the local management team has been expanded.

Our Russian production company, A.S. & Palitra, was unable to fully utilise both production facilities in the fiscal year 2014. Even so, we were able to significantly reduce the operating losses together with our joint venture partner, Kof Palitra. The fact that a higher pro-rated loss from the joint venture than in the previous year had to be posted in the 2014 consolidated financial statements is exclusively attributable to the exchange losses resulting from the depreciation of the rouble.

A.S. & Palitra meanwhile produces two brands:

- The "wallpaper world" brand is marketed by the factory's own sales organisation and meanwhile accounts for the biggest part of the Russian-produced product range. These wallpapers are developed by the in-house design studio of A.S. & Palitra.
- The second brand, "asc wallpaper" is developed by designers of A.S. Création in Germany in cooperation with the product management team of A.S. Création (RUS) and marketed by A.S. Création (RUS).

Together with our partner Kof Palitra we have set ourselves the objective to achieve full utilisation of the two production facilities in the course of 2015 and to generate a positive result. Our production company should benefit from the changed situation in Russia (where the depreciation of the rouble has clearly squeezed consumer income available for discretionary spending), as imports of foreign wallpapers, which used to be very popular in Russia, have become much more expensive and the proportion of domestic products in the retail stores should increase as a result.

It is difficult to predict what will happen in Russia and Ukraine in the course of 2015. At this stage, we assume that export sales to

Russia and its neighbouring countries will continue to decline sharply.

In Germany, we were able to increase our sales revenues and our market share in 2014. This positive performance is mainly attributable to the fact that A.S. Création benefited from the takeover of former Praktiker and Max Bahr branches by other DIY store operators. The restocking of these stores led to additional sales revenues for A.S. Création.

The German wallpaper market is in a phase of transformation. More and more consumers shop online and this also applies to home furnishing products such as wallpapers and is causing unrest among our retail partners. Besides the online trade, aggressive discounters are expanding their market presence by constantly opening new stores. This leads to increased price and cut-throat competition.

Going forward, the established retailers will increasingly focus on selling through all available distribution channels. A.S. Création has developed concepts that allow its retail partners to use all these channels successfully. In the field of digitalisation, we have gained a competitive edge over our competitors. Concepts such as our "wallpaper order shop" for the point of sale (POS) in the form of a modern touch screen, the "tapetenshop.de" domain, our "digital collections", the new customer log-in section and our "mobile shopping tool"

are constantly being refined and expanded. We are also thinking about the future of wallpaper selling at the POS and continue to inspire our retail partners with new ideas.

Apart from optimising the "software" side of the business, we are also working systematically on the "hardware" side. In 2014, A.S. Création developed and produced some 2,200 new articles. These new developments range from exciting licensed collections such as VERSACE, PORSCHE DESIGN and ESPRIT to successful proprietary developments by our design studio to customised products for individual customers.

In the production department, we have initiated a number of projects aimed at efficiency increases, rationalisation and quality improvements. The first successes are quite encouraging. The reject rate, for instance, was reduced in 2014 and contributed to an improvement in the gross profit margin. As these projects are continued with determination in 2015, we see considerable potential for improvements and cost savings provided that the measures developed by us are implemented successfully.

On a personal note, I will leave A.S. Création at the end of March 2016 after having spent more than 20 years with the company. My successor as Chairman of the Managing Board of A.S. Création will be Maik Krämer,

Director of Finance and Controlling, who will take over as of April 2016 and has been instrumental in the successful development of A.S. Création for the past 15 years. Board responsibility for Sales & Marketing will be assumed by Roland Bantel, who has been in charge of the DIY store segment for 17 years. To ensure that Mr Bantel can fully and swiftly familiarise himself with his new tasks, the Supervisory Board has appointed him as additional Managing Board member already with effect from April 1, 2015.

These changes will create room for young people who can assume greater responsibility. I am particularly pleased that we will implement a genuine generational change in A.S. Création's sales organisation by the end of 2015. We are currently handing over responsibility to young managers from within our company in all three distribution segments, i.e. wholesale and specialist retail, DIY stores as well as exports. Never before has A.S. Création had such a young sales management team. The average age of the three new sales managers is 31 years. I am convinced that our new management team will steer A.S. Création through these challenging times with confidence and will provide the company with fresh impulses.

The unfavourable conditions expected to prevail in 2015 will prevent significant growth for A.S. Création, as uncertainty about export

prospects to Eastern Europe, especially Russia and Ukraine, is simply too high. The Group therefore projects sales revenues of between € 175 million and € 185 million for 2015, which means that sales revenues would stagnate at best. By contrast, the earnings position of A.S. Création should improve markedly in 2015 as the company returns to profit. Although there are many imponderables with regard to the actual amount of earnings in 2015, the Managing Board is confident that a consolidated net profit will be posted and a dividend be paid for 2015. This would make the fiscal year 2014 what we consider it to be, namely an exception caused by external factors in the otherwise successful development of A.S. Création.

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 will continue to work on expanding the leading market position of A.S. Création. While 2013 and 2014 were difficult years, we are well on track. This is not least confirmed by our customers. In December 2014, leading trade magazine "BTH Heimtex" published a customer survey on "Wallpaper manufacturers in Germany – where do specialist retailers buy?", in which we are the "winner on points" and even improved our performance compared to the previous year; A.S. Création was among the top three in twelve of sixteen categories. In the previous year, this was achieved in only

nine categories. It was very gratifying to see that A.S. Création was rated so positively in categories such as friendliness, reliability of delivery, speed of delivery, sales promotion measures and future prospects. In our opinion, this is an excellent basis on which to achieve our goals.

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 2015

A handwritten signature in black ink, appearing to read 'Jörn Kämper', with a stylized flourish at the end.

Jörn Kämper

Chairman of the Managing Board

Managing Board

Jörn Kämper

Chairman

Sales and Marketing

Maik Holger Krämer

Finance and Controlling

Antonios Suskas

Production and Logistics

MANAGING BOARD AND SUPERVISORY BOARD**13****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

Jochen Müller ^{1),3)} (from May 15, 2014)

Dr. Dieter Schadt ^{1),3)} (until May 15, 2014)

Rolf Schmuck ²⁾

Employee representative

¹⁾ Member of Committee for Managing Board Matters

²⁾ Member of Audit Committee

³⁾ Member of Nomination Committee

January In the stock market, the A.S. Création share starts the new year at € 36.00.

At the "Heimtextil" exhibition in Frankfurt a. M., A.S. Création presents its new products for 2014 including the paintable "AP Pigment" wallpaper collection, which has won the Interior Innovation Award 2014. The collection is also the winner of the "AIT Trend 2014 (No.1)" contest.

A.S. Création presents the "Mobile Shopping Tool" to assist retailers in taking their wallpaper business online.

February The A.S. Création share climbs to € 40.40 on February 14 – the highest level of the year.

The German Federal Cartel Office issues penalty notices against the five largest German wallpaper manufacturers. A.S. Création Tapeten AG lodges an appeal against the penalty notice.

HIGHLIGHTS 2014

May A.S. Création organises a family day for all employees and their families to celebrate its 40th anniversary.

August Presentation of the first wallpaper collection by Werner Aisslinger, a famous, multiple award-winning designer from Berlin.

The A.S. Création share hits its low for the year at € 25.37 on August 14.

December The depreciation of the Russian rouble against the euro triggered by the Ukraine crisis reaches a (temporary) high. Because of the resulting exchange losses, A.S. Création announces a consolidated net loss for the fiscal year.

The French antitrust authority issues penalty notices against seven French wallpaper companies, including two companies of the A.S. Création Group. A.S. Création lodges an appeal against the penalty notice.

The A.S. Création share closes the year 2014 at € 26.20 on December 30.

There was one change in the composition of the Supervisory Board in 2014 compared to the previous year. Mr Jochen Müller was elected to the Supervisory Board at the Annual General Meeting of Shareholders on May 15, 2014 to replace Dr. Dieter Schadt. Having served on the Supervisory Board for many years, Dr. Schadt resigned from the Board with effect from the end of the AGM for reasons of age. The company thus continued to comply with the recommendation of the German Corporate Governance Code according to which the Supervisory Board shall include an adequate number of independent members. In the fiscal year 2014, the Supervisory Board met six times, namely on March 13, May 15 (twice), June 11, September 18 and December 18, 2014. Each of these meetings was attended by all members of the Supervisory Board.

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

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

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

REPORT OF THE SUPERVISORY BOARD

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 13, 2014. The Committee for Managing Board Matters is chaired by the Chairman of the Supervisory Board. The Committee addressed the compensation of the Managing Board members in the fiscal year 2013, and discussed looking for a successor to Mr Kämper, the Chairman of the Managing Board of AS. Création. Mr Kämper had informed the Committee for Managing Board Matters of his intention not to renew his contract, which will expire on March 31, 2016, for personal reasons.

The Audit Committee, which is primarily responsible for reviewing and auditing the financial statements and the consolidated financial statements, the interim report and the quarterly reports as well as for monitoring the effectiveness of the risk management system, met two times in the fiscal year, on March 4 and on September 17, 2014. The March meeting was

attended by representatives of the previous auditors, KPMG AG Wirtschaftsprüfungsgesellschaft, while the September meeting was attended by representatives of the newly elected auditors, Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft; both meetings were also attended 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 2013, the supervision of the accounting process, the effectiveness of the internal control system and on planning the audit for the fiscal year 2014. At its meeting on March 4, 2014, the Audit Committee dealt with the financial statements and the consolidated financial statements and, in this context, primarily addressed the effects of the anti-trust proceedings in Germany and France, the currency risks arising from the rouble exchange rate trend and the appropriateness of the valuations of the two Russian subsidiaries on the balance sheet. At its meeting on September 17, 2014, the Audit Committee also addressed the latest risk report as well as the compliance measures implemented at A.S. Création Tapeten AG. In view of the fact

that the auditors have been newly elected and will first have to familiarise themselves with the specifics of A.S. Création, the Audit Committee decided not to define a special focus for the 2014 audit. 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, held one meeting in the fiscal year, on December 18, 2014. At this meeting, the Nomination Committee consulted on the successor to Dr. Rüdiger Liebs, who had informed the Supervisory Board of his intention to resign from the Supervisory Board with effect from the end of the 2015 ordinary Annual General Meeting Shareholders for reasons of age. Based on the recommendation made by the Nomination Committee, it shall be proposed to the Annual General Meeting of Shareholders to elect Dr. Volker Hues new member of the Supervisory Board. Dr. Hues is Chief Financial Officer of Jungheinrich AG, Hamburg.

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 funda-

mental 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, 2013;
- consultation on the current state of the administrative offence proceedings initiated against the company by the German Federal Cartel Office including the risk provisions established with a view to the penalty notices received;
- discussion of the measures taken and plan-

ned to further improve the production processes;

- the sales and marketing strategy, especially in view of customers' changing buying behaviour and the growing importance of digital distribution channels;
- discussion about the current situation and organisation of the Russian joint venture, A.S. & Palitra; and the Russian distribution company, A.S. Création (RUS), especially with regard to the distribution structure chosen and the future product range and brand policy;
- discussion and consultation on how to deal with the sales revenue and earnings situation at the two Russian companies, A.S. & Palitra and A.S. Création (RUS), and how to best manage the exchange rate risks in conjunction with the Russian business activities, considering that these risks increased significantly in the course of the year;
- discussion and consultation on the financing of the Russian companies and resolution on the granting of further loans to these two companies,
- preparatory discussion of Group budgeting for the fiscal years 2015 and 2016 as well

as the capital expenditure budget for fiscal year 2015;

- preparation of the succession to Dr. Liebs,
- discussion about the recommendations and proposals of the German Corporate Governance Code, including implementation of the proposed efficiency review.

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.

The financial statements of A.S. Création Tapeten AG and the consolidated financial statements for 2014 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 Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Cologne, (Ernst & Young) and received their unqualified audit opinion.

In response to a proposal submitted by the Supervisory Board, the Annual General Meeting of Shareholders on May 15, 2014 elected Ernst & Young new auditors of the financial statements and the consolidated financial statements for the fiscal year 2014; the new auditors replace KPMG AG Wirtschaftsprüfungs-

gesellschaft, which had audited the financial statements and the consolidated financial statements of A.S. Création Tapeten AG since 2004. The Supervisory Board is of the opinion that the company should subject itself to the critical view of a new auditor.

The auditor for the financial year 2014 was commissioned by the Supervisory Board on the basis of the results of the invitation to tender in 2013 for the audit of the financial statements and the consolidated financial statements for the fiscal year 2014 and the subsequent resolution adopted on December 12, 2013. 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 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 3, 2015 and

at the Supervisory Board's annual accounts meeting on March 16, 2015. 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 can be identified and are recorded by the risk management system implemented in accordance with Article 91 (2) of the German Stock Corporation Act (Aktiengesetz AktG) and are properly presented in the management report of A.S. Création Tapeten AG and the Group management report. The results of the audit were approved by the Audit Committee and the Supervisory Board.

No objections were raised following the Supervisory Board's own review of the financial statements, the consolidated financial statements, the two management reports 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, 2014. The financial statements are therefore adopted. The Supervisory Board also supports the Managing Board's profit appropriation proposal.

In accordance with the corresponding recommendation of the German Corporate Governance Code, the Supervisory Board members of A.S. Création Tapeten AG immediately disclose any conflicts of interest to the Supervisory Board. There were no potential conflicts of interest in the fiscal year which would have had to be disclosed to the Supervisory Board and be reported to the Annual General Meeting of Shareholders.

In response to the changes that will result from the departure of Mr Kämper on March 31, 2016, the Supervisory Board, at its meeting on March 16, 2015, appointed Mr Roland Werner Bantel additional member of the Managing Board with effect from April 1, 2015, based on the corresponding recommendations made by the Committee for Managing Board Matters. Mr Bantel joined A.S. Création in 1997 and is responsible for the DIY stores segment. Until March 31, 2016, Mr Bantel will share responsibility for Sales and Marketing with Mr Kämper and assume sole responsibility as of April 1, 2016. The Supervisory Board intends to appoint Mr Maik Holger Krämer, Director of Finance and Controlling, new Chairman of the Managing Board with effect from April 1, 2016.

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 16, 2015



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 Com-

mission on June 24, 2014. The current version of the Code can be viewed at www.dcgk.de/en/.

While the cross-industry and cross-company recommendations and suggestions of the Code are not binding, Article 161 of the German Stock Corporation Act (Aktiengesetz AktG) and Article 285 (16) of the German Commercial Code (Handelsgesetzbuch HGB) require an annual declaration by the Managing Board and the Supervisory Board in connection with the publication of the financial statements as to which recommendations of the Code have been and are being complied with and which recommendations have not been and are not being applied ("declaration of conformity"). The latest declaration of conformity issued by the Managing Board and the Supervisory Board of A.S. Création Tapeten AG can be found below.

The Managing Board and the Supervisory Board of A.S. Création Tapeten AG consider the recommendations and suggestions of the Code 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 16, 2015 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 13, 2013 in the period from March 13, 2014 to June 24, 2014, save for the exceptions listed in last year's declaration of conformity dated March 13, 2014, and has since complied with the German Corporate Governance Code as amended on June 24, 2014 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 the following members, whose individual and collective responsibilities are regulated by the rules of internal procedure:

- Jörn Kämper (Chairman),
Sales and Marketing
- Maik Holger Krämer,
Finance and Controlling

- Antonios Suskas,
Production and Logistics

The tenure of the current Board members will end on March 31, 2016. Mr Kämper has informed the Supervisory Board that he will not renew his expiring contract. In response to these upcoming changes, the Supervisory Board has appointed Mr Roland Werner Bantel as additional member of the Managing Board with effect from April 1, 2015. Until March 31, 2016, Mr Bantel will share responsibility for Sales and Marketing with Mr Kämper. The Supervisory Board intends to appoint Mr Krämer new Chairman of the Managing Board with effect from April 1, 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
- Jochen Müller
- Peter Mourschinetz,
employee representative
- 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. Dr. Liebs informed the Supervisory Board

of his wish to resign from the Supervisory Board at the end of the 2015 ordinary Annual General Meeting of Shareholders for reasons of age. It shall therefore be proposed to the Annual General Meeting of Shareholders to elect Dr. Volker Hues new Supervisory Board member. Dr. Hues is Chief Financial Officer of Jungheinrich AG, Hamburg.

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 Mr Müller
- the Audit Committee
Members: Dr. Liebs (Chairman), Mr Schneider and Mr Schmuck
- the Nomination Committee
Members: Mr Schneider (Chairman), Ms Benner-Heinacher and Mr Müller.

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 within the limits of what is legally permissible. The individual tasks and powers are laid down in the rules of internal procedure of the Supervisory Board which also ensure that the 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.

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.

Shares held by the Managing Board and the Supervisory Board

As of the balance sheet date, members of the Managing Board held 4,983 shares, while

members of the Supervisory Board held 886,046 shares in A.S. Création Tapeten AG. The Managing Board and the Supervisory Board thus hold 29.70% of the share capital of A.S. Création Tapeten AG.

Accounting and audit

The consolidated financial statements and the consolidated interim financial statements of A.S. Création Tapeten AG are prepared by the Managing Board on the basis of the International Financial Reporting Standards (IFRS) as adopted by the European Union. The financial statements of A.S. Création Tapeten AG are prepared in accordance with the German Commercial Code (Handelsgesetzbuch HGB). The consolidated financial statements and the financial statements are audited by the auditors and the Supervisory Board. The consolidated interim financial statements are neither audited nor reviewed by the auditors but are discussed by the Managing Board and the Audit Committee prior to their publication.

The General Meeting of Shareholders of the year 2014 elected Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Cologne, (Ernst & Young). Prior to the election, Ernst & Young issued a statement of independence as recommended by the German Corporate Governance Code. This statement has not given rise to any

doubt about the independence of Ernst & Young as an auditor. It was contractually agreed with the auditor that the Supervisory Board would be informed immediately of

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

Transparent corporate communication

Open and transparent corporate communication is an important aspect of good corporate governance. Apart from clear and comprehensible contents, this aspect also calls for all stakeholders to have equal access to company information. A.S. Création attaches great importance to the Internet as an information medium that is freely accessible irrespective of time and place. The website of A.S. Création (www.as-creation.com) 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 16, 2015

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. General corporate information

The A.S. Création Group comprises two Divisions (segments), the Wallpaper Division and the Furnishing Fabrics Division. The Wallpaper Division produces and markets wallpapers and borders on a global scale; accounting for approx. 93% of 2014 Group sales, it is the larger of the two Divisions. The wallpapers are primarily produced in Germany at A.S. Création Tapeten AG and – since the end of 2012 – in Russia at OOO A.S. & Palitra. The other entities that form part of the Wallpaper Division are pure sales and trading companies without their own production facilities. They are based in the UK, the Netherlands, France and Russia. The Furnishing Fabrics Division markets curtains and furnishing fabrics and has no manufacturing resources of its own. The two entities of this division are headquartered in Germany. The corporate structure remained unchanged from the previous year.

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

as a percentage of total output) and personnel expenses as a percentage of total output play an important function in managing and controlling operations.

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

The most important output markets of A.S. Création are in Europe. In the fiscal year 2014, the countries of the European Union (EU) accounted for 76.5% of the Group's gross sales revenues (previous year: 74.1%), while non-EU Eastern European countries accounted for 16.4% (previous year: 18.2%). Representing 38.0% (previous year: 34.8%), Germany is the company's single most important market.

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

furnishing fabrics also qualify as consumer goods. A.S. Création thus operates in consumer goods markets which are influenced by colour and design trends and by the general trend in private consumption.

Given that wallpapers and furnishing fabrics are not technical products but fashion-driven products, the research and development activities of A.S. Création primarily focus on the development of new designs. In the fiscal year 2014, the company spent € 2.6 million (previous year: € 2.8 million) in these creative activities. These expenses are not capitalised as the criteria of IAS 38 are not met.

2. Economic report

2.1. Macroeconomic environment

The eurozone's gross domestic product increased by 0.8% in 2014. After the previous declines of 0.6% in 2012 and 0.4% in 2013, this economic recovery is very good news. Against the background of the deep recession in which the eurozone was caught during the 2008/2009 financial crisis, this upward trend is much too weak, however, as eurozone GDP has not yet reached pre-crisis level again. On the upside, the jobless rate dropped to 11.6% in 2014 – having hit 12.0%, the highest level since the inception of the common currency area, in the previous year. This was probably one reason for the improved consumer climate,

which was reflected in an 0.9% increase in private consumption in the eurozone in 2014, compared to a decline by 0.6% in the previous year. This trend was supported by the slump in the oil price, as the lower energy costs brought relief to private households. While the corporate sector also benefited from these developments, it was adversely affected by the Ukraine crisis at the same time. The depreciation of important Eastern European currencies against the euro and the economic sanctions imposed by the west put a damper on exports. Accordingly, companies' spending propensity declined materially in the course of 2014; consequently, spending on plant and equipment was up by only 1% on the low level of the previous year. There are still no signs of a sustainable acceleration in economic growth in the eurozone.

The optimistic growth forecasts published for Germany for 2014 had to be downgraded in the course of 2014, as the German economy lost momentum, especially in the second half of the year. Full-year GDP in 2014 was nevertheless up by 1.5% on the previous year, which had seen only marginal growth of 0.1%. This development was largely supported by capital spending on plant and equipment, which exceeded the prior year level by 3.1% and led to a moderate improvement in employment. As a result, the jobless ratio declined from 6.9% in the previous year to 6.7% in 2014. With the consumer climate in Germany also

better than in the rest of the eurozone in 2014, which is why consumer spending was up by 1.1% on the previous year.

With the gross domestic product growing by 0.6%, economic growth in Russia – A.S. Création's most important output market in Eastern Europe – came almost to a standstill in 2014. Besides the economic sanctions imposed on Russia in the context of the Ukraine crisis, the Russian economy, still dominated by commodity-based, export-oriented sectors, primarily suffered from the low oil price. On the other hand, the dramatic depreciation of the Russian rouble against the US dollar and the euro made imports much more expensive; this was increasingly reflected in rising inflation, among other things, in the course of 2014. The inflation rate for the full year 2014 reached 7.9% (previous year: 6.8%). In this negative environment prevailing in 2014, capital spending declined by 3.6%, while consumer spending, a driver of the Russian economy in the past, was up by only 2.0% on the prior year level (previous year: 4.7%).

Prices in the international commodity and energy markets declined in 2014. According to the Hamburg Institute of International Economics (HWWI), global commodity and energy prices, having already declined by 5.1% in 2013, dropped by another 7.0% on a euro basis in 2014. This was primarily due to the sharp drop in the oil price, which fell from

between USD 105 and 110 in the first half of 2014 to approx. USD 46 dollar at the end of the year. This represents a reduction by over 50%. This slump was the result of the excess supply in the international oil market; the sharp increase in oil production resulting from the heavy use of fracking in the USA was not offset by commensurately higher demand due to the weaker economy. The downward trend in commodity and energy prices also benefited A.S. Création in 2014, although the decline in the prices of the raw materials used by A.S. Création was much lower.

2.2. Industry-specific environment

Every year since the 2009 financial and economic crisis, the members of the Association of German Wallpaper Manufacturers (VDT) had been able to increase their sales revenues. This positive trend came to a (temporary) end in 2013, when the VDT members recorded a 4.1% decline in sales revenues. This downward trend unfortunately continued in 2014, when the industry suffered another 6.5% drop in revenues.

As the export markets play an important role for German wallpaper manufacturers – about two thirds of their sales revenues are generated outside Germany – the German wallpaper industry suffered particularly strongly from the adverse economic conditions prevailing in the main foreign markets in 2014.

This negative trend is primarily attributable to the poorer export possibilities to Russia and Ukraine resulting from the Ukraine crisis and the depreciation of the local currencies against the euro. Accordingly, export sales declined at a much higher rate (9.3%) than domestic sales, which were down by only 0.6% on the previous year in 2014.

2014 was a disappointing year for German wallpaper manufacturers also for another reason. While wallpaper sales had often shown a much more positive trend than consumer spending in the past years, the VDT members were unable to benefit from growing consumer spending in 2014.

A 5.7% decline in the Wallpaper Division's sales revenues from € 186.5 million in the previous year to € 175.9 million in 2014 means that A.S. Création performed more or less in line with the German wallpaper industry as a whole and was able to defend its own high market share in 2014.

The renewed drop in sales revenues in 2014 has dashed hopes of a quick recovery of the German wallpaper industry from the slump in revenues of the year 2009. The Managing Board assumes that this also applies to other Western European wallpaper manufacturers, which means that there are material overcapacities on the production side in Western Europe. The unused production capacity has

led to fierce price competition, thereby intensifying the consolidation pressure in the wallpaper industry. The Managing Board expects this trend to continue.

While the year 2013 was marked by a sharp decline in sales revenues, the latest figures published by the Association of German Home Textiles Manufacturers for the first ten months of 2014 show an increase of close to 3% in sales of furnishing fabrics/curtains. This growth was exclusively achieved in foreign markets, whereas domestic demand again remained below the prior year level. However, the moderate improvement in the industry-specific framework conditions of the Furnishing Fabrics Division has not led to a fundamental change in the market situation. Right on the contrary, the industry remains in an ongoing consolidation process on the supplier side. In this competitive environment, the Furnishing Fabrics Division has been among the successful market players for years. In the fiscal year 2014, the Division held its revenues steady at € 13.6 million (previous year: € 13.6 million) and clearly improved its profitability.

2.3. Overview of the business trend

The performance of A.S. Création in 2014 – the 40th fiscal year in the history of the company – was clearly adversely affected by the overall economic environment. In contrast to the previous years, A.S. Création was not able

to isolate itself from the negative developments and consequently failed to reach the ambitious targets set for 2014. At € 189.1 million (previous year: € 199.8 million), Group sales revenues for the fiscal year 2014 fell clearly short of the projected € 205 million to € 215 million. There were two main reasons why the company failed to meet the sales projections:

- The effects of the Ukraine crisis led to an unexpected drop in Group sales revenues in non-EU Eastern European countries. Wallpaper exports to Russia and Ukraine, A.S. Création's most important output markets in this region, dropped sharply. Private households' declining consumption propensity in combination with the depreciation of the local currencies against the euro led to lower demand for A.S. Création's German-made wallpapers. At the same time, the Russian distribution company, A.S. Création (RUS), clearly increased sales of Russian-made wallpapers. However, this revenue growth was not sufficient to offset the reduced export sales.
- Several wallpaper markets within the EU, especially the French market, were in unexpectedly poor shape in 2014. It is only thanks to the very positive revenue growth in Germany that Group sales revenues in the EU were only slightly below the prior year level in 2014.

Besides the unsatisfactory sales situation, earnings were also disappointing in the fiscal year 2014. While the company had reported a consolidated net profit after taxes of € 1.3 million in the previous year, it had to post the first consolidated net loss after taxes since 1989 in the fiscal year 2014, at € -9.3 million. This means that the company missed its projections of strong after-tax profit growth by a wide margin. However, these profit projections had explicitly been based on the assumption that the Russian rouble would not depreciate materially against the euro until the end of 2014 and that no significant burdens exceeding the provisions of € 2.0 million would arise from the antitrust proceedings. Both assumptions failed to materialise. Right on the contrary:

- The rouble exchange rate climbed from RUB/€ 44.97 to RUB/€ 68.34 in the course of 2014, which is equivalent to an appreciation of the euro against the rouble (or a depreciation of the rouble against the euro) of 52.0%. Exchange losses totalling € 10.4 million (previous year: € 2.1 million) weighed on the Group's profit after taxes in 2014.
- After the French antitrust authorities issued penalty notices against companies of the A.S. Création Group in December 2014, the provision established for risks from

the antitrust proceedings in Germany and France was increased from € 2.0 million to € 7.0 million as of December 31, 2014 as a precautionary measure. This shaved off € 5.0 million (previous year: € 2.0 million) from the consolidated earnings after taxes for the fiscal year 2014.

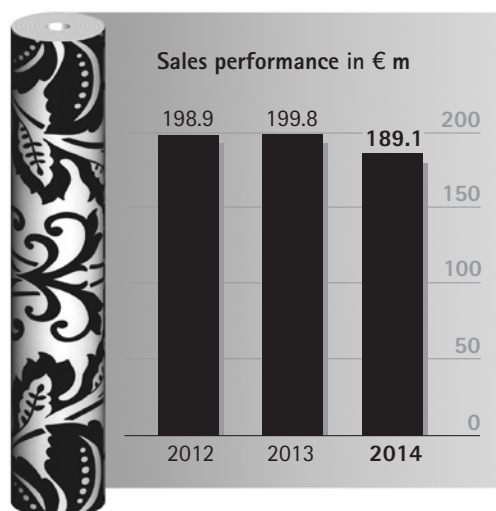
Adjusted for these two extraordinary effects, A.S. Création would have posted a profit after taxes of € 6.1 million for the anniversary year 2014 and would thus have achieved the projected material increase on the previous year's € 1.3 million. But this is merely hypothetical, as the actual figures show that this target has not been reached. Consequently, the Managing Board is not satisfied with the fiscal year 2014.

3. Net asset, financial and earnings position

3.1. Earnings position

3.1.1. Sales revenues

A.S. Création's sales revenues declined by € 10.7 million or 5.3% from € 199.8 million in the previous year to € 189.1 million in the fiscal year 2014. An amount of € 2.0 million of this decline is due to changes in exchange rates, especially of the Russian rouble against the euro, which means that sales revenues are



down on the previous year also in exchange rated-adjusted terms.

The reduction in revenues in the fiscal year is attributable to the Wallpaper Division, whereas the Furnishing Fabrics Division's sales revenues held steady at the prior year level of € 13.6 million (previous year: € 13.6 million), which is a positive achievement in a difficult market environment. By contrast, the Wallpaper Division's 5.7% decline in sales revenues from € 186.5 million in the previous year to € 175.9 million in the fiscal year is not satisfactory at all, all the less so as the projections for 2014 had assumed a strong increase in revenues.

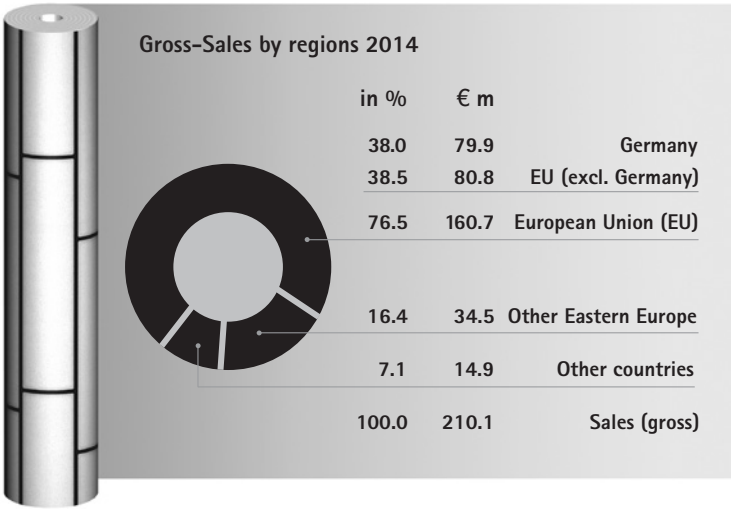
The analysis of A.S. Création's sales revenues shows that the company recorded declining revenues in all regions – except Germany – in 2014. This clearly contrasted with the Mana-

ging Board's expectations for the fiscal year 2014, according to which sales revenues were to increase in all regions, especially in Eastern Europe. This means that the sales target of € 205 million to € 215 million projected for 2014 was missed by a wide margin.

Above all, the Ukraine crisis clearly left its marks on A.S. Création's sales revenues. At € 34.5 million, gross sales revenues in non-EU Eastern European countries were down € 5.6 million or 14.0% on the previous year's € 40.1 million. Wallpaper exports to Russia and the Ukraine, A.S. Création's most important output markets in the region, dropped sharply. Declining consumption propensity of private households combined with the depreciation of the local currencies against the euro led to reduced demand for A.S. Création's German-made wallpapers. The depreciation of the local

currencies made imports more expensive for local customers, making the wallpapers exported from Germany to Russia or Ukraine less competitive. This led to increased demand for locally produced wallpapers. This was one of the reasons why the Russian distribution company, A.S. Création (RUS), was able to raise its sales of locally produced wallpapers significantly in 2014. However, the level of sales revenues achieved by A.S. Création (RUS) was not sufficient to offset the reduced export sales, which means that A.S. Création's total Group sales revenues in this region declined.

At € 160.7 million, gross revenues in the EU were down by 1.5% on the previous year's € 163.2 million. This slight decline is the result of two opposite developments. The sales trend in Germany was positive, as A.S. Création benefited from the takeover of the former Praktiker and Max Bahr stores by other DIY store operators. The restocking of these stores contributed significantly to the 4.1% increase in domestic gross revenues posted by A.S. Création in the fiscal year 2014. Outside the DIY store segment, i.e. in the wholesale and specialist retail segment, A.S. Création generated only moderately higher sales revenues, however. The situation in the rest of the EU was quite different from the situation in Germany, with A.S. Création recording a 6.5% drop in sales revenues in the fiscal year. This was primarily due to the very poor state of the French (wallpaper) market, which is A.S. Création's second



most important market behind Germany. The year 2014 saw a renewed contraction in the market volume as well as continued consolidation in the sector and a large French retail chain specialising in wallpapers filed for insolvency in September 2014.

Unlike the previous years, 2014 saw no growth impulses coming from the roughly 70 other countries in which A.S. Création generates sales revenues. Right on the contrary, gross revenues in these countries were down by 12.1% on the previous year, with A.S. Création recording lower demand for wallpapers especially in Asia and in the Middle East.

Considering that the decline in sales revenues in 2014 is not attributable to individual countries but affected many regions, 2014 was certainly not a "wallpaper year" in the eyes of the Managing Board. Even the positive sales trend in Germany is primarily due to the extraordinary effects in the DIY store segment described above, meaning that the 4.1% increase in revenues in 2014 should be seen in conjunction with the sharp drop of 6.3% in 2013, which puts it in more relative terms. Overall, the Managing Board is not satisfied with the sales revenues generated in the fiscal year 2014.

As a result of the above-described sales trends in the regions, the breakdown of sales revenues changed in the fiscal year 2014. Because of the sharp drop in sales revenues in non-EU

Eastern European countries resulting from the Ukraine crisis, the region's importance for A.S. Création's Group revenues has declined markedly. In the fiscal year, the company generated only 16.4% (previous year: 18.2%) respectively € 34.5 million (previous year: € 40.1 million) of its gross revenues in this region. A comparison with the figures reported prior to the financial crisis and the Ukraine crisis reflects the massive changes that took place over the past years. In the fiscal year 2008, gross revenues generated in non-EU Eastern European countries represented 30.7% or € 58.9 million of A.S. Création's total gross revenues.

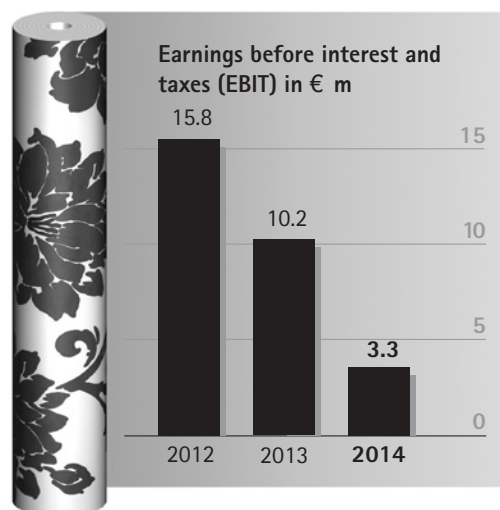
The percentage of gross revenues generated in Germany increased from 34.8% in the previous year to 38.0% in 2014. As a result, the percentage of gross revenues generated in the EU rose from 74.1% in 2013 to 76.5% in the fiscal year, which shows that A.S. Création's Group sales revenues clearly focus on the EU.

In spite of the different sales trends in the two Divisions, the breakdown of Group sales revenues by Divisions did not change materially in 2014. The Wallpaper Division accounted for € 175.6 million or 92.8% (previous year: € 186.3 million or 93.3%) of total Group sales in the amount of € 189.1 million (previous year: € 199.8 million), while the Furnishing Fabrics Division accounted for € 13.5 million or 7.2% (previous year: € 13.5 million or 6.7%).

3.1.2. Earnings

A.S. Création posted earnings before interest and taxes of only € 3.3 million for the fiscal year 2014, which represents a decline by 67.7% from the previous year's € 10.2 million. As a result, the EBIT margin dropped to 1.7% (previous year: 5.1%), the lowest level since the adoption of IFRS in 1998. This means that the notable improvement in EBIT and the EBIT margin projected in last year's outlook for the fiscal year 2014 was not achieved. However, the Managing Board had explicitly based this forecast on the assumption that no significant burdens exceeding the provisions of € 2.0 million would arise from the antitrust proceedings and that the Russian rouble would not depreciate materially against the euro until the end of 2014. As outlined in paragraph 2.3 ("Overview of the business trend"), both assumptions failed to materialise. These extraordinary effects, which may not be stated separately from EBIT according to IFRS, should be taken into account when analysing the poorer earnings position of the fiscal year 2014.

The above-described decline in Group sales revenues by € 10.7 million or 5.3% from the previous year's € 199.8 million to € 189.1 million in the fiscal year obviously weighed on A.S. Création's bottom line. Due to the reduction in sales, the sales process contributed



clearly lower earnings compared to the prior year. As a result, gross profit, at € 93.5 million, was down by € 3.5 million on the previous year's € 97.0 million.

As the cost of materials is the most important expense item in the income statement of A.S. Création, the gross profit margin (gross profit as a percentage of total output) is one of the key indicators to assess the trend in earnings before interest and taxes. This indicator improved from 48.3% in the previous year to 50.1% in the fiscal year 2014. This very positive trend partly offset the reduced contribution to earnings made by the lower sales revenues. The following factors contributed to the improved gross profit margin:

- **Reduction in inventories**
Inventories were reduced by € 2.6 million

in the course of 2014, compared to an increase in inventories by € 1.0 million in the previous year. The sale of the products resulted in gains which had a positive impact on the gross profit margin.

- **Reduced reject rate**

In the course of 2014, A.S. Création Tapeten AG was able to reduce the reject rate to new record lows. This had a positive impact on material consumption and the gross profit margin.

- **Declining procurement costs**

In 2014, A.S. Création benefited from the general decline in global commodity and energy prices described in paragraph 2.1 ("Macroeconomic environment"), as it reduced the production costs of the wallpapers produced by the company.

- **Reduced write-downs of inventories**

In the previous year, the more basic wallpaper range marketed by A.S. Création (RUS) during the start-up phase of production could not be sold in the planned quantities and at the anticipated prices. The company therefore had to offer price discounts to sell these goods in 2013 and write down the remaining inventories, which had an adverse impact on the gross profit margin. These adverse impacts were much lower in the past fiscal year. More-

over, the reduction in inventories, also outside Russia, led to lower write-downs than in the previous year.

The Managing Board is satisfied that these effects helped to partly offset the negative effects of the increased price competition in both the Wallpaper Division and the Furnishing Fabrics Division. As described above, however, gross profit from the sales process fell € 3.5 million short of the level required to cover the other expense items.

Personnel expenses, the second most important expense item in A.S. Création's income statement behind the cost of materials, were reduced by 4.1% or € 1.9 million from € 45.1 million in the previous year to € 43.2 million in the fiscal year 2014. In response to the declining revenues and the poorer earnings position, most temporary employment contracts expiring in 2014 were not renewed and retiring employees were replaced with existing staff. Redundancies were required only in a few exceptional cases. As a result of these measures, the average headcount declined from 837 in the previous year to 822 in 2014, thereby contributing to the above-mentioned reduction in personnel expenses. The lower personnel expenses are also attributable to the decline in the performance-linked compensation components resulting from the reduced earnings posted for the

fiscal year. By contrast, personnel expenses were adversely affected by the collectively agreed pay rises in 2013 and 2014, which increased the wages and salaries of most domestic employees in 2014. On balance, the 4.1% reduction in personnel expenses in 2014 contrasted with a 7.1% decline in total output. Accordingly, personnel expenses as a percentage of total output deteriorated in the fiscal year to a disappointing 23.2% (previous year: 22.5%).

Other operating expenses showed a rather unusual trend in the fiscal year 2014, as they increased by € 5.4 million or 16.7% from € 32.5 million in the previous year to € 37.9 million in spite of the reduced total output. When analysing this trend, one should take into account two special factors which adversely influenced other operating expenses in 2014. On the one hand, the rouble exchange rate climbed from RUB/€ 44.97 on December 31, 2013 to RUB/€ 68.34 on December 31, 2014; this is equivalent to an appreciation of the euro against the rouble (or a depreciation of the rouble against the euro) of 52.0%. As A.S. Création (RUS) is funded in euros, this exchange rate trend led to translation-related exchange losses. Total exchange losses of € 4.5 million (previous year: € 0.6 million) weighed on A.S. Création's earnings before interest and taxes in 2014. On the other hand, the provision for risks from the anti-

trust proceedings in Germany and France was increased by € 5.0 million (previous year: € 2.0 million) in the fiscal year. The details are outlined in paragraph 7.2.5. ("Risks from antitrust proceedings"). In accordance with IFRS, this extraordinary expense is included in other operating expenses and thus reduces earnings before interest and taxes. Adjusted for these exchange losses and the risk provision for the antitrust proceedings, other operating expenses declined by € 1.5 million from € 29.9 million in the previous year to € 28.4 million in the fiscal year 2014. This reduction reflects the cost-savings implemented in this area and announced by the Managing Board for 2014. A further improvement in other operating expenses was prevented by an increase in write-downs on trade receivables. The difficult macroeconomic situation led to financial problems for some customers, who even had to file for insolvency in exceptional cases. This increased A.S. Création's need for write-downs, which were up by € 0.7 million on the previous year.

Between them, the above effects led to the before-mentioned 67.7% or € 6.9 million decline in earnings before interest and taxes from € 10.2 million in the previous year to € 3.3 million in the past fiscal year. Adjusted for the above significant extraordinary effects – increased exchange losses and higher provision for risks from the antitrust proceedings –

earnings before interest and taxes were exactly on a par with the previous year at € 12.8 million (previous year: € 12.8 million) and the EBIT margin improved moderately from 6.4% in 2013 to 6.8% in the fiscal year. Against the background of the € 10.7 million decline in sales revenues in 2014, this means that A.S. Création performed very well in a challenging fiscal year from a purely operational point of view. But the bottom line are actual results, not adjusted results. This is why the Managing Board is not satisfied with the earnings position in the fiscal year 2014.

The translation-related exchange losses resulting from the dramatic depreciation of the Russian rouble against the euro also had a strongly adverse impact on earnings of the Russian production company, A.S. & Palitra, in the fiscal year 2014. Given that A.S. Création Tapeten AG and the second shareholder, Kof Palitra, each hold 50% in this company, the Russian production company is accounted for using the equity method, i.e. the share in earnings after taxes of the joint venture that is attributable to A.S. Création is recognised in the consolidated financial result. A.S. Création's pro-rated loss increased by € 3.9 million from € -4.3 million in 2013 to € -8.2 million in the fiscal year 2014. This deterioration in earnings is exclusively attributable to the exchange losses, which represent € -6.8 million of the pro-rated loss after taxes in the fiscal year

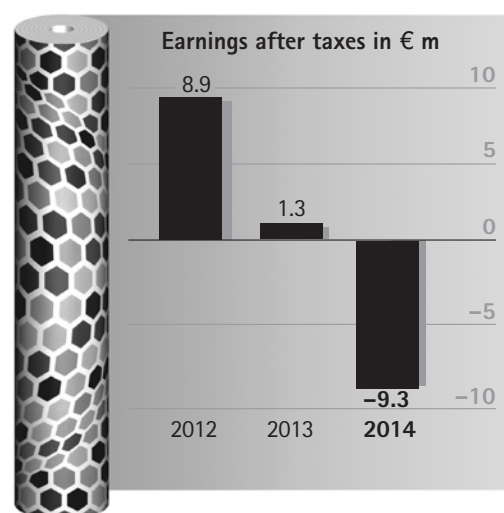
(previous year: € -1.6 million). Adjusted for the translation-related exchange losses, the pro-rated start up losses were reduced from € -2.7 million in the previous year to € -1.4 million in the fiscal year 2014. This reflects the success achieved by A.S. & Palitra in improving the utilisation of its own production capacity and the continued upskilling of its workforce. A further reduction in the start-up losses in 2014 was prevented by the adverse effects imposed on the gross profit margin in the form of the much more expensive commodity imports. With the quality of the raw materials for wallpaper production made in Russia not (yet) being sufficient, A.S. & Palitra – and its main competitors – source most of the required materials from Western Europe. As a result of the depreciation of the Russian rouble against the euro, these imported materials became much more expensive, especially in the second half of the fiscal year 2014. On balance, however, the Managing Board of A.S. Création is of the opinion that the Russian production company is well on track to break even.

The increased losses posted by the Russian production company are the main reason for the decline in A.S. Création's financial result from € -5.0 million in the previous year to € -8.4 million in 2014. This overshadows the very positive trend in net interest expense (difference between interest expenses and

interest income), which shrank from € -0.7 million in the previous year to € -0.1 million due to the sharp drop in net financial liabilities.

Earnings before interest and taxes and the financial result led to a loss before taxes of € -5.1 million in the fiscal year, compared to a profit before taxes of € 5.2 million in the previous year.

In spite of the loss before taxes, income tax in the amount of € 4.3 million (previous year: € 3.9 million) was incurred in the fiscal year 2014, leading to the unusual effect that the loss after taxes, at € -9.3 million (previous year: earnings after taxes of € 1.3 million), is higher than the loss before taxes. This is mainly due to the fact that earnings before taxes of the fiscal year 2014 include expense items of € 13.2 million (previous year: € 6.3 million), in the form of the pro-rated losses of the Russian joint venture accounted for using the equity method and the provisions for the risks from the antitrust proceedings, which do not lead to a reduction in the tax assessment base. Adjusted for these non-deductible expense items, the taxable earnings for the fiscal year amounted to € 8.1 million (previous year: € 11.5 million). In addition, deferred tax assets totalling € 1.4 million (previous year: € 0.0 million) for losses carried forward were value-adjusted or not recognised in order to reflect the increased planning uncertainty resulting from the current macroeconomic environment.



Based on the number of shares outstanding, which remained unchanged at 2,756,351 in 2014, earnings per share amounted to € -3.39 (previous year: € 0.48).

3.1.3. 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 about 45%. This means that the dividend policy of A.S. Création is characterised by continuity and reliability.

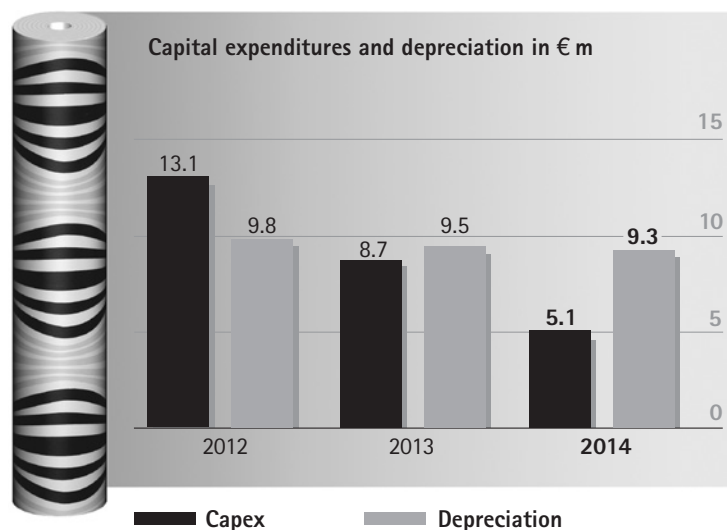
The fixed payout ratio means that the absolute amounts of the dividend payments are not smoothed over time but increase or decrease in line with earnings. Paragraph 3.1.2. ("Earnings") explains in detail that a loss was po-

sted for the fiscal year 2014. In keeping with the dividend policy, this loss for the year 2014 will lead to a cancellation of the dividend. It will therefore be proposed to the Annual General Meeting of Shareholders scheduled for May 7, 2015 not to pay out a dividend for the fiscal year 2014. Although this means that no dividend will be paid for the first time since the 1998 IPO, the Managing Board is convinced that this approach is in the long-term, sustainable interest of the company.

3.2. Financial position

3.2.1. Capital expenditures

At € 5.1 million, capital expenditures in the fiscal year 2014 were down by € 3.6 million on the previous year's € 8.7 million. This decline is primarily due to the fact that A.S. Création had to make available an amount of only € 0.6 million (previous year: € 3.0 million) in the form of shareholder loans to finance the joint venture, A.S. & Palitra, in the reporting period. These long-term loans are stated as capital expenditures in the consolidated financial statements of A.S. Création. Since the foundation of A.S. & Palitra in 2008, the investments made by the two shareholders have added up to € 40.6 million, of which € 20.3 million relates to A.S. Création. Adjusted for the financing of the joint venture, capital expenditures in the fiscal year 2014 amounted to € 4.5 million, down € 1.2



million on the previous year's € 5.7 million and primarily related to printing tools for the new wallpaper collections as well as to replacement investments. As in the previous year, no major investments in new plant capacity were required.

As of the balance sheet date, the company had financial obligations from order commitments for investments in tangible fixed assets in the amount of € 0.6 million (previous year: € 0.2 million).

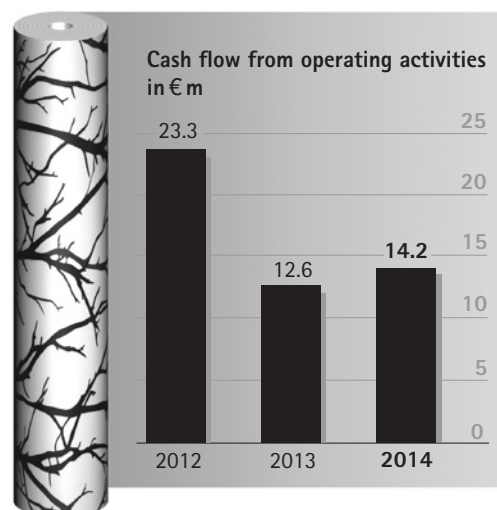
3.2.2. Cash flow statement and net financial liabilities

A.S. Création's high internal financing strength did not suffer from the poorer earnings position in the fiscal year 2014. Right on the contrary: While consolidated net profit declined by € 10.6 million from € 1.3 million in the previous year to € -9.3 million in the fiscal

year 2014, cash flow from operating activities rose by € 1.6 million from the previous year's € 12.6 million to € 14.2 million. This increase in cash flow from operating activities is primarily attributable to two factors:

- Consolidated net profit for the year 2014 was affected by much higher non-cash expenses than the net profit for the previous year; neither the € 3.9 million increase in the pro-rated loss of the A.S. & Palitra joint venture, which is accounted for using the equity method, nor the € 3.0 million increase in the provision for risks from the antitrust proceedings led to an outflow of funds in the fiscal year 2014.
- In 2014, inventories were reduced by € 3.2 million, especially at A.S. Création Tapeten AG, whereas additional capital of € 2.2 million was tied up in inventories in the previous year. The imputed inventory turnover remained almost unchanged at 4.2 per year (previous year: 4.3), however, due to the decline in sales revenues in the fiscal year 2014.

The increased cash flow from operating activities contrasted with lower financing requirements in the past fiscal year. On the one hand, capital expenditures in 2014 were down by € 3.6 million on the previous year, as outlined above. On the other hand, the dividend of



€ 0.7 million paid out in May 2014 was € 2.6 million lower than the prior year dividend of € 3.3 million due to the much lower consolidated net profit for the fiscal year 2013.

In spite of the reduced earnings, A.S. Création was thus able to further reduce its net financial liabilities (difference between interest-bearing financial liabilities and cash and cash equivalents as well as current financial assets) in the fiscal year 2014. They declined from € 20.3 million on December 31, 2013 by € 8.4 million to € 11.9 million on December 31, 2014. This overall improvement is composed of a € 6.2 million reduction in interest-bearing financial liabilities and a € 2.2 million increase in cash and cash equivalents and current financial assets. As a result, A.S. Création's cash and cash equivalents and current financial assets totalled € 8.8 million as of the balance sheet date (previous year: € 6.6 million).

3.2.3. Balance sheet structure

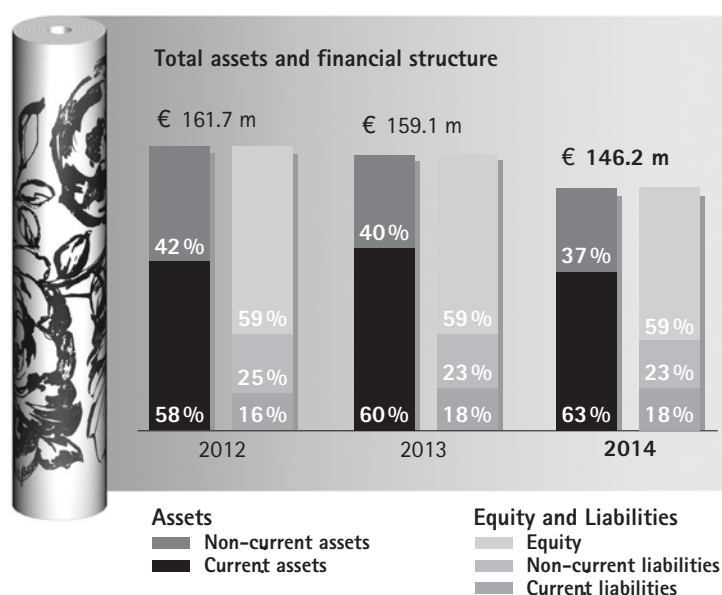
A.S. Création's conservative financing policy is characterised by long-term debt at fixed interest rates as well as by repayments during the term of the loans and has proven its worth especially in the financial crisis. In the past years, A.S. Création did not face a reduction in credit lines or had 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:

- Due to the loss incurred in the fiscal year 2014, equity declined to € 86.9 million as of December 31, 2014 (previous year: € 93.5 million). As total assets decreased at the same time, the equity ratio stayed at a high level of 59.4% (previous year: 58.8%).
- Equity and long-term debt capital are more than sufficient to finance non-current assets. As of December 31, 2014, the respective ratio stood at 220.4% (previous year: 204.3%), which means that the "golden rule of financing" was more than fulfilled.
- The debt to equity ratio (net financial liabilities divided by equity) stood at a low

13.7% on December 31, 2014 (previous year: 21.7%).

- At 1.9 years (previous year: 1.2 years), the debt repayment period (the quotient of net financial liabilities and cash flow) also reached a very good level in the past fiscal year.

As of December 31, 2014, the Group's total assets amounted to € 146.2 million (previous year: € 159.1 million), of which 82.3% (previous year: 80.0%) related to property, plant and equipment, inventories, trade receivables, current financial assets as well as cash and cash equivalents. By contrast, intangible assets (including goodwill) stated in the balance sheet as of the balance sheet date merely play a minor role and represented only 5.6% (pre-



vious year: 5.1%) of total assets and 9.4% of equity (previous year: 8.8%).

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 in spite of uncertain conditions.

4. Material non-financial indicators

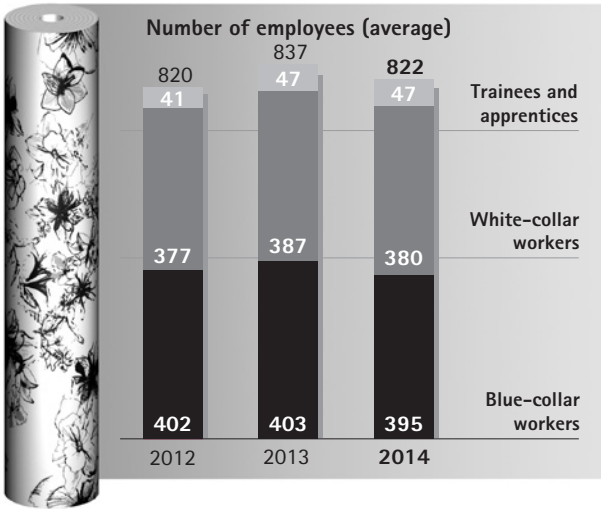
4.1. Employees

The average headcount of A.S. Création declined by 15 people or 1.8% from 837 to 822 in the course of 2014. 750 employees (previous year: 765) worked in the Wallpaper Division and 72 (previous year: 72) in the Furnishing Fabrics Division. A majority of 675 peo-

ple or 82.1% (previous year: 688 people or 82.2%) are employed by the domestic Group companies.

Against the background of the declining sales revenues in 2014, A.S. Création Tapeten AG temporarily had to take production lines out of operation. Jobs were also cut in administration. These measures are only partly reflected in staff numbers, as the capacity adjustments were primarily implemented by terminating employment relationships with temporary workers who were not employed by A.S. Création but by temporary employment firms. The above-mentioned decline in the average headcount by 15 people or 1.8% in 2014 is primarily attributable to the expiry of temporary employment contracts and to employees reaching retirement age. People were made redundant only in exceptional cases.

As the average headcount declined by 1.8% and sales revenues decreased by 5.3% in the past fiscal year, sales per employee dropped from € 0.239 million to € 0.230 million in 2014. Paragraph 3.1.2. ("Earnings") addresses the increase in personnel expenses as a percentage of total output and further burdens resulting from the latest collective bargaining agreement. As there are no signs of revenue and earnings growth which could offset these additional expenses, the staff reductions will necessarily continue in 2015.



A.S. Création's traditionally strong commitment to training young people has not and will not be restricted. In 2014, A.S. Création trained an average of 47 (previous year: 47) young people in one of the eleven occupations for which A.S. Création offers vocational training. 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. Consequently, the training activities were expanded in spite of the economically challenging conditions prevailing over the past years. Trainees/apprentices meanwhile represent 7.0% (previous year: 6.8%) of the domestic workforce.

2014 was no doubt a special year for A.S. Création, as external factors – especially the consequences of the Ukraine crisis – had such an adverse impact on the business of A.S. Création that the company posted a loss for the fiscal year. Needless to say, these difficult conditions and the rationalisation measures taken by the company have caused uncertainty among its workforce, who nevertheless showed a great commitment towards A.S. Création and a readiness to embrace and support the measures initiated by the Managing Board. The Managing Board would like to take this opportunity to thank all employees of A.S. Création for this commitment and this confidence. These thanks also go to the members of the works councils and the

employee representatives on the Supervisory Board.

4.2. 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.

To establish the fundamentals for a uniform and reproducible health-related evaluation of building products in Germany, the Committee for Health-related Evaluation of Building Products (Ausschuss zur gesundheitlichen Bewertung von Bauprodukten – AgBB) has developed criteria for testing and an evaluation scheme for emissions from building products suitable for indoor usage. According to these provisions, such building products, which also include wallpapers, must be tested by an independent testing institute. Tested building products meeting the requirements obtain an approval from Deutsches Institut für Bautechnik (DIBT) and may be labelled with the “Ü” sign. The wallpapers of A.S. Création have obtained this approval and are labelled accordingly.

Emissions from building products for indoor usage are also addressed by a French regulation, according to which all building products 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+" (the lowest class), so 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 waterbased 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. The FSC® (Forest Stewardship Council) is a non-governmental, non-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 sustain-

able 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 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. Such capital expenditures in modernisation are made continuously by A.S. Création. The same applies to the improvement of production processes, which also leads to increased efficiency. Consequently, the reject rate and the average energy consumption in the production of a wallpaper roll have been reduced over the past years. This trend is to be continued over the next years.

A.S. Création Tapeten AG has a certified energy management system to ISO 50001:2011.

5. Important events in 2014

Since July 1, 2005, the financial statements of capital market oriented companies in Germany are audited not only by the auditor

elected by the Annual General Meeting of Shareholders but also by the Financial Reporting Enforcement Panel – FREP (Deutsche Prüfstelle für Rechnungslegung e.V. DPR). Companies listed in a stock market index are audited every four to five years and all other companies are audited every eight to ten years on a random sample basis. In addition, FREP conducts event-triggered audits if and when there are indications of a violation of accounting regulations. FREP audited the consolidated financial statements and the Group management report for the year 2012 of A.S. Création on a random sample basis and informed the company in January 2014 that no accounting errors had been found.

Following on from the search of the offices in November 2010 and the opening of administrative offence proceedings in November 2011, the German Federal Cartel Office issued penalty notices against the company and some of its employees in February 2014. The penalty imposed on A.S. Création Tapeten AG amounts to € 10.0 million, while the penalties imposed on the responsible persons total € 0.5 million. In November 2014, the German Federal Cartel Office announced that, besides the two allegations to which the penalty notices of February 2014 relate, no further allegations against A.S. Création Tapeten AG will be pursued. For more details, refer to paragraph 7.2.5. ("Risks from antitrust proceedings").

Following on from the search of offices in November 2010 and the opening of administrative offence proceedings in July 2013, the French antitrust authority issued penalty notices against SCE – Société de conception et d'édition SAS and MCF Investissement SAS, two French companies of the A.S. Création Group, in December 2014. The penalties imposed on the two companies total € 5.0 million. For more details, refer to paragraph 7.2.5. ("Risks from antitrust proceedings").

6. 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.

7. Opportunity and risk report

7.1. Opportunity management

The company's product portfolio is clearly positioned in the consumer goods sector. Over 90% of the wallpapers are used for renovation purposes, while less than 10% are used for new buildings. Because of their use, furnishing fabrics also qualify as consumer goods. A.S. Création thus operates in consumer goods markets which are influenced, on the one hand,

by the general trend in consumer spending and spending behaviour. On the other hand, demand for such fashionable products as wallpapers and furnishing fabrics depends on the latest colour and design trends. If potential future developments or events which may have a positive impact on the business of A.S. Création are regarded as opportunities, it is critical for the success of the company to identify and exploit such opportunities at an early stage. At A.S. Création, this kind of "opportunity management" is the responsibility of the management teams of the Group companies. The different local wallpaper and furnishing fabrics markets are characterised by country-specific particularities regarding colour and design trends, the relative importance of the different distribution channels through which the products are marketed and the stage of market consolidation. Accordingly, the opportunities arising in the individual markets may differ significantly. This is why A.S. Création has refrained from installing a standardised global opportunity management system. According to the Managing Board, such a system is not required, as the simple and well-arranged corporate structure of A.S. Création and the company's direct reporting lines ensures that information about opportunities which have been identified and may be relevant for the Group as a whole, are communicated to the Managing Board in a timely manner.

7.2. Risks

7.2.1. Risk management system

Any business activity inevitably entails not only opportunities but also certain risks. As a general rule, these risks can be divided into external risks such as the amendment of legal provisions and internal risks such as the liquidity risk. Throughout its company history, A.S. Création 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 our company.

In the context of the risk management system, potential risks identified at A.S. Création are assessed by the company's managers with regard to two criteria, namely "likelihood" and "amount of loss/damage". The amount of the loss/damage is classified as "manageable", "high" and "very high". The Managing Board is constantly kept informed of the risks and pays special attention to risks with a high or very high damage potential. The Managing Board is of the opinion that the risk management system, which is an integral element of A.S. Création's reporting system, is of a sufficient size. Based on statutory requirements, KPMG AG Wirtschaftsprüfungsgesellschaft, Cologne, examined the early risk identification

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

In view of the large number of identifiable individual risks captured by the risk management system – some of which are explained below – it is important to make a realistic assessment of 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 tends to be low.

7.2.2. Macroeconomic and industry-specific risks

Future macroeconomic developments may entail risks for A.S. Création. For instance, a decline in consumer spending resulting from a recession could have an adverse impact on A.S. Création's sales revenues. The forecasts for the year 2015 currently assume that con-

sumer spending in the eurozone will grow by 1.2%. By contrast, a decline by 6.8% is projected for Russia, the world's largest wallpaper market next to China. In this respect, the Managing Board sees a high potential risk, which is not existence-threatening, though.

Industry-specific risks result from existing overcapacities in the wallpaper industry. Against the background of the positive trend in demand seen until 2008, 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. The situation deteriorated even further as a result of the negative impact of the Ukraine crisis on export possibilities to Eastern Europe and demand in local markets. The Managing Board of A.S. Création Tapeten AG believes that substantial overcapacities currently exist in the wallpaper industry. Like other manufacturers, A.S. Création is not able, at present, to fully utilise its own production capacity. The Managing Board sees the risk of this underutilisation leading to ruinous price competition and, hence, to a new consolidation process in the global wallpaper industry. Nevertheless, the Managing Board is of the opinion that, should a new consolidation process arise,

A.S. Création will be able to emerge from it as a winner thanks to its innovation and financial strength. In this respect, the Managing Board sees a high potential risk, which is not existence-threatening, though.

Another high potential risk for the wallpaper industry results from the more stringent legal provisions regarding the use of chemicals in the production of wallpapers. The REACH chemicals regulation, for instance, is applicable throughout the 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 may be reportable. 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 the probability of such a scenario materialising to be low:

- There have been frequent discussions about the potential health hazards posed

by additives such as plasticisers in the past. The theoretical hazard depends on the use of the finished product. If used as intended, wallpapers do not present any hazard. Moreover, in accordance with RAL-GZ 479, A.S. Création exclusively uses non-volatile plasticisers in its wallpapers. The sale of the wallpapers produced by A.S. Création has never been subject to any restrictions and it is unlikely that the risk classification of wallpapers will change in future.

- The above additives are also widely used outside the wallpaper industry. If an additive is likely to be banned or subjected to restrictions, manufacturers will be under great pressure to develop alternative solutions. A.S. Création liaises closely with its suppliers and will replace additives with new, state-of-the-art solutions, which is something the company has already done in the past.

In the worst-case scenario of a general prohibition of plasticisers, the entire wallpaper industry would be equally affected. Such a change would therefore not lead to any distortions in the competitive situation. A high risk could arise only if a competitor were able to secure exclusive access to an equivalent substitute product for PVC, which would result in a permanent competitive advantage for that competitor. To minimise this risk, A.S. Création is constantly looking at ways of processing

substitute products in its existing production facilities. The Managing Board therefore believes that the likelihood of such a scenario materialising is low.

7.2.3. Risks arising from the functional areas

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 2014. 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 believes that the rising procurement prices pose a high, but not existence-threatening, risk for A.S. Création.

Another potential risk on the procurement side relates to the availability of raw materials and/ or intermediate products of adequate quality. Due to 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. The Managing Board is of the opinion that inadequate availability of raw materials is a high, but by no means existence-threatening, risk.

In 2008, A.S. Création Tapeten AG and Kof Palitra, Russia's leading wallpaper manufac-

turer, established a joint venture under the name of 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. The production facility in Dzerzhinsk was taken into operation at the end of October 2012. To finance this project, the shareholders made equity contributions and granted shareholder loans to A.S. & Palitra. Since the year 2008, the investments made by the two shareholders have added up to € 40.6 million, of which € 20.3 million relates to A.S. Création. The project has increased the risk potential for A.S. Création in several respects. On the one hand, additional production capacities have been built up, which must be utilised. This has not been achieved so far, which means that the joint venture is still making losses. On the other hand, material assets are tied up in a country exposed to much higher economic and political risks than Germany. The Managing Board considers the risk associated with this investment to be very high but not existence-threatening. The Managing Board believes, however, that the company should take these additional risks in what is the world's largest wallpaper market next to China, as they are outweighed by the resulting opportunities.

No major risks currently 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.

7.2.4. Financial risks

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.

7.2.5. Risks from antitrust proceedings

Risks result from the current investigations by the German and French antitrust authorities, which are conducting separate proceedings to find out whether there have been agreements in restraint of competition in the wallpaper industry. Violations of antitrust law generally pose a risk of significant fines. Also, there is a potential risk of claims for damages being raised by third parties in conjunction with antitrust 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.

Following on from the search of offices in November 2010 and the opening of administrative offence proceedings in November 2011, the German Federal Cartel Office issued penalty notices against the company and some of its employees in February 2014. The Cartel Office claims that they violated antitrust law in the period from 2005 to 2008. During this time, price fixing practices are said to have occurred between A.S. Création Tapeten AG and other German wallpaper manufacturers. The penalty notices relate to two of the originally five allegations. The other three allegations have been dropped by the German Federal Cartel Office after four years of thorough investigations. The penalty imposed on A.S. Création Tapeten AG amounts to € 10.0 million, while the penalties imposed on the responsible persons total € 0.5 million. A.S. Création Tapeten AG has released these persons from potential penalty payments with the consent of the Annual General Meeting of Shareholders. A.S. Création Tapeten AG and the persons affected have appealed against the penalty notices.

Following on from the search of offices in November 2010 and the opening of administrative offence proceedings in July 2013, the

French antitrust authority issued penalty notices against SCE - Société de conception et d'édition SAS and MCF Investissement SAS, two French companies of the A.S. Création Group, in December 2014. The French antitrust authorities accuse the two member companies of the A.S. Création Group and other French wallpaper companies of having exchanged information in violation of antitrust law in the years from 2006 to 2010. The penalties imposed on the two companies total € 5.0 million. An appeal has been filed against the penalty notices.

With regard to the drain on liquidity, it should be noted that an appeal against a penalty notice does not have a suspensive effect under French law, which means that the above-mentioned € 5.0 million must be paid shortly after receipt of the payment order. The latter is expected to be received in the course of 2015. In Germany, by contrast, a duty to pay the penalties will not arise before a legally enforceable penalty notice or a final verdict is issued. A.S. Création nevertheless paid part of the penalty in the amount of € 2.0 million in 2014. The payment was made exclusively because of commercial considerations, as it avoids the obligation to pay interest on a potential fine up to this amount. As this payment was made voluntarily and is subject to repayment in the event of a successful appeal procedure, it does not constitute an admission of guilt.

The maximum penalty fixed by the German and French antitrust authorities is now known to amount to € 15.5 million since no more accusations are pursued. The Managing Board of A.S. Création Tapeten AG and its legal counsel are of the opinion that even if the allegations were correct, the amount of the penalties in both proceedings appears to be out of proportion. Also, the material arguments that speak against a violation of antitrust law have not sufficiently been taken into account by the authorities. The Managing Board therefore assumes that the amount of the penalties will not be confirmed by the courts. Moreover, part of the penalties in the French antitrust proceedings will have to be borne by the former owners of the companies concerned, as A.S. Création acquired majority shareholdings in these companies only in December 2008. Due to the uncertainties generally arising from court proceedings, however, a provision has been established for risks arising from the antitrust proceedings. As of the balance sheet date, this provision amounted to € 7.0 million (previous year: € 2.0 million). There is a risk that this provision – against today's estimates – may turn out to be insufficient as the proceedings continue.

Against the background of the good financial position of A.S. Création and the fact that the individual penalties will become due at different points in time, the Managing Board

considers the risks associated with the antitrust proceedings to be very high but not existence-threatening.

7.2.6. Accounting-related internal control and risk management system

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

The accounting process in the A.S. Création Group is decentralised, i.e. the member companies of the Group are responsible for preparing their individual financial statements in accordance with local GAAP. The individual companies use different accounting programmes, 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 avoid habituation effects in the audit, the A.S. Création Group has a policy of changing its auditor from time to time. In keeping with this policy, Ernst & Young was appointed the new auditor of the financial statements and the consolidated financial statements for the fiscal year 2014 as successor to the former auditors from KPMG. To ensure a consistent auditing standard within the A.S. Création Group, A.S. Création has a policy of using as few accounting firms as possible. Accordingly, the financial statements of ten of the eleven Group companies were audited or reviewed by Ernst & Young or by Ernst & Young in cooperation with KPMG in 2014. On the other hand, the internal control systems of the Group companies (and, hence, those that are used in the accounting process) are regularly reviewed by external specialists with a view to refining and updating the processes. The Supervisory Board of A.S. Création

Tapeten AG – in particular its Audit Committee – is involved in the evaluation of the results of these reviews.

To prepare the consolidated financial statements, the Group companies' financial statements are transferred into the Group accounting system and complemented with additional information to form a reporting package. This standardised reporting package is defined by A.S. Création Tapeten AG for all Group companies and is used not only for the financial statements but also for monthly reporting. The data from the reporting packages is transferred via an interface to the consolidation system in which the consolidated financial statements of A.S. Création are prepared. The consolidated financial statements and the consolidated presentations of the Wallpaper and Furnishing Fabrics Divisions are produced centrally. To ensure that consistent and standardised valuation criteria are applied, key parameters such as the discount rate for the calculation of pension provisions are predefined centrally by A.S. Création Tapeten AG. For the same reason, the goodwill impairment test is performed centrally.

At Group level, the internal control systems used to ensure proper Group accounting primarily comprise plausibility and completeness checks of the reporting packages received. Whenever required, representatives of A.S. Création Tapeten AG attend the final

meetings with the auditors of the Group companies. In addition, controls of the main consolidation processes – e.g. debt, income and expenses, capital – are integrated in the software used. Finally, the consolidated financial statements (and the financial statements of A.S. Création Tapeten AG) are audited by the Supervisory Board and its Audit Committee.

External control of the Group accounting process is performed by the auditors of the Group companies, who check that the reporting package is fully consistent with the respective financial statements and confirm the completeness and accuracy of the information contained therein. 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 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 con-

solidated financial statements. However, they cannot provide absolute certainty that the individual financial statements or the consolidated financial statements are free of errors.

8. Forecast report

The World Bank is of the opinion that the world economy has not yet recovered from the effects of the financial crisis and therefore projects a global growth rate of only 3% for 2015. This comes after a disappointing growth rate of 2.4% for 2014. According to the World Bank, the four biggest risks to the world economy are the persistent weakness of world trade, the high volatility in the financial markets, the losses incurred by the oil-exporting countries because of the low oil price and the weak economic growth in Japan and the eurozone.

The forecasts for the eurozone are based on the assumption that the region will remain slow in recovering from the deep recession, as some countries are still suffering from unresolved structural problems which prevent strong, sustainable growth and as the Ukraine crisis will weigh on exports. This is why only a moderate GDP growth rate of 0.8% is projected for 2015, repeating the 0.8% expansion seen in 2014. Consumer spending is expected to grow somewhat more strongly, namely by 1.2%, compared to 0.9% in the previous year.

From A.S. Création's point of view, it is also positive that the expectations regarding private consumer spending for Germany are better than those for the other eurozone countries. Consumer spending in Germany, which accounted for 38.0% of A.S. Création's total Group sales revenues in 2014, are expected to pick up by 1.6% in 2015.

By contrast, the expectations for the non-EU Eastern European countries are bleak. In view of the low oil prices, the depreciation of the Russian rouble and the economic sanctions imposed on the country in the context of the Ukraine crisis, economic experts expect the gross domestic product of Russia – one of the world's two largest wallpaper markets next to China – to drop sharply by 5.2% and inflation to rise to 13.1%. Russia would thus slide into a deep recession in 2015. A.S. Création assumes that the associated decline in consumer spending, which is estimated at 6.8%, will have an adverse impact on wallpaper consumption. With the depreciation of the Russian rouble likely to continue in 2015 – between early January 2015 and mid-February 2015 the Russian rouble lost another 5% against the euro – A.S. Création's export outlook for this region will deteriorate further.

Commodity and energy prices are expected to rise only moderately, if at all, in 2015, as the anticipated weak growth in the world economy will probably not lead to a strong increase in

demand for raw materials and energy. As the slump in the oil price came to a temporary halt in mid-January 2015, it is safe to assume that there will be no renewed slump in 2015. Given that the sharp drop in commodity and energy prices did not start before the second half of 2014, commodity and energy prices are expected to be lower on an annual average in 2015 than in 2014.

The Managing Board of A.S. Création expects to see material structural changes in the international wallpaper industry in the coming years, especially a decline in the importance of Western European manufacturers and a growing importance of Eastern European producers. This trend will be supported by deteriorating export possibilities to the Eastern European wallpaper markets on the one hand and by declining market volumes resulting from economic and political crises on the other hand. Because of this market consolidation, 2015 will probably not be a year of growth for A.S. Création. Under the anticipated market conditions, even stagnating sales revenues would strengthen our competitive position.

The Eastern European, and especially the Russian, market will be of major importance for Group sales revenues in the fiscal year 2015. The Managing Board is convinced that the Russian distribution company, A.S. Création (RUS), will significantly increase the sales

volumes of Russian-made wallpapers in 2015, given that the quality of the product range is improving and the company has expanded its own customer base sustainably in the course of 2014. Moreover, the depreciation of the Russian rouble has made wallpaper imports more expensive. Russian customers are therefore increasingly replacing imported wallpapers with Russian-made wallpapers. As outlined above, A.S. Création (RUS) will benefit from the changing conditions unless the expected decline in Russian consumer spending leads to a total collapse of wallpaper consumption in Russia. The Managing Board is therefore confident that the Russian distribution company will – adjusted for potential exchange losses – break even in the fiscal year 2015.

A.S. & Palitra, the Russian production company, will also benefit from the changing conditions. Not only the additional quantities marketed by A.S. Création (RUS) but also the expected increase in the quantities sold by its own sales organisation will lead to much better utilisation of the production capacity. Based on reasonable capacity utilisation and continuous production, the production processes will improve and become more finetuned. The cost of materials, i.e. raw materials and energy, is the biggest expense item in the production of wallpapers, it is important to reduce the reject rate in order to improve the earnings position. In this respect, the first

successes became visible already at the end of 2014, which are due not only to the fact that the Russian staff are becoming increasingly experienced but also to the fact that more and more repeat orders are received and produced. The first production run of a new article, referred to as the sampling run, usually entails a higher reject rate, given that colours and machines are fine-tuned during this first run. The parameters defined at this stage are then used for future production, meaning less need for adjustments and less waste at this stage. During the build-up of the product range, all production runs involved new products. As sales increase, the number of repeat orders increases as well. This effect, which could already be seen in 2014, will increasingly make itself felt in 2015. With repeat orders expected to account for a growing share of total production in 2015 – and production staff will become increasingly experienced – the reject rate should decline significantly. The Managing Board is confident that the A.S. & Palitra joint venture will – adjusted for potential exchange losses – break even in 2015.

Given that A.S. & Palitra is accounted for using the equity method, only the sales growth achieved by A.S. Création (RUS) will be reflected in Group sales revenues in 2015. This Growth will probably contrast with declining export sales of German-made wallpapers in non-EU Eastern European countries. At this stage,

the size of this decline in sales cannot be reliably estimated. It is theoretically possible that the sales growth at A.S. Création (RUS) will be more than offset by this decline, i.e. that Group sales revenues in this region will decline even further in 2015.

In any case, a decline in exports to Eastern Europe will have an adverse impact on A.S. Création's wallpaper production capacity in Germany. It is therefore the primary objective of the Managing Board to increase A.S. Création's sales in the European Union in order to offset this effect at least partly. Against the background of the moderate economic expectations for the EU, this will lead to fiercer competition. A.S. Création will continue to face this competition with an innovation-driven product policy and creative marketing concepts. Given that A.S. Création has strengthened its own sales organisations in the individual countries instead of reducing them, the company is in an excellent position to offer its customers better service than its competitors.

With a loss posted for the fiscal year 2014, the Managing Board will focus on improving the company's earnings position in 2015. If the above projections for the two Russian companies are met and both companies break even in 2015, this will give a boost to A.S. Création Group's earnings. The exchange rate trend

of the Russian rouble against the euro is difficult to predict. As outlined above, both A.S. & Palitra and A.S. Création (RUS) are largely financed by euro-denominated shareholder loans. Raising rouble-denominated loans from local banks is virtually impossible at present for companies that have not broken even yet. In the current phase, in which cash flows can hardly be planned, currency hedges are also almost impossible and border on speculation. Accordingly, changes in the RUB/EUR exchange rate currently lead to translation-related exchange gains or losses. While these are non-cash items, they influence the result stated. From the point of view of A.S. Création, a depreciation of the rouble by one percentage point reduces the Group's earnings after taxes by € 0.250 million. Besides these translation-related effects, a depreciation of the Russian rouble will make raw materials imports more expensive for A.S. & Palitra, which will additionally weigh on earnings if they cannot be offset by higher sales prices.

A.S. Création Tapeten AG in Germany will continue its strategy of optimising production processes and adapting them to the anticipated decline in average production run-length with great determination in 2015. This should be reflected in a further reduced reject rate and increased productivity. In response to the anticipated decline in sales revenues, overheads will be adjusted in 2015. As the year

progresses, the Managing Board will decide whether further production capacities will be shut down based on actual sales figures.

With regard to the key performance indicators, the Managing Board expects the following developments for 2015:

- Group sales revenues should amount to between € 175 million and € 185 million in 2015, which would represent decline on the previous year's € 189.1 million of up to 7.5%.
- The gross profit margin should be slightly lower than in the previous year, as Russian-made products, whose gross profit margins are lower, will account for a greater share of total Group sales revenues. This expectation is also based on the assumption that the positive effects resulting from lower commodity and energy costs as well as a reduced reject rate will be offset by the anticipated price competition.
- The collective pay rises implemented and already agreed for 2015 will increase personnel expenses per employee. The planned headcount reduction will be put into practice in the course of the year, which means that the decline in the average headcount in 2015 will probably be lower than the decline in sales revenues. As a result, per-

sonnel expenses as a percentage of total output are projected to deteriorate slightly in 2015.

- Earnings before interest and taxes (EBIT) and the EBIT margin should improve notably in 2015, provided that no significant burdens exceeding the amount of € 7.0 million already recognised as an expense arise from the antitrust proceedings and that the Russian rouble does not depreciate extremely against the euro by the end of 2015.
- Provided that the Russian joint venture breaks even in 2015, earnings before taxes should improve disproportionately to earnings before interest and taxes in 2015.

Based on the above assumptions, two important non-tax-deductible expense items that weighed on the bottom line in 2014 – i.e. the risk provisions for the antitrust proceedings and the pro-rated losses from the Russian joint venture – would not recur in 2015. As a consequence, earnings after taxes would increase at a much higher rate than earnings before taxes in 2015.

Due to the extraordinary uncertainty surrounding the factors that will influence earnings in 2015, the Managing Board has decided – as in the previous year – not to issue a specific

after-tax profit forecast for the fiscal year 2015. As the year progresses, however, the Managing Board intends to issue more precise statements for the full year 2015 as soon as the developments can be predicted more reliably.

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

9. Statutory information

9.1. Corporate governance statement and report on corporate governance

The latest corporate governance statement of A.S. Création Tapeten AG pursuant to 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.com)

under "Investor Relations – Corporate Governance" and in the chapter "Corporate governance statement and report on corporate governance" of the 2014 Annual Report.

9.2. Compensation report

The annual salaries earned by the Managing Board members comprise performance-linked and non-performance-linked components. The latter consist of a fixed monthly salary and the value of non-monetary compensation that needs to be stated under applicable tax legislation (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 differs 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 performance-linked component may not exceed a total amount of € 2.350 million ("bonus cap"). The new compensation scheme for the Managing Board was approved by a vast majority of the shareholders (95.88%) at the Annual 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 a major portion of the Managing Board compensation paid by A.S. Création Tapeten AG. This means that an improvement or deterioration in the cash flow for compensation purposes, which represents the basis for the calculation of the performance-linked compensation, has a material influence on the Managing Board's total compensation. Due to the poor earnings situation in the fiscal year 2014, the performance-linked compensation of the Managing Board declined by 57.0% from € 1.167 million in the previous year to € 0.502 million. Together with the non-performance-linked compensation of the Managing Board in the amount of € 0.750 million (previous year: € 0.717 million) this results in a 33.5% reduction in the Managing Board's annual compensation from € 1.884 million in the previous year to € 1.252 million in the fiscal year 2014.

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 imponderables from the company's point of view. First, it is uncertain, in view of the changing life expectancy, whether the provisions that have been established will be sufficient when the pension entitlements arise. Second, the outflow of funds is delayed in time, which means that today's pension commitments will limit the financial scope available to the company's future management.

To mitigate these disadvantages for A.S. Création Tapeten AG, the transfer of the pension commitments for the Managing Board members from the performance-oriented system to a contribution-based system was initiated in 2006. Since then, a constant annual amount has been paid to an external relief fund, which will make the future pension payments. Accordingly, A.S. Création Tapeten AG's liabilities under the performance-based commitments are reduced. As a result, pension obligations towards the active Managing Board members and, hence, the respective pension provisions, decreased by € 0.040 million from € 0,093 million on December 31, 2013 to € 0.053 million on the balance sheet date.

In fiscal 2014, the payments to the external relief fund led to expenses of € 0.060 million

(previous year: € 0.060 million). At the same time, pension provisions in an amount of € 0.040 million (previous year: € 0.054 million) were released through the profit and loss account. As a result, total pension expenses for the members of the Managing Board

amounted to € 0.020 million in the fiscal year 2014 (previous year: € 0.006 million).

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

	2014 € '000	2013 € '000
<i>Fixed salary</i>	680	651
<i>Side benefits</i>	70	66
Non-performance-related component	750	717
Performance-related component (bonus)	502	1,167
Annual compensation	1,252	1,884
Payment to an external relief fund	60	60
+/- Addition to / release of pension provisions	-40	-54
Pension expenses	20	6
	1,272	1,890

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

The compensation of the Supervisory Board is defined by the Annual General Meeting of Shareholders and is documented in the statutes of A.S. Création Tapeten AG. According to Article 14 of the statutes (as amended on

May 3, 2013), which is relevant for the compensation of the Supervisory Board members in the fiscal year 2014, the members of the Supervisory Board receive a fixed compensation in an amount of € 9,000 in addition to the reimbursement of their expenses. The Chairman receives twice that amount and the Vice Chairman 1.5 times that amount. A performance-linked component is not provided for. The members of a committee formed by the Supervisory Board receive an additional compensation of € 4,500 for this

activity, with the total compensation for committee work limited to the amount of the fixed compensation. In accordance with these regu-

lations, the compensation of the Supervisory Board members for the past fiscal year totalled € 108,000 and breaks down as follows:

	2014	2013
	€ '000	€ '000
Mr Schneider	32	32
Dr. Liebs	23	23
Mrs Benner-Heinacher	13	13
Mr Mourschinetz	9	9
Mr Müller (since May 15, 2014)	11	0
Dr. Schadt (until May 15, 2014)	7	18
Mr Schmuck	13	13
	108	108

9.3. 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 15, 2014), the share capital of A.S. Création Tapeten AG amounts to € 9,000,000 and is divided into 3,000,000 no par value registered shares. Each 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 share register and the notifications received in the past 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 35.19%, Lins Wallpaper Limited (and indirectly Mr Oleg Dzha-gaev, to whom all shares in Lins Wallpaper Limited are imputable) which holds 15.01% and Mrs Karin Schneider, who holds 10.09%. The 5.67% voting interest held by A.S. Création Tapetenstiftung is also attributable to Mr Schneider in addition to his directly held voting interest of 29.52%.

According to section 76 and 84 of the German Stock Corporation Act (Aktiengesetz AktG) and Article 6 of the current statutes of A.S. Création Tapeten AG, the Managing Board must consist of a minimum of two people. The exact number of Managing Board members is determined by the Supervisory Board of A.S. Création Tapeten AG. The Supervisory Board appoints the members of the Managing Board for a maximum term of five years. A re-appointment is permissible. The Supervisory Board may appoint one member as Chairman of the Managing Board. The Supervisory Board may revoke the appointment of a member or the Chairman for an important reason. Such important reasons are gross breach of duty, inability to manage the business properly or withdrawal of confidence by the Annual General Meeting of Shareholders.

According to section 179 AktG and Article 18 paragraph 2 of the current statutes of A.S. Création Tapeten AG, the statutes may be amended by a resolution of the 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 Annual General Meeting of Shareholders 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, 2014 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, 2014.

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

**10. 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.

Gummersbach, February 20, 2015

A.S. Création Tapeten AG

The Managing Board

Kämper Krämer Suskas

2014: A year of extremes

After the very good stock market years 2012 and 2013, in which the DAX® gained 29.1% and 25.5%, respectively, many capital market participants projected rising share prices also for 2014. These expectations were not met for the full year 2014. The 9,806 points in the DAX® on December 30, 2014 represented a gain of only 2.7% compared to the beginning of the year. The SDAX® and the MDAX®, which capture the share prices of small and medium-sized enterprises, did not exhibit a materially different performance from the large caps. At 5.9% and 2.2%, respectively, their growth rates were much lower than in the previous years as well. But these moderate growth rates hide the fact that share prices went on extreme roller-coaster rides in the course of the year, with strong price gains followed by massive losses. Accordingly, the DAX® passed the "magic" 10,000 points mark several times in 2014 and even hit an - up to then - new all-time high of 10,087 in early December. After having passed the 10,000 points line, however, the DAX® always dropped sharply to around 9,000 points or below. The performance of the DAX® between mid-September and early December perfectly reflects these extreme movements. In mid-September, the DAX® stood at around 9,800 points, then declined by about 13% to an annual low of 8,572 points in October only to soar by some 18% to the above-mentioned high of 10,087 points in the course of only six weeks.

THE SHARE AND OUR SHAREHOLDERS

Most of these extreme price movements were triggered by political and macroeconomic factors. The Ukraine crisis had a particularly strong influence on the stock market year 2014. Fears of a military escalation or a second Cold War weighed on the sentiment, as did concern about Russia's potential default as a result of the much lower oil price, the economic sanctions and the dramatic depreciation of the rouble. Because of the close economic relationships between the European Union (EU) – and Germany in particular – and Russia, these events had an adverse impact on the EU economy. This, in turn, had a negative effect on the share prices of European companies.

By contrast, stock markets were driven by the US central bank's and the European Central Bank's continued accommodative monetary policies, which sent interest rates falling further. This made fixed-income bonds even more unattractive as an alternative to shares. The commodity markets, too, saw their attractiveness suffer from the downward trend in commodity prices in 2014. The improved economic data coming out of the USA in 2014 provided positive impulses for the stock markets as well.

Against the background of these extreme changes in the overall environment, corporate news lost importance in 2014. Investors were more interested in how a company would be affected by the changes in its environment. As the above-described moderately positive

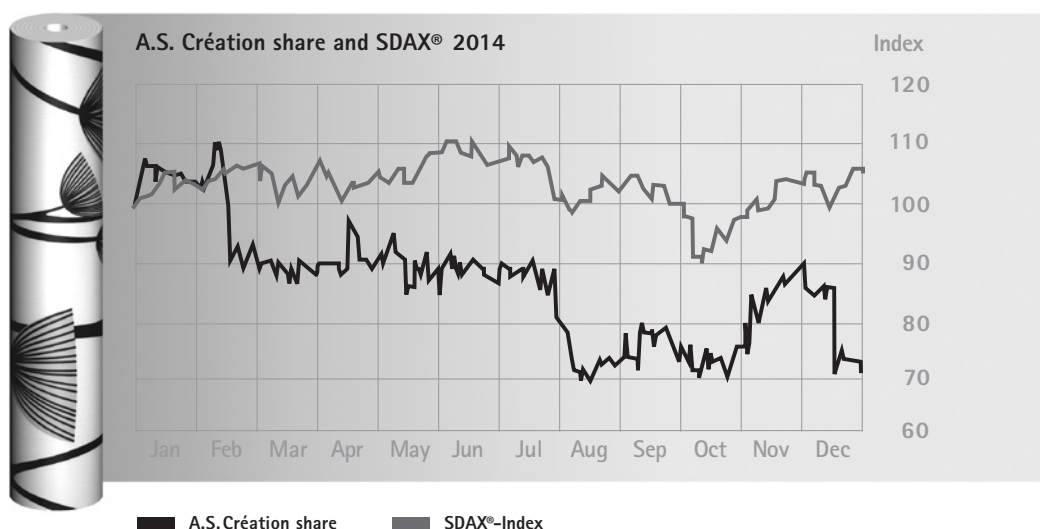
performance of the stock indices shows, capital market participants saw more arguments speaking in favour of than against stock investments in 2014.

A.S. Création share clearly losing value

Not all companies were able to benefit from the moderately stock market performance in 2014. Unfortunately, the A.S. Création share also moved against the general trend. While the SDAX® small caps index gained 5.9% in 2014, the A.S. Création share lost 27.2%. The chart on the next page compares the performance of the A.S. Création share with that of the SDAX® in 2014.

On the one hand, the poor price performance of the A.S. Création share is attributable to the fact that Russia is a very important output market for A.S. Création. The recent past saw the company invest in a production facility in Russia, which is why the Ukraine crisis – and above all the depreciation of the Russian rouble – had a negative effect on A.S. Création's earnings. On the other hand, the valuation of the A.S. Création share was adversely affected by the ongoing anti-trust proceedings in Germany and France.

Until mid-February 2014, the A.S. Création share moved more or less in sync with the SDAX® and reached an annual high of € 40.40



on February 14, 2014. This represented a 12.2% increase on the share price of € 36.00 recorded at the beginning of the year. On February 18, the company issued an ad-hoc announcement according to which its consolidated net profit for 2013 was much lower than expected due to the start-up and exchange losses in Russia and a provision to be established for cartel risks. As a result of this negative news, the price of the A.S. Création share dropped to around € 33 in the course of only a few days. The share price then moved sideways at this level from early March to early August 2014. On August 11, 2014, A.S. Création published the report on the six-month period ended June 30, 2014. This showed a decline in sales revenues due to the reduction in exports to Russia and Ukraine, which prompted the Managing Board to downgrade the sales revenue forecast for the full year 2014. After publication of the report, the price of the A.S. Création

share dropped sharply and hit a low of € 25.37 on August 14, 2014 – down by 29.5% on the € 36.00 posted at the beginning of the year.

The A.S. Création share picked up again as the year progressed. Supported by an improved sales and earnings performance in the third quarter of 2014 and news that the German Federal Cartel Office had dropped three of the originally five allegations and will continue to pursue only the two remaining allegations, the price climbed to € 32.50 in early December, down only close to 10% on the previous year.

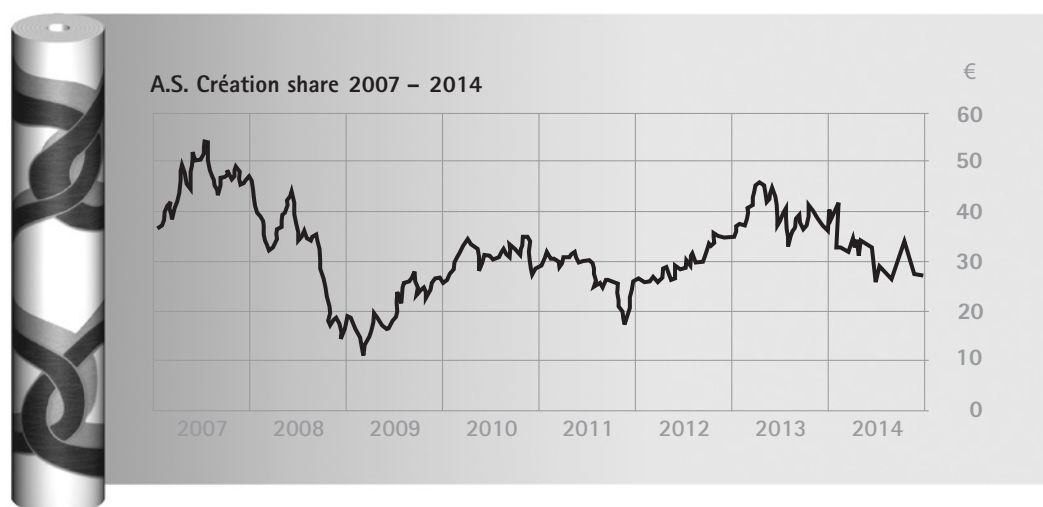
The depreciation of the Russian rouble against the euro escalated to dramatic proportions in the course of December. The exchange rate climbed from approx. RUB/€ 57 at the end of November to about RUB/€ 90 in mid-December 2014. As such an exchange rate will lead

to very high translation-related exchange losses for A.S. Création, a profit warning was issued in an ad-hoc announcement on December 16, 2014. The next negative news followed only a few days later, on December 23, 2014; the French Competition Authority had issued a penalty notice in the French anti-trust proceedings. This negative news put the price of the A.S. Création share under new pressure and sent it falling to € 26.20 by the end of the year.

Overall, the A.S. Création share lost 27.2% or € 9.80 in the course of 2014 from € 36.00 at the beginning of the year to € 26.20 at the end of the year. The dividend of € 0.25 per share paid out in May 2014 could not change the fact that the share price performance in 2014 was entirely unsatisfactory.

Poorer market valuation

The share price performance in 2014 represents a major setback for the Managing Board, which had set itself the objective to increase the market value of A.S. Création. While the market valuation had improved since the 2008 financial crisis and reached € 99.2 million as of December 31, 2013, it amounted to only € 72.2 million based on the year-end price of € 26.20 and 2,756,351 shares outstanding as of December 31, 2014. This means that the market capitalisation is lower than the equity, which amounted to € 86.9 million on December 31, 2014. It goes without saying that the Managing Board is not satisfied with a valuation below equity and, hence, below the net asset value, all the less so as the loss incurred in the fiscal year 2014 is attributable to one-



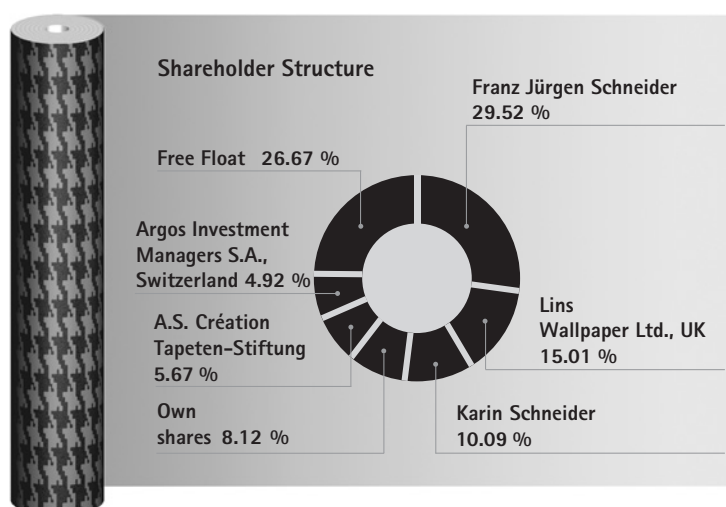
time effects. The loss-making year 2014 has no influence on the strong competitive position of A.S. Création and the positive growth outlook. The company therefore needs to improve its communication with the capital market and to better explain to investors the future prospects of A.S. Création.

The analysis of the longer-term share price performance also shows that the performance in 2014 was not satisfactory. On December 31, 2014, the share price was only at the same level as in late 2009, the year after the 2008 financial crisis. The A.S. Création share is still far away from the € 45.50 recorded at the end of 2007 or the 2007 high of € 53.40.

When looking at the share price, however, the deterioration in the earnings position in 2014 and the uncertainty about the consequences of the Ukraine crisis should be taken into account. But at least the uncertainty about the maximum profit shortfall that may result from the anti-trust proceedings in Germany and France has been eliminated now that the penalty notices have been issued (for details, please refer to the Group management report). This clarity should have a positive effect on the valuation of A.S. Création, as the burdens resulting from the anti-trust proceedings will be material but manageable and not jeopardise the company's ability to continue as a going concern.

Stable shareholder structure

A.S. Création's shareholder structure is relatively stable and represented in the chart below:



No dividend for 2014

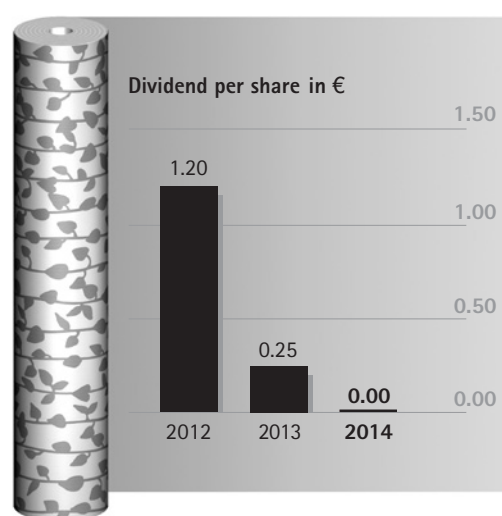
A.S. Création has always pursued a dividend policy which aims for a high payout ratio as long as this is backed by the company's financial situation. In recent years, dividend payouts have consistently been in the 45% of EPS range, which means that the dividend policy of A.S. Création is characterised by continuity and reliability.

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

position of A.S. Création deteriorated in the fiscal year 2014 and the company posted the first loss since the fiscal year 1989. Earnings per share declined from a positive € 0.48 in the previous year to a negative € -3.39 in the past fiscal year.

In keeping with the dividend policy pursued in the past, the loss situation of the fiscal year 2014 would lead to the cancellation of the dividend. It will therefore be proposed to the Annual General Meeting of Shareholders scheduled for 7 May 2015 not to pay out a dividend for the fiscal year 2014. Although this proposal will lead to the dividend being cancelled for the first time since the 1998 IPO,

the Managing Board and the Supervisory Board are convinced that this approach is in the long-term, sustainable interest of the company.



Key figures of the A.S. Création share		2010	2011	2012	2013	2014
Earnings per share	€/share	3.05	1.69	2.67	0.48	-3.39
Dividend	€/share	1.35	0.75	1.20	0.25	0.00
Payout ratio	%	44.3	44.4	44.9	52.1	n.a.
Year-closing-price	€/share	28.76	24.49	34.00	36.00	26.20
High	€/share	34.00	31.00	34.68	44.55	40.40
Low	€/share	24.68	16.73	23.86	32.43	25.37
Shares outstanding (year end)	million	2.756	2.756	2.756	2.756	2.756
Average trading volume *	pieces	2,635	3,851	2,232	1,611	1,213
Market value (year-end)	€ '000	79,273	67,503	93,716	99,229	72,216
Equity	€ '000	88,789	89,553	94,839	93,473	86,891
Market value/Equity	%	89.3	75.4	98.8	106.2	83.1
Price-earnings-ratio		9.4	14.5	12.7	75.0	n.a.
Dividend yield	%	4.7	3.1	3.5	0.7	0.0

* 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 2014 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, 2014

Assets

	Notes No.	31.12.2014 €	31.12.2013 €
Tangible fixed assets	(1)	33,284,632.90	38,312,374.45
Intangible fixed assets	(2)	8,148,599.19	8,183,867.91
Investments accounted for at equity	(3)	0.00	0.00
Financial assets	(4)	8,901,389.36	13,945,927.06
Other assets	(5)	2,843,529.77	1,539,143.25
Income tax receivables	(6)	574,775.00	830,493.22
Deferred tax assets	(7)	511,929.61	1,148,884.65
Non-current assets		54,264,855.83	63,960,690.54
Inventories	(8)	43,530,834.17	47,606,035.56
Trade receivables	(9)	34,702,484.74	34,688,568.89
Other assets	(5)	7,353,414.07	5,370,919.67
Income tax receivables	(6)	535,138.14	796,638.48
Cash and cash equivalents	(10)	5,775,086.34	6,643,674.65
Current assets		91,896,957.46	95,105,837.25
Total assets		146,161,813.29	159,066,527.79

Equity and Liabilities			
	Notes No.	31.12.2014 €	31.12.2013 €
Capital stock		9,000,000.00	9,000,000.00
Capital reserves		13,756,740.32	13,756,740.32
Revenue reserves		70,938,956.29	67,043,179.40
Profit carried forward		974,025.94	6,111,340.62
Earnings after taxes		-9,338,437.95	1,323,008.28
Adjustment for own shares		-4,020,836.57	-4,020,836.57
Currency translation differences		5,580,503.83	259,102.41
Equity	(11)	86,890,951.86	93,472,534.46
Financial liabilities (interest-bearing)	(12)	16,236,288.89	19,745,971.66
Other liabilities	(13)	1,011,007.31	978,300.63
Provisions	(14)	12,626,371.00	11,706,274.00
Deferred tax liabilities	(7)	2,856,017.94	4,753,839.56
Non-current liabilities		32,729,685.14	37,184,385.85
Financial liabilities (interest-bearing)	(12)	4,518,108.73	7,214,785.58
Other liabilities	(13)	15,549,787.24	11,542,758.10
Trade payables		6,057,771.94	9,025,847.20
Provisions	(15)	102,000.00	113,000.00
Tax liabilities		313,508.38	513,216.60
Current liabilities		26,541,176.29	28,409,607.48
Total equity and liabilities		146,161,813.29	159,066,527.79

A.S. Création Tapeten AG, Gummersbach

Consolidated income statement

for the period from January 1, 2014 to December 31, 2014

	Notes No.	2014 €	2013 €
Sales	(17)	189,127,864.00	199,818,101.89
Increase or decrease in unfinished and finished goods		-2,623,350.65	999,340.40
Total output		186,504,513.35	200,817,442.29
Cost of materials	(18)	93,011,195.64	103,829,067.26
Gross profit		93,493,317.71	96,988,375.03
Other income	(19)	802,252.99	856,562.39
		94,295,570.70	97,844,937.42
Personnel expenses	(20)	43,236,771.90	45,107,272.47
Depreciation	(21)	9,339,958.17	9,469,158.51
Operating taxes		506,568.29	547,326.36
Other operating expenses	(22)	37,906,222.00	32,482,930.19
Operating expenses		90,989,520.36	87,606,687.53
Earnings before interest and taxes (EBIT)		3,306,050.34	10,238,249.89
Interest and similar income		993,015.34	842,811.02
Results from investments accounted for at equity		-8,219,237.44	-4,310,032.83
Interest and similar expenses		1,131,450.29	1,538,327.60
Financial result	(23)	-8,357,672.39	-5,005,549.41
Earnings before income taxes		-5,051,622.05	5,232,700.48
Income taxes	(24)	4,286,815.90	3,909,692.20
Earnings after taxes		-9,338,437.95	1,323,008.28
Earnings per share	(25)	-3.39	0.48

A.S. Création Tapeten AG, Gummersbach
Consolidation statement of comprehensive income
for the period from January 1, 2014 to December 31, 2014

	Notes No.	2014 € '000	2013 € '000
Earnings after taxes		-9,338	1,323
Items, that will never be reclassified to profit or loss:			
Actuarial gains/losses from pension provisions	(14)	-2,680	350
Deferred taxes on other comprehensive income		836	-110
		-1,844	240
Items, that are or may be reclassified to profit or loss:			
Foreign currency translation differences for fully consolidated companies		2,450	209
Foreign currently translation differences for investments accounted for at equity		2,871	39
Change in fair value of interest rate hedges	(30)	-47	189
Deferred taxes on other comprehensive income		15	-58
		5,289	379
Other comprehensive income (outside profit or loss)	(11)	3,445	619
Total comprehensive income		-5,893	1,942

A.S. Création Tapeten AG, Gummersbach
Consolidated statement of changes in equity
for the period from January 1, 2014 to December 31, 2014

	Capital stock	Capital reserves	Revenue reserves	Profit carried forward	Earnings after taxes	Adjust- ment for own shares	Currency translation differences	Total
	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000
January 1, 2013	9,000	13,757	57,886	9,321	8,884	-4,021	12	94,839
Earnings after taxes 2012	0	0	0	8,884	-8,884	0	0	0
Dividend payments	0	0	0	-3,308	0	0	0	-3,308
Allocation to revenue reserves	0	0	8,786	-8,786	0	0	0	0
Total comprehensive income 2013	0	0	371	0	1,323	0	248	1,942
December 31, 2013	9,000	13,757	67,043	6,111	1,323	-4,021	260	93,473
Earnings after taxes 2013	0	0	0	1,323	1,323	0	0	0
Dividend payments	0	0	0	-689	0	0	0	-689
Allocation to revenue reserves	0	0	5,771	-5,771	0	0	0	0
Total comprehensive income 2014	0	0	1,875	0	-9,338	0	5,320	-5,893
December 31, 2014	9,000	13,757	70,939	974	-9,338	-4,021	5,580	86,891

A.S. Création Tapeten AG, Gummersbach**Consolidated cash flow statement**

for the period from January 1, 2014 to December 31, 2014

	2014 € '000	2013 € '000
Operating activities		
Earnings after taxes	-9,338	1,323
+ Depreciation on tangible and intangible fixed assets	9,340	9,469
+/- Increase/decrease in long-term provisions	-1,760	2,040
-/+ Income/expenses from investments accounted for at equity	8,219	4,310
-/+ Increase/decrease in present value of corporate income tax credit	236	244
-/+ Income/expenses from changes in deferred taxes	-579	-993
Cash-flow	6,118	16,393
-/+ Profit/losses from disposal of tangible and intangible fixed assets	6	35
-/+ Increase/decrease in inventories	3,168	-2,246
-/+ Increase/decrease in trade receivables	-826	-638
+/- Increase/decrease in trade payables	-2,408	1,772
-/+ Increase/decrease in other net working capital	8,107	-2,731
Cash-flow from operating activities	14,165	12,585
Investing activities		
Capital expenditures on tangible and intangible fixed assets	-4,472	-5,679
- Cash outflows for credits and bonds granted	-643	-2,988
Capital expenditures	-5,115	-8,667
-/+ Cash outflows / proceeds from current financial investments	-3,050	0
+ Proceeds from the disposal of tangible and intangible fixed assets	152	158
Cash-flow from investing activities	-8,013	-8,509
Financing activities		
Dividends paid to shareholders of A.S. Création Tapeten AG	-689	-3,308
+/- Raising/repayment of financial liabilities (interest-bearing)	-6,206	-1,248
Cash-flow from financing activities	-6,895	-4,556
Net change in cash and cash equivalents	-743	-480
+/- Change in cash and cash equivalents due to exchange rate fluctuations	-126	-29
+ Cash and cash equivalents at January 1	6,644	7,153
Cash and cash equivalents at December 31	5,775	6,644

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

A.S. Création Tapeten AG, Gummersbach

Notes to the consolidated financial statement

for fiscal year 2014

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 2014:

- IAS 32 "Financial Instruments: Presentation"
- IFRS 10 "Consolidated Financial Statements", IFRS 12 "Disclosure of Interests in Other Entities", IAS 27 "Consolidated and Separate Financial Statements to IFRS"
- IAS 36 "Impairment of Assets"
- IAS 39 "Financial Instruments: Recognition and Measurement"
- IAS 19 "Employee Benefits"
- Improvements to IFRS 2010-2012
- Improvements to IFRS 2011-2013

The above regulations will have not a material impact on the consolidated financial statements of A.S. Création

The following standards and interpretations have been published and some of them endorsed by the EU but are mandatory for annual periods beginning after January 1, 2014 at the earliest:

- IFRS 14 "Regulatory Deferral Accounts"
- IFRS 11 "Joint Arrangements"
- IAS 16 "Property, Plant and Equipment"
- IAS 27 "Consolidated and Separate Financial Statements to IFRS"
- IFRS 10 "Consolidated Financial Statements" / IAS 28 "Investments in Associates and Joint Ventures"
- Improvements to IFRS 2012-2014
- IAS 1 "Presentation of Financial Statements"
- IFRS 15 "Revenue from Contracts with Customers"
- IFRS 9 "Financial Instruments"

From today's point of view, the new or revised standards and interpretations that are applicable in subsequent years, will have no material impact on the consolidated financial statements of A.S. Création. The company is currently reviewing the potential effects of the new IFRS 15 on the consolidated financial statements.

For the sake of clarity, individual items have been summarised in the balance sheet, the income statement and the cash flow statement. The summarised items are shown and explained in detail in the notes. Also for reasons of clarity, some amounts are shown in thousand euros.

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

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

Consolidation principles

Subsidiaries, in which A.S. Création Tapeten AG has the majority of voting rights and, hence, control over the financial and business policy, are fully consolidated. In accordance with IFRS 11 and IFRS 12, 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 tangible fixed assets, in intangible fixed assets and in inventories are eliminated with the effect shown in the income statement. Intragroup value adjustments and provisions are written back.

Where 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, 2014
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	100.0	500,000 €
10.	Indes Fuggerhaus Textil GmbH, Marienheide/Germany	No. 9	100.0	550,000 €

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

All financial statements included in the consolidated financial statements were established as of December 31, 2014 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 tangible fixed assets and in intangible fixed assets are translated at average annual rates, equity is translated at historical rates and all other balance sheet items are translated at closing rates. Differences referring to tangible fixed assets and intangible fixed assets are itemised in the "Currency translation differences" line. All items in the income statement are translated at the average annual rate. Currency differences are not recognised in the income statement but are allocated to the currency translation differences within the equity.

Translation differences from debt consolidation are recognised in the income statement.

An average annual rate of £ 0.80610/€ (previous year: £ 0.84921/€) and a closing rate of £ 0.77860/€ (previous year: £ 0.83280/€), were used for the pound sterling, while an average annual rate of RUB 50.99281/€ (previous year: RUB 42.39129/€) and a closing rate of RUB 68.34270/€ (previous year: RUB 44.96990/€) 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 IFRS 11 and IFRS 12, 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. The same also applies to long term shareholder's loan in case they belong to net investment of A.S. Création for economic content.

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).

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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 (rev. 2011) by using the actuarial projected unit credit method. Actuarial gains or losses are recognised in equity. Interest costs included in the pension expenses are shown in the financial result. All other provisions are reported at the amount likely to be required to cover discernible risks and contingent liabilities

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. Deferred tax assets are recognised only if there is sufficient likelihood that they can be realised within the next five fiscal years. Expected country-specific tax rates are applied in this context.

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 as well as other sales related expenses are recognised at the time they are incurred. Interest and other cost of debt are accounted for as expenditure in the accounting period.

To prepare the consolidated financial statements, the Managing Board must make estimates and assumptions that influence the recognition of assets and liabilities as well as income and expenses. All estimates and assumptions are made to the best of the Managing Board's knowledge to give a true and fair view of the net worth, financial and earnings position of the Group. The actual values may nevertheless deviate from the estimates. The 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, 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 or similar proceedings, whose outcome may have a material impact on the net worth, financial and earnings position of the Group. The Managing Board and the Managing Directors of the Group companies analyse the available information on these cases. External lawyers are consulted as well. As part of the decision on the need to establish provisions, assumptions must be made regarding the likely outcome of the proceedings and a well-founded estimate should be made of the potentially resulting obligations. The disclosure of a litigation or similar proceedings in the Notes or the actual filing of an action or of a claim for damages against a company of the A.S. Création Group do not automatically mean that, a provision has been established for this risk. Further more there is a risk that the provision – against estimations at the time of establishing – turns out to be insufficient in the future.

Notes to the balance sheet

(1) Tangible fixed assets

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

	Land, buildings, and similar rights € '000	Plant and machinery € '000	Other fixtures and fittings, tools and equipment € '000	Advance payments and assets under construction € '000	Total € '000
Gross cost of acquisition or production					
Dec 31, 2012	34,918	78,735	20,012	35	133,700
Addition	279	76	5,019	130	5,504
Reclassifications	11	0	24	-35	0
Disposals	17	17	3,094	0	3,128
Currency translation differences	0	0	-17	0	-17
Dec 31, 2013	35,191	78,794	21,944	130	136,059
Addition	48	290	4,010	0	4,348
Reclassifications	0	123	7	-130	0
Disposals	0	1,041	3,200	0	4,241
Currency translation differences	0	0	-59	0	-59
Dec 31, 2014	35,239	78,166	22,702	0	136,107
Depreciation					
Dec 31, 2012	16,027	61,215	14,168	0	91,410
Addition	1,552	3,429	4,314	0	9,295
Reclassifications	0	0	0	0	0
Disposals	4	8	2,938	0	2,950
Currency translation differences	0	0	-8	0	-8
Dec 31, 2013	17,575	64,636	15,536	0	97,747
Addition	1,536	3,266	4,387	0	9,189
Reclassifications	0	0	0	0	0
Disposals	0	1,041	3,050	0	4,091
Currency translation differences	0	0	-23	0	-23
Dec 31, 2014	19,111	66,861	16,850	0	102,822
Net book value					
Dec 31, 2013	17,616	14,158	6,408	130	38,312
Dec 31, 2014	16,128	11,305	5,852	0	33,285

Tangible fixed assets include assets on the basis of finance leases in an amount of € 5.976 million (previous year: € 6.841 million). The finance leases refer to production and warehouse buildings.

Explanations regarding land charges and assignments of machines are provided in Note No. 12.

(2) Intangible fixed assets

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

	Lizences and similar rights € '000	Goodwill € '000	Total € '000
Gross cost of acquisition or production			
Dec 31, 2012	5,347	9,276	14,623
Addition	175	0	175
Disposals	85	0	85
Dec 31, 2013	5,437	9,276	14,713
Addition	124	0	124
Disposals	267	0	267
Dec 31, 2014	5,294	9,276	14,570
Depreciation			
Dec 31, 2012	4,883	1,543	6,426
Addition	174	0	174
Disposals	71	0	71
Dec 31, 2013	4,986	1,543	6,529
Addition	151	0	151
Disposals	259	0	259
Dec 31, 2014	4,878	1,543	6,421
Net book value			
Dec 31, 2013	451	7,733	8,184
Dec 31, 2014	416	7,733	8,149

The Wallpaper Division and the Furnishing Fabrics Division, respectively, accounted for € 7.581 million 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 2015 and 2016. 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 2017, the budgeted cash flow before interest and taxes of the year 2016 less maintenance and replacement investments was carried as a perpetual annuity. No growth rate was assumed in the calculation of the perpetual annuity. For the purpose of discounting, weighted average costs of capital (before taxes) of 4.7% and 4.4% 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 7.0% for the Wallpaper Division and of over 10.9% for the Furnishing Fabrics Division would indicate the need to recognise an impairment loss.

(3) Investments accounted for at equity

This item comprises the investment in 000 A.S. & Palitra. The table below shows the changes in investments accounted for at equity:

	2014 € '000	2013 € '000
January 1	0	1,989
Additions	0	0
Pro-rata changes in equity		
Changes affecting income	0	-2,028
Changes	0	39
December 31	0	0

The table below shows the financial information of this investment:

	31.12.14 € '000	31.12.13 € '000
Non-current assets	18,429	26,116
Current assets	6,160	7,177
thereof cash and cash equivalents	(37)	(114)
Non-current liabilities	37,290	29,666
thereof financial liabilities and deferred tax liabilities	(33,073)	(29,666)
Current liabilities	2,117	7,449
thereof financial liabilities and tax liabilities	(9)	(6,091)
Net assets (100%)	-14,818	-3,822
Group share in net assets (50%)	-7,409	-1,911
Capitalised other costs	11	11
Elimination of unrealised intercompany profits	-233	-382
Carrying amount	-7,631	-2,282

	2014 € '000	2013 € '000
Sales revenues	13,034	6,587
Depreciation	2,267	2,086
Interest expenses	1,265	1,417
Income taxes	-3,294	-1,682
Earnings after taxes	-16,488	-8,680
Other earning after taxes	0	0
Total comprehensive income (100%)	-16,488	-8,680
Total comprehensive income (50 %)	-8,244	-4,340
Elimination of unrealised intercompany profits	25	30
Share in total comprehensive income	-8,219	-4,310
Dividend received	0	0

Of A.S. Création's share in total comprehensive income in an amount of € -8.219 million (previous year: € -4.310 million), an amount of € 0 million (previous year: € -2.028 million) was offset against the carrying amount of the investment. Another amount of € -8.219 million (previous year: € -2.282 million) was offset against the shareholder loans, because the latter are attributable to A.S. Création's net investments taking the economic content into account. As in the previous year, the company had no financial obligations from order commitments for investments.

(4) Financial assets

This item comprises the shareholder loans that A.S. Création Tapeten AG granted to the joint venture 000 A.S. & Palitra.

The table below shows the changes in financial assets:

	2014 € '000	2013 € '000
January 1	13,946	13,240
Additions	643	2,988
Currency adjustment	-340	0
Pro-rata changes in equity		
Changes affecting income	-8,219	-2,282
Changes affecting other comprehensive income	2,871	0
December 31	8,901	13,946

(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	
	31.12.14 € '000	31.12.13 € '000	31.12.14 € '000	31.12.13 € '000	31.12.14 € '000	31.12.13 € '000
Miscellaneous other assets	6,644	6,300	3,800	4,761	2,844	1,539
Current financial investments	3,050	0	3,050	0	0	0
Deferred charges	503	610	503	610	0	0
	10,197	6,910	7,353	5,371	2,844	1,539

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

Current financial investments comprise fixed deposits with a remaining term of more than three months.

(6) Income tax receivables

The non-current income tax receivables in an amount of € 0.575 million (previous year: € 0.830 million) refer to that portion of the capitalised corporate income tax benefit that will not be refunded in the following year.

(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% (previous year: 31.06%).

Deferred tax assets break down as follows:

	31.12.14 € '000	31.12.13 € '000
Realisable future reductions in tax payments resulting from losses carried forward	388	872
Differences between the tax balance sheet and the commercial balance sheet	38	9
Adjustments of individual financial statements to IFRS	34	242
Consolidation processes	52	26
	512	1,149

Losses carried forward for corporate income tax and solidarity surcharge in an amount of € 0.219 million (previous year: € 0.439 million) exist in Germany. In addition, tax losses carried forward in an amount of € 6.539 million (previous year: € 3.869 million) exist abroad. The increase is primarily attributable to translation-related exchange losses from foreign currency liabilities at the Russian sales organisation. No deferred tax assets were recognised for the losses carried forward in the amount of € 5.097 million (previous year: € 0.0 million) as their realisation is not sufficiently certain from today's point of view.

Deferred tax liabilities break down as follows:

	31.12.14 € '000	31.12.13 € '000
Differences between the tax balance sheet and the commercial balance sheet	-920	-1,140
Adjustments of individual financial statements to IFRS	2,637	4,142
Consolidation processes	1,139	1,752
	2,856	4,754

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Deferred taxes refer to the following balance sheet items:

	31.12.14		31.12.13	
	Deferred tax assets € '000	Deferred tax liabilities € '000	Deferred tax assets € '000	Deferred tax liabilities € '000
Tangible fixed assets	12	5,993	6	7,018
Intangible fixed assets	48	109	61	124
Inventories	235	143	212	94
Trade receivables and other assets	79	244	80	253
Provisions for pensions	2,341	0	1,496	0
Other provisions	10	0	14	0
Other liabilities	1,049	17	1,158	15
Tax losses carried forward	388	0	872	0
	4,162	6,506	3,899	7,504
Set-off*	-3,650	-3,650	-2,750	-2,750
	512	2,856	1,149	4,754

* 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:

	31.12.14 € '000	31.12.13 € '000
Raw materials and supplies	3,932	3,909
Unfinished products	262	374
Finished goods and merchandise	39,337	43,323
	43,531	47,606

Inventories with carrying amounts of € 10.248 million (previous year: € 10.394 million) are recognised at the fair value less cost to sell. Impairments of inventories in an amount of € 0.694 million (previous year: € 0.528 million) were recognised as an expense in the past fiscal year.

(9) Trade receivables

€ 0.052 million (previous year: € 0.434 million) of the trade receivables have a remaining term of more than one year.

The table below shows the allowances on trade receivables:

	2014 € '000	2013 € '000
As of January 1	1,986	1,875
Allocation	1,103	412
Use	196	262
Release	160	39
Currency adjustment	-5	0
As of December 31	2,728	1,986

Of the total allowances, an amount of € 1.095 million (previous year: € 0.737 million) refers to itemised allowances and an amount of € 1.633 million (previous year: € 1.249 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, 2013	34,689	30,992	3,411	45	16	3
As of Dec 31, 2014	34,702	31,510	2,633	128	8	2

(10) Cash and cash equivalents

Cash and cash equivalents break down as follows:

	31.12.14 € '000	31.12.13 € '000
Cash in banks	5,269	5,612
Cash on hand, cheques and bills of exchange	506	1,032
	5,775	6,644

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

(11) Equity

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

As of December 31, 2014, the share capital amounted to € 9,000,000.00 divided into 3,000,000 no par value registered shares.

According to Article 4 paragraph 3 of the current statutes of A.S. Création Tapeten AG (as amended on May 15, 2014), 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, 2014.

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.

In view of the consolidated loss posted in the fiscal year, it will be proposed to pay no dividend. A dividend of € 0.25 per share was distributed for the previous year, which added up to a total payout of € 0.689 million.

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

	Financial derivative	Deferred taxes	Pension provisions	Deferred taxes	Foreign currency translation differences from		Total
					fully consolidated companies	companies accounted for at equity	
	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000
As of Jan 1, 2013	-781	241	-2,611	806	98	-86	-2,333
Other comprehensive income 2013	189	-58	350	-110	209	39	619
As of Dec 31, 2013	-592	183	-2,261	696	307	-47	-1,714
Other comprehensive income 2014	-47	15	-2,680	836	2,450	2,871	3,445
As of Dec 31, 2014	-639	198	-4,941	1,532	2,757	2,824	1,731

(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	
	31.12.14 € '000	31.12.13 € '000	31.12.14 € '000	31.12.13 € '000	31.12.14 € '000	31.12.13 € '000	31.12.14 € '000	31.12.13 € '000
Financial liabilities (without finance lease)	18,372	24,116	4,045	6,752	13,084	15,135	1,243	2,229
Liabilities from finance lease								
Gross value	2,636	3,257	613	621	2,023	2,636	0	0
Discounting	-254	-412	-140	-158	-114	-254	0	0
Present value	2,382	2,845	473	463	1,909	2,382	0	0
	20,754	26,961	4,518	7,215	14,993	17,517	1,243	2,229

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 € 33.418 million (previous year: € 34.418 million) as well as assignments of machines with gross acquisition costs of € 6.176 million (previous year: € 11.711 million). 125,000 (previous year: 125,000) own shares were also used as collateral.

Interest-bearing financial liabilities of € 20.754 million (previous year: € 26.961 million) include € 20.707 million (previous year: € 24.040 million) from credit agreements at fixed interest rates and € 0.047 million (previous year: € 2.921 million) from credit agreements at variable interest rates. An amount of € 11.098 million (previous year: € 13.299 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 2014 %	Book value 31.12.14 € '000	Average interest rate 2013 %	Book value 31.12.13 € '000
of up to 1 year	2.9	4,471	3.0	4,294
of over 1 year up to 5 years	3.0	14,993	3.1	17,517
of over 5 years	2.8	1,243	2.8	2,229
		20,707		24,040

(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	
	31.12.14 € '000	31.12.13 € '000	31.12.14 € '000	31.12.13 € '000	31.12.14 € '000	31.12.13 € '000
Liabilities to employees	5,025	5,963	4,755	5,662	270	301
Liabilities due to social security charges	736	842	736	842	0	0
Liabilities due to other taxes	860	531	860	531	0	0
Liabilities due to bonuses/discounts	1,110	1,575	1,110	1,575	0	0
Liabilities due to antitrust proceedings	4,979	0	4,979	0	0	0
Miscellaneous other liabilities	3,851	3,610	3,110	2,933	741	677
	16,561	12,521	15,550	11,543	1,011	978

Following on from the search of offices in November 2010 and the opening of administrative offence proceedings in July 2013, the French antitrust authorities issued penalty notices against SCE - Société de conception et d'édition SAS and MCF Investissement SAS, two French companies of the A.S. Création Group, in December 2014. The French antitrust authorities accuse the two member companies of the A.S. Création Group and other French wallpaper manufacturers of having exchanged information in violation of antitrust law in the years from 2006 to 2010. The penalties imposed on the two companies total € 4.979 million. An appeal has been filed against the penalty notices. Under French law, this appeal does not have a suspensive effect on the payment of the penalty. A current liability of € 4.979 million (previous year: € 0.0 million) has therefore been recognised.

(14) Long-term provisions

The breakdown of long-term provisions is shown below:

	31.12.14 € '000	31.12.13 € '000
Pension provisions	12,626	9,706
Other provisions	0	2,000
	12,626	11,706

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 (rev. 2011) and equals the present value of future pension payments. For the majority of pension obligations it is determined based on the following parameters:

	31.12.14 %	31.12.13 %
Projected interest rate (discount rate)	1.80	3.10
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.

An isolated change in the actuarial assumptions would have main impact on the present value of the pension obligation:

	Increase in the parameter %	Change in present value € '000	Reduction in the parameter %	Change in present value € '000
Projected interest rate (discount rate)	1.00	-2,148	1.00	2,884
Projected pension trend	0.25	402	0.25	-383

If the life of the persons entitled to pension were extended by one year, the pension obligation would increase by another € 0.498 million.

The duration of the pension obligation, i.e. the anticipated average capital tie-up period, is 20.1 years.

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

	2014 € '000	2013 € '000
As of January 1	9,888	10,200
Pension payments	-300	-531
Current service cost	262	258
Interest cost	302	312
Actuarial losses from changes in the discount rate	2,685	0
Other actuarial gains (-) or losses (+)	-5	-351
As of December 31	12,832	9,888

Of the defined benefit obligations, an amount of € 0.332 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:

	2014 € '000	2013 € '000
As of January 1	182	184
Employer contributions	18	39
Benefit payments	0	-46
Expected return on plan assets	6	6
Actuarial losses	0	-1
As of December 31	206	182

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:

	2014 € '000	2013 € '000
As of January 1	9,706	10,016
Pension payments and employer contributions	-318	-524
Allocation through profit/loss	558	564
Allocation/release through equity	2,680	-350
As of December 31	12,626	9,706

The allocation to pension provisions through profit/loss, i.e. net pension expenses for the pension commitments, are comprised as follows and are included in the respective items of the income statement:

	Income statement	2014 € '000	2013 € '000
Current service cost and benefit payments	Personnel expenses	262	258
Interest cost	Financial result	296	306
		558	564

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

	2014 € '000	2013 € '000
Change in the discount factor	-2,685	0
Change in the biometric assumptions	-4	9
Experience adjustment	9	341
	-2,680	350

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).

The provision for the risks from the antitrust proceedings in Germany of € 2.000 million was recognised under other non-current provisions (for details, please refer to Note No. 14 to the consolidated financial statements for 2013) in the previous year. In the past fiscal year, the amount established as a provision was paid out. Due to this payment, the provision amounted to € 0.0 million as of the balance sheet date (previous year: € 2.000 million). The payment was made exclusively because of commercial considerations, as it avoids the obligation to pay interest on a potential fine up to this amount. There is a risk that these € 2.0 million – against today's estimates – may turn out to be insufficient as the proceedings continue.

(15) Short-term provisions

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

	2014 € '000	2013 € '000
As of January 1	113	103
Use	113	103
Release	0	0
Allocation	102	113
As of December 31	102	113

16) Other financial 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	
	31.12.14 € '000	31.12.13 € '000	31.12.14 € '000	31.12.13 € '000	31.12.14 € '000	31.12.13 € '000	31.12.14 € '000	31.12.13 € '000
from loan contracts	219	461	219	461	0	0	0	0
from building rents	789	1,104	371	417	418	613	0	74
from operating leases	560	673	278	292	282	381	0	0
from order commitments for investments in tangible fixed assets	607	187	607	187	0	0	0	0
	2,175	2,425	1,475	1,357	700	994	0	74

Notes to the income statement

(17) Sales

A breakdown of Group sales by region is provided below:

	Wallpaper Division		Fabrics Division		Consolidation		Group	
	2014 € '000	2013 € '000	2014 € '000	2013 € '000	2014 € '000	2013 € '000	2014 € '000	2013 € '000
Germany	69,064	66,209	11,151	10,735	-315	-214	79,900	76,730
EU (excl. Germany)	78,502	84,316	2,383	2,229	-68	-117	80,817	86,428
European Union (EU)	147,566	150,525	13,534	12,964	-383	-331	160,717	163,158
Other Eastern Europe	33,952	39,215	553	916	0	0	34,505	40,131
Other countries	14,448	16,434	465	527	0	0	14,913	16,961
Sales (gross)	195,966	206,174	14,552	14,407	-383	-331	210,135	220,250
Reduction in revenues	-20,082	-19,642	-927	-790	2	0	-21,007	-20,432
Sales (net)	175,884	186,532	13,625	13,617	-381	-331	189,128	199,818

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(18) Cost of materials

The cost of materials includes:

	2014 € '000	2013 € '000
Cost of raw materials, consumables and supplies and purchased materials	88,941	99,573
Cost of purchased services	4,070	4,256
	93,011	103,829

(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 € 0.047 million (previous year: € 0.044 million) as well as foreign exchange gains in an amount of € 0.102 million (previous year: € 0.061 million).

(20) Personnel expenses

Personnel expenses are comprised as follows:

	2014 € '000	2013 € '000
Wages and salaries	35,234	36,656
Social security contributions and pension expenses	8,003	8,451
	43,237	45,107

Social security contributions and pension expenses include contributions to state pension insurance institutions in an amount of € 2.881 million (previous year: € 2.977 million), allocations to pension provisions in an amount of € 0.262 million (previous year: € 0.258 million) as well as payments to external relief funds and similar pension organisations due to defined contribution plans in an amount of € 0.191 million (previous year: € 0.185 million).

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

	2014 Persons	2013 Persons
Blue-collar workers	395	403
White-collar workers	380	387
Trainees and apprentices	47	47
	822	837

(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 (previous year: € 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 € 0.053 million (previous year: € 0.079 million), foreign exchange losses in an amount of € 4.604 million (previous year: € 0.660 million) as well as expenses on potential claims from the anti-trust proceedings in an amount of € 4.979 million (previous year: € 2.0 million).

(23) Financial result

The financial result includes interest expenses of € 0.296 million (previous year: € 0.306 million), which result from the allocation to pension provisions. For details see No. 14 above.

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(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:

	2014 € '000	2013 € '000
Current income tax expenses	4,866	4,903
Deferred taxes	-579	-993
	4,287	3,910

At € 4.287 million (previous year: € 3.910 million), tax expenses exceeded the expected tax expenses of € -1.569 million (previous year: € 1.625 million) that would have arisen based on the overall German tax rate of 31.06% (previous year: 31.06%) by € 5.856 million (previous year: € 2.285 million). The difference between expected and effective income tax expenses in the Group is due to the following:

	2014 € '000	2013 € '000
Expected income tax expenses	-1,569	1,625
Tax rate differentials to the overall German tax rate	543	239
Income from reimbursement of corporate income tax credit	-65	-56
Taxes unrelated to the accounting period	-388	32
Non-tax-deductible expenses	1,927	819
Non-recognition and allowances from losses carried forward	1,367	0
Non-taxable income	-92	-91
Results from investments accounted for at equity	2,553	1,339
Other tax effects	11	3
Effective income tax expenses	4,287	3,910
Effective income tax rate	-84.86%	74.72%

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The change in the effective tax rate is attributable to increased pro-rated losses from the Russian joint venture, non-tax-deductible expenses relating to the antitrust proceedings and valuation allowances on losses carried forward.

(25) Earnings per share

Earnings per share are calculated as follows:

		2014	2013
Number of shares outstanding (weighted average)	shares	2,756,351	2,756,351
Earnings after taxes	€	-9,338,438	1,323,008
Earnings per share	€/share	-3.39	0.48

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:

	2014 € '000	2013 € '000
Interest received	18	23
Interest paid	725	1,093
Income tax paid	4,584	6,533
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:

	2014 € '000	2013 € '000
Raising of financial liabilities (excl. financial lease)	1,271	7,388
Raising of liabilities under financial lease contracts	0	0
Repayment of financial liabilities (excl. financial lease)	-7,014	-8,183
Repayment of liabilities under financial lease contracts	-463	-453
	-6,206	-1,248

(27) Segment reporting

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

A breakdown of key figures by segments is provided below:

	Wallpaper Divison		Fabrics Divison		Consolidation		Group	
	2014 € '000	2013 € '000	2014 € '000	2013 € '000	2014 € '000	2013 € '000	2014 € '000	2013 € '000
External sales	175,612	186,342	13,516	13,476	0	0	189,128	199,818
Intra-Group sales	272	190	109	141	-381	-331	0	0
Total sales	175,884	186,532	13,625	13,617	-381	-331	189,128	199,818
EBITDA ¹	11,963	19,243	702	561	-19	-97	12,646	19,707
EBITDA-margin	6.8%	10.3%	5.2%	4.1%			6.7%	9.9%
EBIT ²	2,781	9,927	521	396	4	-85	3,306	10,238
EBIT-margin	1.6%	5.3%	3.8%	2.9%			1.7%	5.1%
Interest income	1,100	974	1	1	-108	-132	993	843
Results from investments accounted for at equity	-8,291	-4,310	0	0	0	0	-8,219	-4,310
Interest expenses	1,086	1,492	154	178	-108	-132	1,132	1,538
Earnings before income taxes	-5,424	5,099	368	219	4	-85	-5,052	5,233
Return on sales (before taxes)	-3.1%	2.7%	2.7%	1.6%			-2.7%	2.6%
Income taxes	4,168	3,862	118	72	1	-24	4,287	3,910
Capital expenditures ³	4,967	8,484	148	278	0	-95	5,115	8,667
Depreciation	9,182	9,316	181	165	-23	-12	9,340	9,469
Cash-flow ³	5,687	16,157	450	331	-19	-95	6,118	16,393
Segment assets ⁴	128,907	142,502	7,258	7,452	-450	-307	135,715	149,647
thereof non-current assets	(51,946)	(60,718)	(1,294)	(1,348)	(-61)	(-85)	(53,179)	(61,981)
Segment liabilities ⁵	21,172	20,084	1,916	1,800	-368	-224	22,720	21,660
Employees (average)	750	765	72	72	0	0	822	837

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 other tax receivables.

⁵ **Segment liabilities** are the business segment's total liabilities less shareholders' equity, long-term provisions, tax liabilities, deferred tax liabilities and financial liabilities.

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

The breakdown of Group sales by region is shown in paragraph 17 (Sales).

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

	Total		Remaining term of up to 1 year		Remaining term of over 1 year	
	31.12.14 € '000	31.12.13 € '000	31.12.14 € '000	31.12.13 € '000	31.12.14 € '000	31.12.13 € '000
Germany	96,823	102,097	64,745	67,160	32,078	34,937
EU (excl. Germany)	26,244	28,104	14,134	15,077	12,110	13,027
Other Eastern Europe	12,648	19,446	3,657	5,429	8,991	14,017
	135,715	149,647	82,536	87,666	53,179	61,981

(28) Research and development expenses

In the past fiscal year, € 2.619 million (previous year: € 2.827 million) were spent on the development of new designs.

(29) Audit expenses

In the past fiscal year, € 0.203 million (previous year: € 0.224 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 € 0.183 million (previous year: € 0.136 million) as well as an additional € 0.0 million (previous year: € 0.058 million) for tax consulting services and € 0.002 million (previous year: € 0.024 million) for other services.

(30) Risks from financial instruments

Only € 0.047 million or 0.2% (previous year: € 2.921 million or 10.8%) of the total interest-bearing financial liabilities of € 20.754 million (previous year: € 26.961 million) represent variable-rate loans. Accordingly, a rise in interest rates by one percentage point would increase interest expenses by € 0.0 million and reduce earnings after taxes 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). Overall, A.S. Création is not subject to a material interest rate risk.

At the operating level, currency risks may occur whenever procurement and/or sales activities are not nominated in euros but in foreign currencies. Such foreign currency transactions are still negligible in the A.S. Création Group, so that operations are not exposed to a material currency risk. But this risk will increase as the activities in Russia are expended. By contrast very high currency risks result from the financing activities, i.e. from loans in foreign currencies. These exist at the Russian Group companies, which are mostly financed with euro-denominated shareholder loans. A depreciation of the rouble against the euro leads to translation-related non-cash exchange losses. A depreciation of the rouble by one percent would reduce earnings after taxes by approx. € 0.250 million.

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. Two interest rate hedges (interest rate swaps) whose term ends on December 30, 2018 and March 31, 2021 respectively 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, the negative market value of the two interest rate hedges (after deferred taxes) in the amount of € -0.441 million (previous year: € -0.409 million) was recognised in equity as at the balance sheet date. Of this total amount, € -0.032 million (previous year: € 0.131 million) is shown in other comprehensive income. Going forward, the interest rate swaps will have no impact on the earnings after taxes.

Credit and default risks from financial instruments arise from the possibility that a contractual partner may fail to meet their (payment) obligations towards A.S. Création. The creditworthiness of the contractual partner therefore plays an important role in assessing the default risks. At the operational level, default risks primarily result from trade receivables. A.S. Création's risk policy aims to limit the inherent risk. The company therefore uses available means such as credit insurance and bank guarantees to transfer the risk to third parties. These instruments do not always make economic sense, as they entail costs, and are not always available. Great importance is therefore attached to the monitoring of the agreed payment deadlines and credit lines in the context of internal debtor management. Despite these measures, not all default risks can be eliminated.

The residual default risk is mitigated by allowances on trade receivables. The potential effects which a default could have on the net worth, financial and earnings position of A.S. Création can be assessed on the basis of the concentration of debtors. In this context, A.S. Création has identified no potential risk that could jeopardise its continued existence. Of the total trade receivables in an amount of € 34.702 million (previous year: € 34.689 million), € 9.710 million or 28.0% (previous year: € 6.890 million or 20.1%) 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 € 16.531 million (previous year: € 16.228 million) granted to A.S. & Palitra constitute that material assets are tied up in a country exposed to much higher economic and political risks than Germany. The Managing Board believes, however, that the company should take these additional risks in what is the world's largest wallpaper market as they are outweighed by the resulting opportunities and the size of the additional risk is not considered to jeopardise the company's continued existence.

The liquidity risk is the risk of the company being unable to meet existing or future payment obligations due to a lack of cash or cash equivalents. To ensure that A.S. Création is able to meet its payment obligations, sufficient credit lines and cash and cash equivalents are maintained on the basis of the financial planning and systematic liquidity monitoring. As of the balance sheet date, the company had cash and cash equivalents and short-term deposits in the amount of € 8.825 million (previous year: € 6.644 million) and unused credit lines of € 16.513 million (previous year: € 13.390 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	
	31.12.14 € '000	31.12.13 € '000	31.12.14 € '000	31.12.13 € '000	31.12.14 € '000	31.12.13 € '000	31.12.14 € '000	31.12.13 € '000
Financial assets	8,901	13,946	0	0	8,901	13,946	8,901	13,946
Trade receivables	34,702	34,689	0	0	34,702	34,689	34,702	34,689
Other receivables	8,123	4,301	0	0	8,123	4,301	8,123	4,301
Cash and cash equivalents	5,775	6,644	0	0	5,775	6,644	5,775	6,644
Loans and receivables	57,501	59,580	0	0	57,501	59,580	57,501	59,580
Financial liabilities (without finance lease)	18,373	24,116	0	0	18,373	24,116	16,943	23,852
Other liabilities	1,244	1,763	0	0	1,244	1,763	1,244	1,763
Trade payables	6,058	9,026	0	0	6,058	9,026	6,058	9,026
Financial liabilities measured at amortised cost	25,675	34,905	0	0	25,675	34,905	25,245	34,641
Financial derivative	639	592	0	0	639	592	639	592
Liabilities from finance lease	0	0	2,382	2,845	2,382	2,845	2,560	3,014

The balance sheet items correspond to the classes of financial assets and liabilities, as the instruments combined in the balance sheet items have the same properties and characteristics.

The loan to OOO 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 derivatives are interest rate swaps (see Note No. 30), which, like the other financial instruments, are measured according to level 2 as defined in IFRS 7.27A(b), i.e. at a derived fair value.

In the fiscal year, net losses of € 1.105 million (previous year: € 0.500 million) resulted from bad debts and the change in bad debt write-downs

Interest income totalling € 0.993 million (previous year: € 0.843 million) and interest expenses totalling € 0.821 million (previous year: € 1.220 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 59.4% on December 31, 2014 (previous year: 58.8%). 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, 2014, the debt-to-equity ratio was 220.4% (previous year: 204.3%). 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 2014:

	Responsible for	Member of the supervisory body
Jörn Kämper Chairman	Sales and Marketing	Meffert AG Farbwerke, Bad Kreuznach
Maik Holger Krämer	Finance and Controlling	–
Antonios Suskas	Production and Logistics	–

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

(34) Supervisory Board

In FY 2014, 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 (Vice Chairman)
Jella Susanne Benner-Heinacher	Lawyer and Vice Managing Director of the DSW e. V., Düsseldorf (a German Shareholders's Association)	K+S AG, Kassel
Peter Mourschinetz Employee representative	Works council member released from productive working duties	–
Jochen Müller (since May 15, 2014)	Managing Board Member	LSG Sky Chefs Frankfurt International GmbH, Frankfurt (Chairman), LSG Sky Chefs Frankfurt ZD GmbH, Frankfurt (Chairman), LSG Sky Chefs München GmbH, München (Chairman), LSG Sky Chefs Supply Chain Solutions Inc., Wilmington/USA, SCIS Air Security Corp., Arlington/USA Alpha LSG Ltd., Manchester/UK
Dr. Dieter Schadt (until May 15, 2014)	Businessman	–
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 (previous year: 888,046 shares) in the company.

(35) Compensation of Supervisory Board and Managing Board

The annual salaries of the Managing Board members in fiscal 2014 totalled € 1.252 million (previous year: € 1.884 million). In addition, the payments to a relief fund and the reversal of pension provisions resulted in net expenses in an amount of € 0.020 million (previous year: € 0.006 million).

The compensation of the Supervisory Board members in fiscal 2014 totalled € 0.108 million (previous year: € 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 € 2.393 million (previous year: € 1.990 million) as of the balance sheet date. Pension payments to former members of the Managing Board amounted to € 0.113 million (previous year: € 0.110 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. 3), which is accounted for using the equity method. In this context, shareholder loans were granted, services were provided to the company and goods were acquired by the company. In accordance with the loan agreements, interest payments that become due during the start-up phase until December 31, 2015 are deferred until the end of the agreement. The resulting receivable has been discounted accordingly. Details of the business relationship are shown below:

	2014	2013
	€ '000	€ '000
Sales	322	761
Purchases	7,271	6,537
Interest income	975	820

	31.12.14	31.12.13
	€ '000	€ '000
Shareholder loans	15,632	16,228
Receivables	2,421	1,488
Liabilities	1,057	1,544

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

A.S. Création Tapeten AG has signed agreements with Franz Jürgen Schneider as well as with the two Managing Board members, Jörn Kämper and Maik Holger Krämer, under which they are released from potential penalties and claims for damages in conjunction with the anti-trust proceedings. Moreover, the company has undertaken to bear any defence counsel and/or court expenses. These release agreements were approved by the Annual General Meeting of Shareholders on May 3, 2013. A provision of € 0.030 million (previous year: € 0.0 million) was established for this in the fiscal year.

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

On March 13, 2014, the Managing Board and the Supervisory Board issued the declaration of conformity for FY 2014 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 2015 will be discussed and adopted at the Supervisory Board meeting on March 16, 2015. This declaration will be published on the company's

website and in the chapter "Corporate governance statement and report on corporate governance" of the 2014 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 20, 2015

A.S. Création Tapeten AG
The Managing Board

Kämper

Krämer

Suskas

Auditor's report

We issued the following opinion on the consolidated financial statements and the group management 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 notes to the consolidated financial statements, the cash flow statement and the statement of changes in equity, together with the group management report for the fiscal year from 1 January 2014 to 31 December 2014. The preparation of the consolidated financial statements and the group management report in accordance with IFRSs [International Financial Reporting Standards] as adopted by the EU and the additional requirements of German commercial law pursuant to Sec. 315a (1) HGB ["Handelsgesetzbuch": German Commercial Code] is the responsibility of the 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 Sec. 317 HGB ["Handelsgesetzbuch": German Commercial Code] and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (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 annual 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 management, 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 Sec. 315a (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 3, 2015

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Gockel
Wirtschaftsprüfer
(German Public Auditor)

Galden
Wirtschaftsprüfer
(German Public Auditor)

CORPORATE CALENDAR**131**

March 25, 2015	Analyst presentation
May 7, 2015	Interim report for the three-month period ended March 31, 2015
May 7, 2015	Annual General Meeting of Shareholders
August 6, 2015	Interim report for the six-month period ended June 30, 2015
November 5, 2015	Interim report for the nine-month period ended September 30, 2015

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DEKORA NATUR

With its diverse mix of natural and genuine-looking wood, stone and floral designs combined with fascinating surface structures the „DEKORA NATUR“ collection presents „pure“ inspiration for natural ideas of habitation.

(Original sample item no. 95914-1)

