



ANNUAL REPORT 2015 A.S. CRÉATION TAPETEN AG

A.S. CRÉATION: KEY FIGURES

		2011	2012	2013	2014	2015
Sales	€ '000	192,262	198,909	199,818	189,128	166,515
Earnings before interest and taxes (EBIT)	€ '000	9,587	15,727	10,238	3,306	7,880
Earnings before income taxes	€ '000	7,325	11,346	5,233	-5,052	5,622
Earnings after income taxes	€ '000	4,650	7,358	1,323	-9,338	3,287
Cash-flow	€ '000	14,338	19,276	16,393	6,118	13,460
Capital expenditures	€ '000	19,667	13,071	8,667	5,115	5,342
Depreciation	€ '000	9,933	9,813	9,469	9,340	8,645
Non-current assets	€ '000	67,763	68,662	63,961	54,265	50,210
Shareholders' equity	€ '000	89,553	94,839	93,473	86,891	93,188
Non-current liabilities	€ '000	43,436	40,114	37,184	32,730	23,947
Total assets	€ '000	157,327	161,748	159,067	146,162	140,405
Earnings per share	€/share	1.69	2.67	0.48	-3.39	1.19
Dividend	€/share	0.75	1.20	0.25	0.00	0.60
Number of employees (average)		796	820	837	822	801

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This English translation of the annual report 2015 is merely a convenience translation.
The German version is the prevailing one.

FOREWORD

Dear readers, dear shareholders,

Our fiscal year 2015 was again influenced by the fundamental changes in Russia and Ukraine, which weighed heavily on the export business of A.S. Création. Having started in 2014, the conflict has sent sales revenues in Russia, which used to be A.S. Création's largest foreign market, falling about 50% below the level of 2013. Sales revenues in Ukraine have slumped by as much as roughly 80%. These two countries were the company's most important non-EU Eastern European output markets. In 2013, A.S. Création still generated gross revenues of € 40.1 million in this region – compared to only € 19.5 million in 2015. In the space of only two years, the percentage of Group revenues generated in this region has dropped from approx. 18% in 2013 to roughly 10%.

As A.S. Création has been unable so far to offset this slump in revenues elsewhere, our Group revenues were down by € 22.6 million or 12.0% on the previous year's € 189.1 million to € 166.5 million in the past fiscal year 2015. By contrast, our result has shown a positive trend. While we had to post the first loss after taxes since 1989 in fiscal year 2014 and paid out no dividend, A.S. Création is posting a positive result for 2015. This improvement is reflected both in earnings before interest and taxes of € 7.9 million (previous year:

€ 3.3 million) and in earnings after taxes of € 3.3 million (previous year: € -9.3 million) or € 1.19 per share (previous year: € -3.39 per share). The Managing Board therefore plans to pay out a dividend of € 0.60 per share to the shareholders.

In this context, it should be noted that certain extraordinary factors such as the provisions for the anti-trust proceedings in France and the high exchange losses resulting from the depreciation of the Russian rouble against the euro had a strong adverse impact on our earnings in 2014. These extraordinary effects were lower or did not occur at all in 2015. This means that the improved earnings are attributable to special factors. Adjusted for these factors, earnings before interest and taxes declined by € 4.3 million from € 13.0 million in the previous year to € 8.7 million in 2015. Against the background of the € 22.6 million drop in sales revenues, this result should be seen positively, although it is not satisfactory.

As in the previous year, the ongoing depreciation of the Russian rouble against the euro, which was caused by the Ukraine crisis and the declining oil price, among other things, should be viewed critically. At the end of 2015, the exchange rate stood at approx. RUB/€ 80, compared to approx. RUB/€ 45 at the end of 2013, which means that the

Russian currency depreciated by close to 80% within two years. This means Russian consumers now have to pay approximately 80% more for German-made wallpapers compared to pre-crisis prices. As fewer and fewer Russian consumers are willing and able to pay these higher prices, local wallpaper manufacturers benefit from the new situation. They also profit from the fact that imports of affordable wallpapers from Ukraine to Russia have come to a virtual standstill because of the crisis and the geopolitical tensions between the two countries. Russian wallpaper manufacturers are therefore fully utilising their production capacities and still cannot fulfil all customer orders. Accordingly, new production capacities are being built up in Russia. On the one hand, established wallpaper manufacturers are investing in additional production facilities; on the other hand, new wallpaper companies are being founded e.g. by wholesalers setting up their own production companies. In view of the fast pace of these developments, we assume that the former export volume that was delivered from Western Europe to Russia will no longer be reached in the future. The comparatively high personnel expenses in the west and the customs duties and freight costs for exports to Russia in conjunction with the exchange rate problem result in a competitive disadvantage which cannot be offset by stylish wallpaper designs and brand names alone.

Our Russian joint venture, A.S. & Palitra, benefits from this trend. In the course of 2015, the company was able to fully utilise its production capacities, which has clearly improved its earnings position. Adjusted for exchange losses, the result after taxes was positive for the first time at € 0.4 million in the full year 2015 (previous year: € -2.8 million). In view of the greatly improved outlook for sales of Russian-made wallpapers, the joint venture decided to invest in an additional production line in November 2015. This will enable A.S. & Palitra to further expand its position in the Russian wallpaper market.

We remain dissatisfied with the revenue and earnings position of our Russian sales organisation, A.S. Création (RUS), and therefore implemented a change in the management team in spring 2015. The new Russian Managing Director has meanwhile made changes to the product development and distribution processes in order to improve the market position of A.S. Création (RUS). These structural measures will not have a short-term effect, however. Moreover, the above-described exchange rate trend of the Russian rouble makes it difficult for the Russian distribution company to market our German-made products. We aim for our Russian distribution company, A.S. Création (RUS), to achieve an almost balanced result in 2016 and to become profitable in 2017.

Headwind also came from France, which is meanwhile the biggest foreign market of A.S. Création, in 2015. Consumer sentiment in France continues to be bleak and demand for wallpapers did not remain insulated from this environment and declined. In spite of the very good market position of A.S. Création's three French distribution companies, consolidated sales revenues in France were much lower in the fiscal year than in the previous year. Besides the developments in France, the lower revenues generated in the Baltic states, which also suffer from the Ukraine crisis due to their traditionally close economic relationships with Russia, were the main reason why A.S. Création's gross revenues in the European Union (excl. Germany) declined by 6.9% in 2015.

In contrast to the previous years, A.S. Création was unable to grow in Germany in the past fiscal year but saw its sales revenues decline. Due to the strong position in the individual distribution channels, the decline was moderate, however, at 3.4%.

The Managing Board had not expected sales revenues to decline as strongly as outlined below in all major wallpaper markets in 2015. We therefore had to downgrade our original FY 2015 revenue forecast from between € 175 million and € 185 million to between € 160 million and € 170 million in July

2015. At € 166.5 million (previous year: € 189.1 million), Group sales revenues were within the projected range.

These sales revenues are no longer sufficient, however, to adequately utilise the capacities of A.S. Création Tapeten AG's two German production facilities. In 2015, the Managing Board therefore decided – in addition to the measures initiated in 2014 to adapt the cost structures to the declining revenues – to concentrate production in Wiehl-Bomig and discontinue production in Gummersbach-Derschlag with effect from 31 December 2015. Between them, these measures will result in considerable savings in the fiscal year 2016, as the Group headcount will decline to roughly 780 and the full utilisation of the remaining production facility will result in efficiency gains. Unfortunately, these savings will be partly offset by the collective pay rises of the year 2015. From today's point of view, it therefore appears to be necessary to further adjust the personnel expenses in the course of 2016, as there are no signs that the sales situation will improve any time soon.

The wallpaper industry is in a phase of transformation. The Western European manufacturers are struggling to cope with much lower capacity utilisation, which has led to increased price wars and intense competition for market share. Simultaneously, manufac-

turers in Eastern Europe are strengthening their competitive position in their home markets and expanding their capacities, which has resulted in a shift of power. At the same time, changes are occurring on the retail side. While it was mainly the DIY and discount stores that used to make life hard for specialist wallpaper retailers in the past, many retailers are now complaining about aggressive online vendors. While online wallpaper commerce will not entirely replace the physical retail stores, it will increasingly establish itself as an additional distribution channel, which may also open up new customer groups for wallpapers. A.S. Création will provide stationary retailers with new concepts to help them market our wallpapers successfully also in the future.

A.S. Création has so far been the industry pioneer in terms of digitalisation and we intend to expand this leading position even further. We therefore plan to make further investments and organisational changes in 2016 to seize the respective opportunities. Our online shop, tapetenshop.de, has helped us gain experience in selling wallpapers online for many years – with the participation of our retail partners. In January 2016, our successful touch-screen POS module was complemented by a new and reprogrammed tablet version, which allows retailers to present wallpapers in an entirely innovative way and to speed up their sales process.

The development of new marketing concepts does not mean that we are losing sight of our actual product, i.e. the wallpaper. In 2015, our designers developed and produced some 1,900 articles. We will also introduce a large number of new wallpapers in 2016 to ensure that our product range remains up-to-date and exciting. Licensed collections are an integral element of A.S. Création's product range. Our search for new attractive licensing partners was again successful in 2015. Besides our established premium brands such as VERSACE, ESPRIT and PORSCHE DESIGN, we have been able to sign up another top designer for a cooperation. More details will follow shortly.

The latest customer survey carried out by trade magazine BTH Heimtex (No. 12/2015) shows that our retail partners appreciate our great efforts in the field of product development and marketing. Our company scored the best average rating of all wallpaper manufacturers based on 13 different criteria. A.S. Création was rated particularly strongly in the "marketing", "speed of delivery" and "friendliness" categories.

The current changes in the wallpaper market will face us with new major challenges. It cannot be ruled out that we are heading for another phase of consolidation. We are working at full steam in all areas to now position A.S. Création in such a way that we

will again emerge from this consolidation phase stronger than we were before.

As you know, I will leave A.S. Création as planned on March 31, 2016 after having spent 22 years with the company. In my capacity as CEO during the past 15 years, I had the privilege to provide you, dear shareholders, with detailed information on the performance of A.S. Création in our Annual Report. As in real life, our company not only had its ups but it had good and bad years. Needless to say, I would have preferred to leave A.S. Création after a better fiscal year. On April 1, 2016, Maik Krämer, with whom I worked very closely on the Managing Board over the past 15 years, will assume responsibility as CEO of A.S. Création. He will be supported by his

fellow Board members, Roland Bantel (Sales and Marketing) and Antonios Suskas (Production and Logistics), who both know the company very well. I am convinced that the new Managing Board will be successful in developing the business further. Please place your confidence in the Managing Board as you have done in the past. Your continued support will be much appreciated as A.S. Création moves forward to meet the exciting challenges which lie ahead.

Gummersbach, February 2016



Jörn Kämper

Chairman of the Managing Board

Managing Board

Jörn Kämper

Chairman

Sales and Marketing

Roland Werner Bantel

(since April 1, 2015)

Sales and Marketing

Maik Holger Krämer

Finance and Controlling

Antonios Suskas

Production

MANAGING BOARD AND SUPERVISORY BOARD

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Supervisory Board

Franz Jürgen Schneider ^{1),2),3)}

Chairman

Jella Susanne Benner-Heinacher ³⁾

Vice Chairwoman

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

(since May 7, 2015)

Dr. Rüdiger Liebs ^{1),2)}

(until May 7, 2015)

Peter Mourschinetz

Employee representative

Jochen Müller ^{1),3)}

Rolf Schmuck ²⁾

Employee representative

¹⁾ Member of Committee for Managing Board Matters

²⁾ Member of Audit Committee

³⁾ Member of Nomination Committee

HIGHLIGHTS 2015

- January** The A.S. Création share starts the new year at € 26.20.
- At the "Heimtextil" exhibition in Frankfurt am Main, A.S. Création presents its new products for 2015 including a digital print collection featuring vintage Volkswagen motifs such as the VW Beetle and the VW Bus.
- March** A.S. Création's online services for retailers are significantly improved and accelerated through the launch of a completely revised and modernised customer log-in functionality.
- April** Mr Roland Werner Bantel is appointed as additional member of the Managing Board with effect from April 1.
- May** The Annual General Meeting of Shareholders on May 7 elects Dr. Volker Hues new member of the Supervisory Board as successor to Dr. Rüdiger Liebs.
- The Supervisory Board elects Mrs Jella Susanne Benner-Heinacher new Vice Chair of the Supervisory Board.
- June** On June 4, an agreement is signed with the former owners of the French subsidiaries SCE and MCF according to which the latter will contribute € 2.1 million towards the penalty and the legal costs and fees of the French anti-trust proceeding.
- The new responsive online product catalogue "New Walls" allows the current product range of A.S. Création to be explored not only on PCs but also on tablets and smartphones.
- December** A.S. Création's German wallpaper production activities are concentrated at Wiehl-Bomig.
- A.S. Création Tapeten's quality management is certified to ISO 9001:2008 by TÜV Rheinland.
- The A.S. Création share climbs to its annual high of € 33.60 on December 7 and closes the year 2015 at € 31.47 on December 30.

In the fiscal year 2015, the Supervisory Board met six times, namely on February 24, March 16, May 7 (twice), September 15 and December 17, 2015. Each of these meetings was attended by all members of the Supervisory Board.

There was one change in the composition of the Supervisory Board in 2015 compared to the previous year. Dr. Volker Hues was elected to the Supervisory Board at the Annual General Meeting of Shareholders on May 7, 2015 to replace Dr. Rüdiger Liebs. Having served on the Supervisory Board for many years, Dr. Liebs resigned from the Board with effect from the end of the AGM for reasons of age. The company 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. At the Supervisory Board Meeting held immediately after the Annual General Meeting of Shareholders, Mrs Jella Susanne Benner-Heinacher was unanimously elected new Vice Chair of the Supervisory Board. This office had previously been held by Dr. Liebs.

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

- the Committee for Managing Board Matters,

- the Audit Committee and
- the Nomination Committee.

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

The Committee for Managing Board Matters, which is responsible for the preparation of the Managing Board contracts as well as for other personnel matters, met four times, namely on February 24, March 16, September 15 and December 17, 2015. The Committee finally consulted on the search for a successor to Mr Kämper, the Chairman of the Managing Board of A.S. 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. As a result of this consultation, the Committee recommended that the Supervisory Board appoint Mr Roland Werner Bantel as additional Managing Board member with effect from April 1, 2016, renew the management contracts with Mr Maik

Holger Krämer, Director of Finance and Controlling, and Mr Antonios Suskas, Director of Production and Logistics, which will expire on March 31, 2016, and to appoint Mr Krämer as new Managing Board Chairman with effect from April 1, 2016. The Committee for Managing Board Matters also addressed the compensation of the Managing Board members in the past fiscal year 2014 including the bonus payments. The Committee for Managing Board Matters then proposed a new model to determine the bonus. This new model essentially provides for the assessment base to be changed from the weighted average compensation-relevant cash flow of three fiscal years to the weighted average result after taxes of the past three fiscal years to ensure that, in the case of a loss, this negative amount is considered in the assessment base. The Committee has proposed to the Supervisory Board to amend the provisions for the performance-linked compensation initially in the management contract with Mr Bantel and, with effect from April 1, 2016, in the new management contracts to be signed with Mr Krämer and Mr Suskas. The Committee for Managing Board Matters is chaired by Mr Schneider.

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 3 and on September 14, 2015. Both meetings were attended by representatives of the auditors, Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, and Mr Krämer as representative of the Managing Board. Until May 7, 2015, the Audit Committee was chaired by Dr. Liebs, who resigned from office as of the end of the Annual General Meeting of Shareholders held on that date. At the Supervisory Board meeting held immediately after the Annual General Meeting of Shareholders on May 7, 2015, Dr. Hues was unanimously elected new member of the Audit Committee. Dr. Hues took over as Chairman of the Audit Committee. Both Dr. Liebs and Dr. Hues are independent financial experts and as such have 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 2014, the supervision of the accounting process, the effectiveness of the internal control system and on planning the audit for the fiscal year 2015. At its meeting on March 3, 2015, the Audit Committee dealt with the financial statements and the consolidated financial statements and, in this context, primarily discussed the reduced sales revenues in the

European Union and Eastern Europe as well as the foreign currency exchange losses and the provisions for the anti-trust proceedings. At its meeting on September 14, 2015, the Audit Committee primarily addressed the latest risk report as well as the compliance measures implemented at A.S. Création Tapeten AG. The Committee also defined the focal points of the audit, namely the audit of the management report pursuant to IRS 20, especially the risk report, as well as the audit of the amounts recognised for the Russian Group companies in the separate financial statements and the consolidated financial statements for 2015. 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 two meetings in the fiscal year, on February 24 and on December 17, 2015. At the meeting on February 24, 2015, the Nomination Committee consulted on the successor to Dr. Liebs. Based on the recommendation of the Nomination Committee, Dr. Hues was elected new member of the Supervisory Board at the 2015 Annual General Meeting of Shareholders. The current term of office of all Supervisory Board members will end at the end of the 2016 AGM. Against this background, the

Nomination Committee discussed the election proposals for the upcoming elections taking into account the future requirement profile for the Supervisory Board. At the meeting on December 17, the Nomination Committee then decided to recommend to the Supervisory Board to propose the re-election of the incumbent Shareholder representatives to the Annual General Meeting of Shareholders. The Nomination Committee is chaired by Mr Schneider.

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

The Supervisory Board reviewed important individual transactions and decided on all transactions requiring its approval by law, under the statutes or under the Managing Board's rules of internal procedure.

In the past fiscal year, the activities of the Supervisory Board focused on the following:

- analysis and discussion of the financial statements and the consolidated financial statements for the year ended December 31, 2014;
- consultation on the composition of the Managing Board after the resignation of Mr Kämper and the appointment of Mr Bantel as additional Managing Board member with effect from April 1, 2015 as well as the re-appointment of Mr Krämer and Mr Suskas as Managing Board members with effect from April 1, 2016;
- change of the assessment base for the performance-linked Managing Board compensation;
- preparation of Dr. Hues' succession to Dr. Liebs and consultation on the future composition of the shareholder representatives on the Supervisory Board;
- consultation on the current state of the anti-trust proceedings in Germany and France including the risk provisions established with a view to the penalty notices received;
- approval of the early agreement with the former owners of SCE – Société de conception et d'édition SAS and MCF Investissement SAS about their financial contribution to the penalty and the legal fees for the French anti-trust proceedings;
- discussion and consultation on what to do with regard to the revenue and earnings situation of the two Russian companies, A.S. & Palitra and A.S. Création (RUS), on the future distribution structure, the product range and brand policy and on what to do in view of the exchange rate risks of the Russian business activities, which increased significantly in the course of the year;
- approval of the purchase of an additional production line by A.S. & Palitra, Russia;
- discussion of the effects of the reduced revenues on the German production facilities and consultation on necessary cost-cutting measures, especially with regard to personnel expenses, to improve the competitiveness;
- discussion of the sales and marketing strategy, especially in view of customers' changing buying behaviour and the

growing importance of digital distribution channels;

- approval of Group budgeting for the fiscal years 2016 and 2017 as well as the capital expenditure budget for fiscal year 2016;
- discussion of the effects of the "Gesetz für die gleichberechtigte Teilhabe von Frauen und Männern an Führungspositionen in der Privatwirtschaft und im öffentlichen Dienst" (Law for the Equal Participation of Women and Men in Leadership Positions in the Private Sector and the Public Sector) on the company as well as stipulation of targets for the share of women on the Managing Board and the Supervisory Board.

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 2015 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 Wirtschaftsprüfungs-

gesellschaft, 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 7, 2015 elected Ernst & Young auditors of the financial statements for the fiscal year 2015. The auditor for the fiscal year 2015 was commissioned by the Audit Committee on the basis of a resolution adopted on September 14, 2015. 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 February 29, 2016 and at the Supervisory Board's annual accounts meeting on March 1, 2016. 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, 2015. 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.

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.

Our special thanks go to Mr Kämper, whose term of office as Director of Sales and Marketing and Chairman of the Managing Board will end on March 31, 2016. Mr Kämper has been committed to A.S. Création for 22 years, the last 15 years thereof as Chairman of the Managing Board. During this time, A.S. Création has shown a very positive performance, much of which it owes to Mr Kämper. The Supervisory Board would like to thank him very

much for his great personal commitment and his achievements for our company.

With effect from April 1, 2016, Mr Kämper will hand over as Managing Board Chairman to Mr Krämer, who has been appointed by the Supervisory Board. As of the same date, Managing Board member Mr Bantel will assume responsibility for Sales and Marketing. The Supervisory Board has carefully prepared and implemented these changes on the Managing Board. It is convinced that the

restructured Managing Board is perfectly positioned to manage the company and master the structural challenges of the coming years.

Gummersbach, March 1, 2016

A handwritten signature in black ink, appearing to read 'Franz Jürgen Schneider', written in a cursive style.

Franz Jürgen Schneider
Chairman of the Supervisory Board

CORPORATE GOVERNANCE STATEMENT AND REPORT ON CORPORATE GOVERNANCE

Introduction

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

Good and responsible corporate governance is today defined by nationally and internationally recognised standards. Efficient cooperation between the Managing Board and the Supervisory Board, respect of shareholders' interests as well as open and transparent corporate communication are key aspects of good corporate governance. The Managing Board and the Supervisory Board of A.S. Création Tapeten AG have traditionally been committed to these standards.

German Corporate Governance Code

The German Corporate Governance Code (hereinafter referred to as the "Code") was published by the Government Commission of the same name in 2002. The Code is normally reviewed once a year against the background of national and international developments

and amended if required. The latest amendments were decided by the Government Commission on May 5, 2015. 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 1, 2016 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 recommendations of the Government Commission on the German Corporate Governance Code published by the Federal Ministry for Justice in the official section of the electronic Federal Gazette (as amended on June 24, 2014) in the period from March 16, 2015 to May 5, 2015, save for the exceptions listed in last year's declaration of conformity dated March 16, 2015, and has since complied with the German Corporate Governance Code as amended on May 5, 2015 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 a regular limit of length of membership as well as diversity. The Supervisory Board of A.S. Création Tapeten AG is convinced that the proposals for the election of Supervisory

Board members should be based exclusively on the functional and personal suitability of the candidates. As this suitability does not depend on formal criteria such as age and the length of membership, the Supervisory Board does not comply with this recommendation of the Code.

Work of the Managing Board and the Supervisory Board

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

The members of the Managing Board are appointed by the Supervisory Board, which may also appoint a Chairman of the Managing Board. The Managing Board of A.S. Création Tapeten AG currently consists of the following members, whose individual and collective responsibilities are regulated by the rules of internal procedure:

- Jörn Kämper (Chairman),
Sales and Marketing
- Roland Werner Bantel,
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 for Mr Kämper, Mr Krämer and Mr Suskas and on March 31, 2018 for Mr Bantel. Mr Kämper has informed the Supervisory Board that he will not renew his expiring contract.

The Supervisory Board has appointed Mr Krämer and Mr Suskas as Managing Board members for a new term of office until March 31, 2021 and March 31, 2020, respectively. In addition, Mr Krämer has been appointed as new Chairman of the Managing Board with effect from April 1, 2016. Accordingly, the Managing Board of A.S. Création Tapeten AG will be composed as follows as of April 1, 2016:

- Maik Holger Krämer (Chairman),
Finance and Controlling
- Roland Werner Bantel,
Sales and Marketing
- Antonios Suskas,
Production and Logistics

The Managing Board is responsible for managing the company with due regard to the duties of care and diligence incumbent on the management team of a commercial organisation.

The Supervisory Board advises and supervises the Managing Board in managing the company. For major transactions, e.g. large investment projects or changes in the corporate structure, the Managing Board requires the prior approval of the Supervisory Board. The transactions requiring approvals are listed in the rules of internal procedure of the Managing Board.

The Managing Board informs the Supervisory Board about the course of the business and the situation of the company by monthly written reports as well as by oral and written reports presented at the Supervisory Board meetings. Extraordinary events are additionally reported 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
- Jella Susanne Benner-Heinacher,
Vice Chairwoman
- Dr. Volker Hues
- Peter Mourschinetz,
employee representative
- Jochen Müller
- Rolf Schmuck,
employee representative

The terms of office of all Supervisory Board members will expire at the end of the General Meeting of Shareholders that will ratify their acts for fiscal 2015. This meeting is scheduled for April 28, 2016.

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

- the Committee for
Managing Board Matters
Members: Mr Schneider (Chairman),
Dr. Hues and Mr Müller
- the Audit Committee
Members: Dr. Hues (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 to the extent this is permissible under applicable laws. The individual tasks and powers are laid down in the rules of internal procedure of the Supervisory Board which also ensure that the full Supervisory Board is informed of the findings and decisions of the committees.

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

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 the application of accounting principles and internal control procedures.

The task of the Nomination Committee is to propose suitable candidates for the shareholder representatives for elections to the Supervisory Board. It is exclusively composed of Supervisory Board members elected by the shareholders.

Targets for the share of women pursuant to Article 76 (4) and Article 111 (5) of the German Stock Corporation Act (Aktiengesetz AktG)

Under the "Gesetz für die gleichberechtigte Teilhabe von Frauen und Männern an Führungspositionen in der Privatwirtschaft und im öffentlichen Dienst" ("FührposGleichberG" - Law for the Equal Participation of Women and Men in Leadership Positions in the Private Sector and the Public Sector), which came into force in May 2015, certain companies are obliged to define targets for the share of women on the Managing Board and the Supervisory Board as well as the two management levels below the Managing Board. If the share of women is below 30 percent at the time the targets are set, the targets may no longer fall below this percentage. When first defining the targets, the deadline for reaching these targets may not exceed June 30, 2017. Thereafter, the deadlines for reaching and reviewing the targets can be chosen freely, with the maximum deadline being five years.

The Supervisory Board has specified a share of women of 16.7% for the Supervisory Board, which is to be reached by December 31, 2016. This percentage corresponds to the current composition of the Supervisory Board, which is composed of one woman and five men. In the past two years, two Supervisory Board members resigned from office for reasons of age and new members were elected. This planned change of generation had been initiated and implemented already prior to the coming into force of the FührposGleichberG. Accordingly, it is planned that all current Supervisory Board members stand for re-election in spring 2016. It is not planned to change the share of women on the occasion of the next election. However, both the shareholder representatives and the employee representatives on the Supervisory Board will make preparations for an increased share of women during the next term of office.

The Supervisory Board has specified a share of women of 0% for the Managing Board of A.S. Création Tapeten AG, which is to be reached by December 31, 2016. Until that date, no woman will serve on the Managing Board. This status quo cannot be changed within such a short deadline, as the appointments and the contracts of the Managing Board members end only after December 2016. The Supervisory Board will give special consideration to the aspect of improved diversity on the Managing Board – especially a higher share of women –

every time the composition of the Managing Board changes in order to meet its social responsibility. However, the qualification of a candidate will remain the most important criterion for appointments to the Managing Board also in the future.

The Managing Board of A.S. Création Tapeten AG has specified a target of 7.7% for the first management level below the Managing Board and of 13.0% for the second management level, which are to be reached by December 31, 2016. Both targets correspond to the composition at the time these targets are specified. As the change of generation, especially at the first management level, was initiated prior to the coming into force of the FührungsGleichberG and has been implemented in the meantime, no further changes are planned until December 31, 2016. This does not mean that an increased share of women is impossible. The Managing Board will give special consideration to this aspect when appointing replacements in the future, although in this case, too, the qualification of the candidate will be the most important decision-making criterion.

Shares held by the Managing Board and the Supervisory Board

As of the balance sheet date, members of the Managing Board held 5,133 shares, while

members of the Supervisory Board held 885,646 shares in A.S. Création Tapeten AG. The Managing Board and the Supervisory Board thus hold 29.69% 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 2015 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 comprehen-

sible contents, this aspect also calls for all stakeholders to have equal access to company information. A.S. Création attaches great importance to the Internet as an information medium that is freely accessible irrespective of time and place. The website of A.S. Création (www.as-creation.de) therefore provides a wealth of well-structured company information for interested users, e.g. in the "Investor Relations" section, which contains comprehensive financial information on A.S. Création such as annual and interim reports as well as ad-hoc and press releases. All information is simultaneously available in German and English.

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

Gummersbach, March 1, 2016

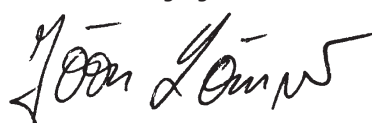
A.S. Création Tapeten AG

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. 92% of 2015 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. Headquartered in Germany, the Furnishing Fabrics Division markets curtains and furnishing fabrics and has no manufacturing resources of its own.

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

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

As the Russian production company, A.S. & Palitra, is a joint venture in which A.S. Création Tapeten AG holds a 50% interest, i.e. no majority, the share in the result for the year that is attributable to A.S. Création is shown under “financial result” in the consolidated financial statements. This share in the result is therefore not included in the consolidated operating result but in A.S. Création's consolidated earnings before taxes. Accordingly, earnings before taxes (EBT) 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 2015, the countries of the European Union (EU) accounted for 81.9% of the Group's gross sales revenues (previous year: 76.5%), while non-EU Eastern European countries accounted for 10.5% (previous year: 16.4%). Representing 41.5% (previous year: 38.0%), 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 2015, the company spent € 2.5 million (previous year: € 2.6 million) in these creative activities. These expenses are not capitalised as the criteria of IAS 38 are not met.

2. Economic report

2.1. Macroeconomic environment

The eurozone's gross domestic product increased by 1.5% in 2015. After the 0.4% decline in 2013 and the moderate rise by 0.9% in 2014, 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 from 11.6% in the previous year to 10.9% in 2015. This was probably one reason for the improved consumer climate, which was reflected in a 1.7% advance in private consumption in the eurozone in 2015, compared to only 0.8% growth in the previous year. This trend was supported by the further 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 still adversely affected by the Ukraine crisis at the same time. The depreciation of important Eastern European currencies against the euro and the economic sanctions put a damper on exports. The eurozone index of spending on plant and machinery deteriorated moderately from 1.4% in the previous year to 1.2% in 2015. The world economy outside the eurozone is growing increasingly slowly, and the problems in the emerging countries are felt more and more. Thanks to the depreciation of the euro against the US dollar, the eurozone benefited from greater price competitiveness. But the eurozone economy will not be able to isolate itself from the world economy permanently, which is why it should become progressively more difficult for companies to win additional market share; a sustainable acceleration in economic growth in the eurozone is therefore not in sight.

The optimistic growth forecasts published for Germany for 2015 had to be downgraded in the course of the year. Full-year GDP in 2015 was nevertheless up by 1.7% on the previous year, compared to a growth rate of 1.6% in 2014. Growth was primarily driven by higher consumer spending and additional government spending. Consumer spending, which benefited not only from lower energy prices but also from higher real wages, advanced by 2.0% (previous year: 0.9%). The jobless rate fortunately declined from 6.7% in the previous year to 6.4% in 2015. By contrast, corporate spending on plant and machinery rose by only 2.1%, which was clearly below the previous year's 3.5%. Due to growing problems in China and other emerging countries, orders from these countries declined towards the end of the year, leading to slower macroeconomic growth.

With the gross domestic product declining by 3.7% in 2015, Russia – the most important Eastern European output market of A.S. Création – is meanwhile in a deep recession. 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. In addition, 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 2015. The inflation rate for the full year 2015 reached 15.6% (previous year: 7.9%). In this negative environment prevailing in 2015, capital spending declined by 22%, while consumer spending, a driver of the Russian economy in the past, was down by 8.3% on the prior year level.

Prices in the international commodity and energy markets declined in 2015. According to the Hamburg Institute of International Economics (HWWI), global commodity and energy prices, having already declined by 7% in 2014, dropped by another 30% on a euro basis in 2015. This was primarily due to the sharp drop in the oil price, which fell from a good USD 52 per barrel at the beginning of 2015 by roughly 30% to approx. USD 37 by year-end. This slump was the result of the excess supply in the international oil market; the greatly increased oil production resulting from the heavy use of fracking in the USA and OPEC's continued oversupply were not offset by commensurately higher demand due to the weaker economy. While A.S. Création benefited somewhat from the downward trend in commodity and energy prices in 2015, the decline in the prices of the raw materials used by A.S. Création was much lower.

2.2. Industry-specific environment

The Association of German Wallpaper Manufacturers (VDT) has not yet published any sales figures of its members for the year 2015. As the export markets have traditionally played an important role for German wallpaper manufacturers, the Managing Board of A.S. Création assumes that the German wallpaper industry suffered from the difficult macroeconomic conditions prevailing in the large foreign markets in 2015. While the VDT members' sales revenues in 2014 declined by 6.5%, the Managing Board of A.S. Création projects a much stronger decline in the German wallpaper industry's sales for 2015. This is also suggested by press reports on some VDT members, according to which orders, especially from Russia, slumped. The 12.7% decline in the sales revenues of A.S. Création's Wallpaper Division from € 175.9 million in the previous year to € 153.6 million in the past financial year should also be seen against this background. The underutilised production capacities of the wallpaper industry have led to fierce price competition, which, in turn, has resulted in accelerated consolidation. The Managing Board expects these developments to continue.

While sales revenues in the home textiles sector increased in 2014, the figures published by the Association of German Home Textiles Manu-

facturers for the first six months of 2015 indicate a decline in sales of home textiles/curtains by close to 7%. Domestic sales declined by 3%, while export sales dropped by close to 12%. The deterioration in the industry-specific conditions in the Furnishing Fabrics Division in 2015 reflects the difficult market situation. 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. At € 13.2 million (previous year: € 13.6 million), sales revenues in 2015 were down by 3.5% on the previous year. The earnings position deteriorated moderately because of the reduced sales revenues.

2.3. Overview of the business trend

In 2015, the macroeconomic conditions had a much stronger adverse effect on the business performance of A.S. Création than expected. The original revenue forecast, according to which sales revenues were expected to amount to between € 175 million and € 185 million, had to be downgraded to between € 160 million and 170 million in the course of the year. At € 166.5 million, A.S. Création's consolidated sales revenues in the fiscal year 2015 were in line with the revised forecast. The decline by 12.0% from the previous year's € 189.1 million is essentially attributable to two factors:

- The effects of the Ukraine crisis led to a further 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), was unable to increase its sales of Russian-made wallpapers in order to offset the decline in export sales.
- Several wallpaper markets within the EU, especially the French market, were in poor shape again in 2015. Moreover, in contrast to the previous year, A.S. Création was no longer able to increase its sales revenues in Germany; accordingly, consolidated sales revenues in the EU were much lower in 2015 than in the previous year.

Unlike the revenue forecast, the original earnings forecast, which projected a marked improvement in earnings in 2015, was met. While the Group posted a loss before taxes of € 5.1 million in the previous year, a profit before taxes of € 5.6 million was reported in

the fiscal year 2015. However, earnings before taxes were greatly influenced by – positive and negative – extraordinary factors both in the previous year and in the past fiscal year. These extraordinary factors are outlined below:

- The rouble exchange rate climbed from RUB/€ 68.34 in the course of 2015 to RUB/€ 79.70; this is equivalent to an appreciation of the euro against the rouble (or a depreciation of the rouble against the euro) of 16.6%. Total exchange losses of € 3.5 million (previous year: € 11.3 million) weighed on A.S. Création's earnings before interest and taxes in 2015.
- In June 2015, A.S. Création reached an agreement with the former owners of the two French subsidiaries affected by the French anti-trust proceedings regarding their financial participation in the penalty. The income of € 2.1 million resulting from this agreement is included in other income in the fiscal year 2015. In the previous year, the penalty of € 5.0 million imposed by the French anti-trust authorities had weighed on the company's earnings before taxes.
- The adverse economic developments, especially in Eastern Europe, have led to financial bottlenecks at some customers. In light of the increased risks, the para-

meters applied to assess the risks relating to trade receivables have been reviewed and adjusted. The profit shortfall resulting from write-downs of trade receivables were € 1.2 million higher than in the previous year.

- Against the background of the declining sales revenues, the company began to reduce its headcount already back in 2014. In view of the deteriorating sales situation in the fiscal year 2015, the Managing Board of A.S. Création Tapeten AG decided to concentrate its production activities at Wiehl-Bomig and to close the Gummersbach-Derschlag plant. This measure led not only to a relocation of jobs but also to redundancies. As a result of the severance payments and the requisite provisions established in this context, severance payments increased from € 0.2 million in the previous year to € 0.9 million in the past financial year.

Adjusted for the above extraordinary effects, earnings before taxes declined from € 11.4 million in the previous year to € 9.1 million in the past financial year. This € 2.3 million decline ultimately reflects the profit shortfall resulting from the above-described € 22.6 million reduction in sales revenues in 2015, which was not offset by cost-cutting measures.

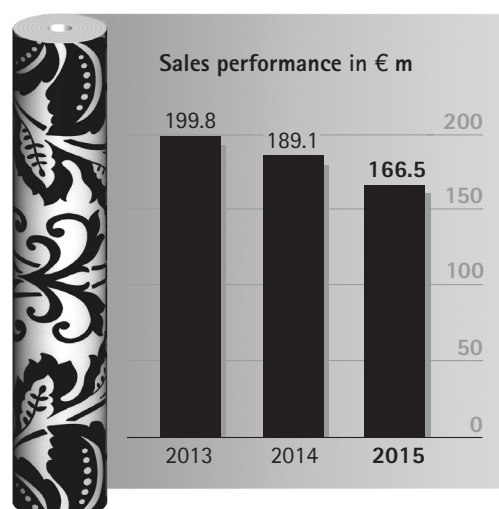
Although the result posted is in line with the 2015 earnings forecast, as outlined above, the Managing Board is not satisfied with this earnings situation.

3. Net asset, financial and earnings position

3.1. Earnings position

3.1.1. Sales revenues

A.S. Création's sales revenues declined by € 22.6 million or 12.0% from € 189.1 million in the previous year to € 166.5 million in the past financial year. An amount of € 2.4 million of this decline is due to changes in exchange rates, especially of the Russian rouble against the euro, which means that even in exchange rated-adjusted terms, sales revenues



would have come in much lower than in the previous year.

While both divisions of A.S. Création were affected by this decline in sales revenues, the Wallpaper Division accounted for the biggest portion. Sales revenues in the Furnishing Fabrics Division were down by only 3.5% on the previous year, whereas the Wallpaper Division recorded a 12.7% drop in revenues in 2015. In spite of these differences, the breakdown of Group sales revenues by divisions has not changed materially. The Wallpaper Division accounted for € 153.4 million or 92.1% (previous year: € 175.6 million or 92.9%) of the Group's total 2015 revenues in the amount of € 166.5 million (previous year: € 189.1 million), while the Furnishing Fabrics Division contributed € 13.1 million or 7.9% (previous year: € 13.5 million or 7.1%).

The breakdown of sales revenues by regions shows that A.S. Création's revenues declined in all regions in the past financial year, i.e. also in Germany, where this had not been the case in the previous year, when A.S. Création benefited from the takeover of former Praktiker and Max Bahr stores by other DIY store operators; restocking of these stores led to additional sales revenues for A.S. Création. No comparable one-time effects occurred in the past financial year, and no material stimuli

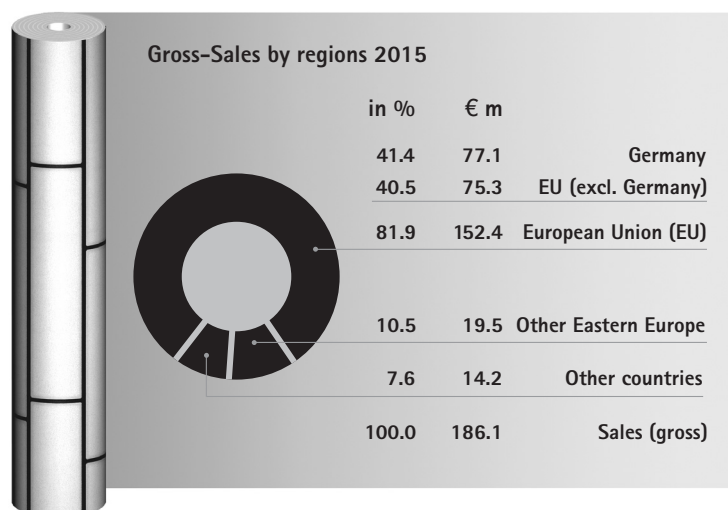
came from the wholesale and specialist retail segment, either. Accordingly, A.S. Création's gross revenues in Germany declined by 3.4% in the fiscal year 2015.

A.S. Création's revenues in the rest of the European Union (EU) declined by another 6.9% in the past fiscal year (previous year: 6.5%). This was mainly due to the fact that the French (wallpaper) market remained in a poor state, with none of the three French Group companies were able to maintain its sales revenues at the prior year level in 2015, although they essentially serve different market segments. Moreover, A.S. Création's sales revenues in the Baltic states declined notably. Due to their close economic relations with Russia, these countries are also feeling the effects of the Ukraine crisis. The positive sales trend in other EU countries such as Poland and the Netherlands was clearly insufficient to offset these declining sales figures.

As a result of the above developments, gross revenues in the EU including Germany were down by € 8.3 million or 5.2% on the previous year's € 160.7 million in the past fiscal year and amounted to € 152.4 million.

As in the previous year, A.S. Création recorded the strongest drop in sales revenues in non-EU Eastern European countries. At € 19.5 million,

gross revenues in this region were down by € 15.0 million or 43.5% on the previous year's € 34.5 million. Wallpaper exports to Russia, Belarus and Ukraine, A.S. Création's most important output markets in this region, dropped sharply. The declining general consumer sentiment resulting from the poor economic situation in combination 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 these currencies made imports much more expensive for local customers. The Russian rouble, for instance, lost 16.6% against the euro in the course of 2015, which made the wallpapers exported from Germany to Russia even less competitive. Demand for locally produced wallpapers increased commensurately. So far, A.S. Création has been unable to offset the slump in wallpaper exports to this region with additional sales of Russian-made wallpapers distributed by A.S. Création (RUS), the Russian distribution company. These structural changes, which are having an adverse effect on sales to non-EU Eastern European countries, have meanwhile clearly left their marks on A.S. Création's sales revenues. In the fiscal year 2008, i.e. prior to the financial crisis and the Ukraine crisis, A.S. Création generated gross revenues of € 58.9 million in non-EU Eastern European countries – compared to only € 19.5 million in 2015. This means that A.S. Création's sales



revenues in non-EU Eastern European countries declined by two thirds or approx. € 39 million since 2008. Consequently, the region's share in total Group revenues fell from 30.7% in 2008 to 10.5% in 2015.

As a result of the regional developments described above, the breakdown of sales revenues by regions shifted in the fiscal 2015. Germany accounted for 41.5% of the Group's gross revenues in 2015, compared to 38.0% in the previous year. As a consequence, the EU's share in gross revenues also climbed from 76.5% in 2014 to 81.9% in 2015. This means that A.S. Création's Group revenues clearly focus on the EU. As outlined above, the Eastern European countries' share declined to 10.5% (previous year: 16.4%). The remaining 7.6% (previous year: € 7.1%) of the Group's sales

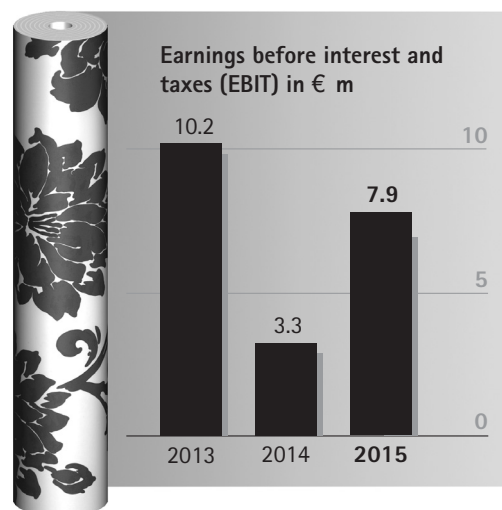
revenues are generated in some 70 other countries in which A.S. Création operates. These countries also failed to stimulate growth in 2015, as A.S. Création recorded lower demand for wallpapers especially in Asia.

As the drop in sales revenues in the past fiscal year is not attributable to individual countries but occurred in all regions, 2015 was clearly not a good year for wallpaper in the opinion of the Managing Board. While the Managing Board had already projected a decline in sales revenues for the past fiscal year in view of the difficult environment, the € 166.5 million in revenues generated by the Group is definitely not satisfactory from the point of view of the Managing Board.

3.1.2. Earnings

In the fiscal year 2015, A.S. Création more than doubled its earnings before interest and taxes from € 3.3 million in the previous year to € 7.9 million. At 4.7%, the EBIT margin was also much higher than in the previous year (1.7%). The significant improvement in earnings and the EBIT margin projected in last year's Annual Report for the fiscal year 2015 was thus achieved.

As EBIT were influenced by material extraordinary effects both in the previous year and



the past fiscal year, the above improvement in earnings does not properly reflect the actual situation of A.S. Création. The following material circumstances should be considered when analysing the Group's operating performance:

- **French anti-trust proceedings**

In June 2015, A.S. Création and the former owners of the two French companies acquired in late 2008 agreed that the latter would bear part of the penalty imposed in conjunction with the French antitrust proceedings (for details see paragraph 5 "Important events in 2015"). The income of € 2.1 million resulting from this agreement is included in other income of the fiscal year 2015. In the previous year, by contrast, the penalty of € 5.0 million imposed by the French anti-trust authorities was recognised as other operating expenses.

- **Exchange losses**

The RUB/€ exchange rate rose from RUB/€ 68.34 on December 31, 2014 to RUB/€ 79.70 on December 31, 2015, which means that the euro gained (and the rouble lost) 16.6%. As A.S. Création (RUS) is financed in euro, this exchange rate trend led to translation-related exchange losses. On balance, exchange losses shaved off € 0.8 million of A.S. Création's operating result in the fiscal year 2015 (previous year: € 4,5 million).

- **Write-downs on trade receivables**

As a result of the negative macroeconomic developments, especially in Eastern Europe, several customers experienced financial bottlenecks and insolvencies in the course of the fiscal year. Against this background, A.S. Création reviewed and adjusted the parameters applied to assess the risks relating to trade receivables. As a result, write-downs increased by € 1.2 million in the fiscal year and weighed on the company's EBIT in 2015.

- **Severance payments**

In view of the decline in sales revenues, the Group has reduced its headcount since 2014; in the previous year, this was mostly done through the non-renewal of temporary employment contracts and employees reaching retirement age. As sales revenues

remained weak in the fiscal year 2015, the Managing Board of A.S. Création Tapeten AG decided to concentrate its German production activities in Wiehl-Bomig. This move led not only to the relocation of jobs but also to redundancies. At € 0.9 million, the severance payments made and the provisions established in this context clearly exceeded the previous year's € 0.2 million and additionally weighed on personnel expenses in 2015.

Adjusted for these four factors, earnings before interest and taxes amounted to € 8.7 million in fiscal 2015, down by € 4.3 million or 33.1% on the previous year's € 13.0 million. The adjusted EBIT margin stood at 5.2% (previous year: 6.8%).

While this decline in adjusted EBIT is not satisfactory, it should be seen against the background of the slump in sales revenues in fiscal 2015. The fact that A.S. Création was able to limit the reduction in EBIT to € 4.3 million in spite of a revenue shortfall of € 22.6 million may well be regarded as a success in the opinion of the Managing Board.

This was achieved not least thanks to the improvement in the gross profit margin from 50.1% in the previous year to 53.3% in the past fiscal year. As the cost of materials is the biggest expense item in A.S. Création's

income statement, the gross profit margin (gross profit as a percentage of total output) is a key indicator for assessing the operating performance. The following factors helped to improve this performance indicator:

- **Reduction in inventories**
Inventories were reduced by another € 4.1 million in the course of 2015, following a reduction by € 2.6 million in the previous year. The sale of the products resulted in gains.
- **Reduced reject rate**
In the course of 2015, A.S. Création Tapeten AG was able to reduce the reject rate to new record lows. This had a positive impact on material consumption.
- **Declining procurement costs**
In 2015, A.S. Création benefited from the general decline in global commodity and energy prices described in paragraph 2.1 ("Macroeconomic environment"), as it led to a moderate decline in the production costs of the wallpapers produced by the company.

Based on the total output of the fiscal year 2015, the increased gross profit margin represents an improvement in earnings by € 5.1 million, which offset the reduced contribution to earnings made by the lower sales

revenues only partly, however. At the bottom line, gross profit from the sales process was € 7.0 million lower than in the previous year.

At € 43.0 million, personnel expenses, the second most important expense item in A.S. Création's income statement behind the cost of materials, were only slightly lower than the previous year's € 43.2 million. Even adjusted for the above-mentioned severance payments, personnel expenses would have been only € 0.9 million or approx. 2% lower than in the previous year. The measures taken to cut personnel expenses reduced the average headcount by 2.6% from 822 in the previous year to 801 in the past financial year. While the adjustment of the staff numbers helped to reduce personnel expenses, it fell short of the marked decline in sales revenues by 12.0%. The collective pay rises of 2.4% in December 2014 and 2.6% in November 2015, which increased the wages and salaries of most domestic employees in 2015, had an adverse effect on personnel expenses. At 26.5%, personnel expenses as a percentage of total output exceeded the previous year's high level of 23.2% and reached the highest level in the more recent history of A.S. Création. As outlined above, measures aimed at a sustainable reduction in personnel expenses have already been initiated and should help to improve personnel expenses as a percentage of total output as of the fiscal year 2016.

The marked reduction in other operating expenses from € 37.9 million in the previous year by € 8.3 million or 21.9% to € 29.6 million in fiscal 2015 is primarily attributable to the above-mentioned extraordinary factors relating to the French anti-trust proceeding, the exchange losses and the write-downs of receivables. In addition to these extraordinary factors, savings in the amount of € 0.8 million were achieved in the past financial year; rents declined as warehouses were closed, and the reduction in the number of temporary workers also helped to reduce other operating expenses.

At € 8.6 million, depreciation was down by € 0.7 million on the previous year's € 9.3 million, which helped to improve the result in the fiscal year.

This shows that A.S. Création was able to largely offset the reduced profit contributions in an amount of € 12.0 million made by the lower sales revenues of the year 2015 through an improved gross profit margin (€ 5.1 million), lower personnel expenses (€ 0.9 million), reduced other operating expenses (€ 0.8 million) as well as lower depreciation (€ 0.7 million). The short-fall of € 4.5 million essentially corresponds to the above-explained decline in EBIT adjusted for extraordinary factors of the fiscal year 2015.

Reflecting the overall positive boost from the

2015 extraordinary effects compared to the 2014 extraordinary effects, A.S. Création's EBIT increased by € 4.6 million from € 3.3 million in the previous year to € 7.9 million in 2015.

Just like the operating result, the financial result also improved notably in the fiscal year 2015. The earnings situation of the Russian production company, A.S. & Palitra, has the biggest influence on the consolidated financial result of A.S. Création. Given that A.S. Création Tapeten AG and the second shareholder, Kof Palitra, each own 50% of this company, the Russian production company is accounted for using the equity method, which means that the share in net result after taxes that is attributable to A.S. Création is recognised in the Group's financial result. The pro-rated loss improved from € -8.2 million in 2014 by € 5.7 million to € -2.5 million in the fiscal year 2015. As the joint venture is largely financed with euro loans, its earnings were additionally affected by translation-related exchange losses both in 2014 and in 2015. Given that the Russian rouble's depreciation against the euro in 2015 was not as strong as in 2014, the translation-related exchange losses of A.S. & Palitra – and of the Russian distribution company A.S. Création (RUS) – in 2015 were lower than in the previous year. They are included in the pro-rated result after taxes at an amount of € -2.7 million (previous year: € -6.8 million). This means

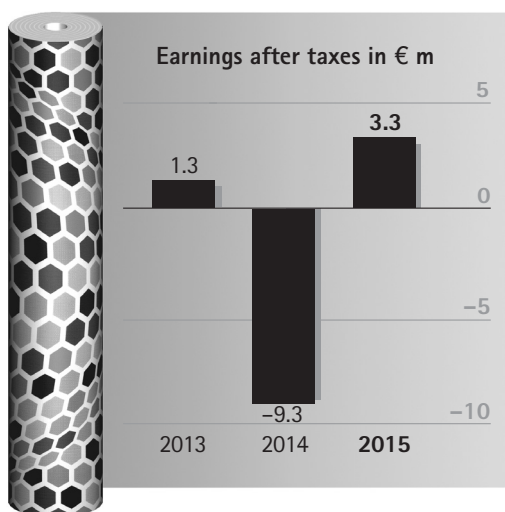
that A.S. Création's share in profit after taxes adjusted for exchange losses amounted to € 0.2 million, compared to a pro-rated loss of € -1.4 million in the previous year. The joint venture has thus successfully turned around. This very gratifying performance reflects the successes achieved by A.S. & Palitra in the form of rising capacity utilisation and the improved staff training. A further improvement in the result was prevented in fiscal 2015 by the adverse effect of the much more expensive raw materials imports weighing on the gross profit margin. As the raw materials for wallpaper production which are produced in Russia are not (yet) of sufficient quality, A.S. & Palitra – just like its main competitors – sources a great portion of the required materials from Western Europe. Due to the depreciation of the Russian rouble against the euro, these imported materials became more expensive, especially in the second half of the fiscal year 2015. On balance, the Managing Board of A.S. Création is of the opinion that the Russian production company is well on track to further expanding its profits. Against the background of the good order situation and the growing demand for Russian-made wallpapers, the two shareholders of the joint venture decided to install another production line in the company.

Apart from the improved earnings position of the Russian joint venture, the reduction in net financial liabilities also had a positive effect

on the financial result of A.S. Création. Net interest income in the amount of € 0.2 million was generated in the fiscal year 2015, compared to net interest expenses of € -0.2 million in the previous year. Together with the € 5.7 million increase in the pro-rated result from the Russian production company, this € 0.4 million improvement led to the € 6.1 million improvement in the Group's financial result from € -8.4 million in the previous year to € -2.3 million in the past fiscal year.

Earnings before interest and taxes and the financial result led to a profit before tax of € 5.6 million in the fiscal year 2015, compared to a loss of € -5.1 million in the previous year. Adjusted for the above mentioned extraordinary effects, earnings before taxes declined from € 11.4 million in the previous year by € 2.3 million to € 9.1 million in the fiscal year.

Consolidated earnings before taxes of the fiscal year 2014 included expense items of € 13.2 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 anti-trust proceedings, which did not lead to a reduction in the tax assessment base. This led to the unusual effect that the loss after taxes, at € -9.3 million, was higher than the loss before taxes. In the fiscal year 2015, the pro-rated losses of the



Russian joint venture in the amount of € 2.5 million were more or less equivalent to the tax-free income of € 2.1 million resulting from the agreement with the former owners of the two French Group companies involved in the anti-trust proceeding. Accordingly, A.S. Création's result after taxes improved notably, namely by € 12.6 million from a loss after taxes of € -9.3 million in the previous year to a profit after taxes of € 3.3 million in the fiscal year 2015. This means that the company clearly met its earnings projections for the year 2015, which provided for the result after taxes to increase at a disproportionate rate compared to both earnings before interest and taxes and the result before taxes.

Based on the number of shares outstanding, which remained unchanged at 2,756,351 in 2015, earnings per share amounted to € 1.19 (previous year: € -3.39) in 2015.

3.1.3. Profit appropriation

The Managing Board of A.S. Création Tapeten AG has always pursued a dividend policy that provides for a high payout ratio as long as this is permitted by the company's financial situation. In the past years, the payout ratio of A.S. Création settled at a level of between 45% and 50%. 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 smoothened over time but increase or decrease in line with earnings. Consequently, the loss incurred in the fiscal year 2014 was reflected in the fact that no dividend was paid. As explained in paragraph 3.1.2 ("Earnings"), the earnings position of A.S. Création improved notably in the fiscal year 2015, as reflected in earnings after taxes of € 3.3 million and earnings per share of € 1.19, which means that the basis for the payment of a dividend has been restored. In keeping with the dividend policy to date, a dividend of € 0.60 per share for FY 2015 will be proposed to the Annual General Meeting of Shareholders scheduled for April 28, 2016. Based on the number of 2.756 million shares outstanding as of December 31, 2015, this will result in a total dividend volume of € 1.7 million.

3.2. Financial position

3.2.1. Capital expenditures

Capital expenditures totalled € 5.3 million in the fiscal year 2015, which was more or less on a par with the previous year's € 5.1 million. Of this amount, € 0.8 million (previous year: € 0.6 million) related to shareholder loans granted by A.S. Création to the Russian joint venture, A.S. & Palitra, for financing purposes. 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 € 42.2 million, of which € 21.1 million relates to A.S. Création.

Adjusted for the financing of the joint venture, capital expenditures in the fiscal year 2015

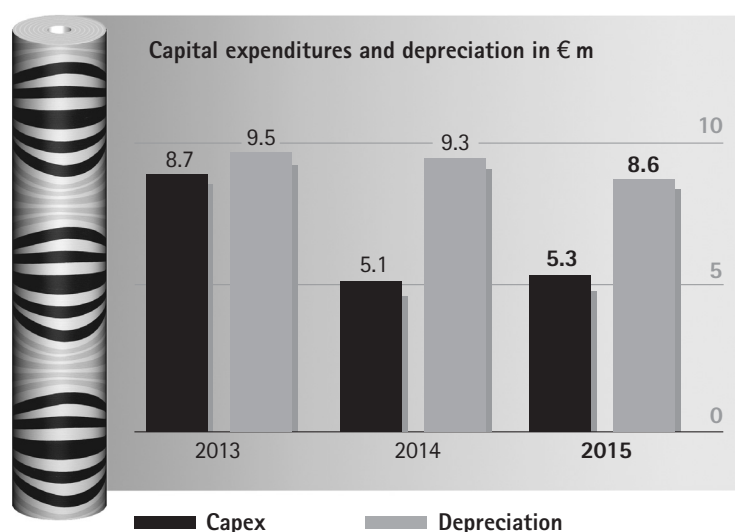
amounted to € 4.5 million, which was exactly on a par with the previous year, and primarily related to printing tools for the new wallpaper collections as well as to replacement investments. As in the previous year, no major investments in new plant capacity were required.

As of the balance sheet date, the company had financial obligations from order commitments for investments in tangible fixed assets in the amount of € 1.4 million (previous year: € 0.6 million).

3.2.2. Cash flow statement and net financial liabilities

A.S. Création's high internal financing strength did not suffer from the continued adverse conditions in the fiscal year 2015. Right on the contrary, cash flow from operating activities, at € 17.4 million, even exceeded the previous year's € 14.2 million by € 3.2 million. Apart from the increased result after taxes, the improved cash flow from operating activities is primarily attributable to the following factors:

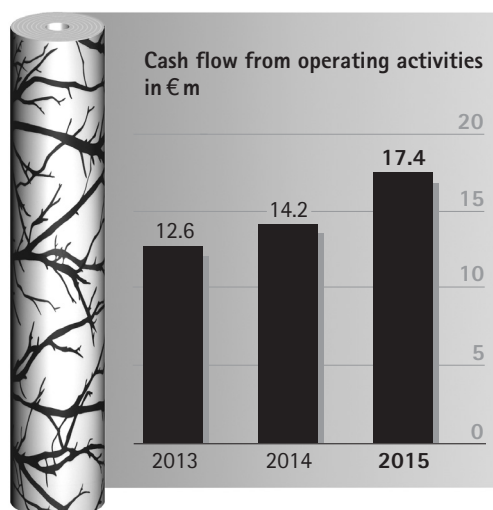
- Inventories were reduced by another € 4.4 million in the fiscal year 2015, especially at A.S. Création Tapeten AG, compared to an amount of only € 3.2 million that was released in the previous year. Due to the sharp drop in sales



revenues in the past financial year, however, the imputed inventory turnover deteriorated moderately to 4.0x per year (previous year: 4.2x).

- As a result of the lower sales revenues, trade receivables declined by € 6.3 million in 2015, compared to an increase by € 0.8 million in the previous year. However, days of sales outstanding picked up from 66 days in the previous year to 68 days in the past fiscal year, as the difficult economic situation has led to considerable financial problems, especially at some Eastern European customers, which were reflected in an increase in A.S. Création's overdue receivables.

The higher cash flow from operating activities did not contrast with increased financing requirements in the past fiscal year. Right on the contrary, capital expenditures of € 5.3 million were more or less on a par with the previous year, as outlined above. Moreover, no dividend was paid out in the fiscal year 2015 due to the loss incurred in the fiscal year 2014, whereas a dividend of € 0.7 million was distributed in the previous year. Accordingly, A.S. Création was able to fully eliminate its net financial liabilities (difference between interest-bearing financial liabilities and cash and cash equivalents as well current financial assets) in the past fiscal year. They were re-



duced from € 11.9 million as of December 31, 2014 by € 12.2 million, so that A.S. Création reported a net credit position of € 0.3 million as of December 31, 2015. This improvement is the result of a € 4.5 million reduction in interest-bearing financial liabilities and a € 7.7 million increase in cash and cash equivalents and current financial assets. As of the balance sheet date, A.S. Création thus had cash and cash equivalents as well as current financial assets in the amount of € 16.5 million (previous year: € 8.8 million), which contrasted with interest-bearing financial liabilities of € 16.2 million (previous year: € 20.7 million).

3.2.3. Balance sheet structure

A.S. Création's conservative financing policy is characterised by long-term debt at fixed

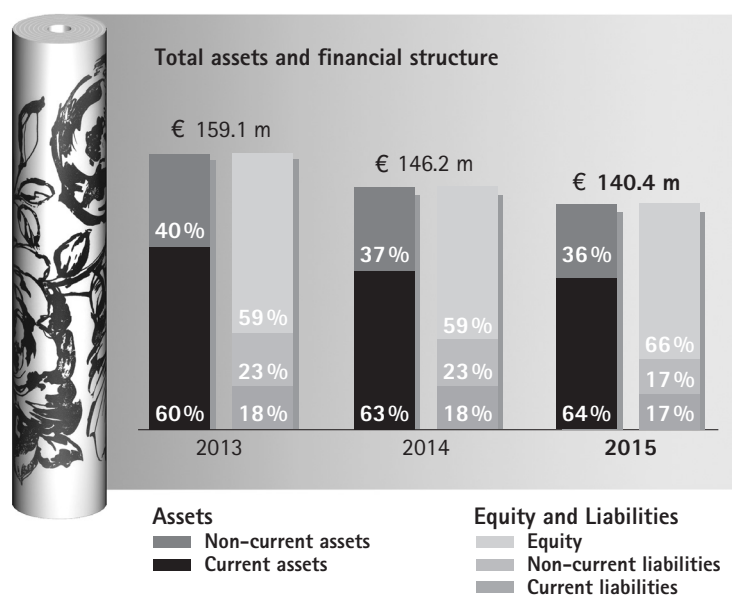
interest rates as well as by repayments during the term of the loans and has proven its worth especially during the past turbulent years. In the past years, A.S. Création did not face a reduction in credit lines or had to renegotiate the conditions of its existing loans. Only where unused credit lines 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 improved result, equity increased to € 93.2 million in the fiscal year 2015 (previous year: € 86.9 million). Because of the higher equity and the reduced total assets, the equity ratio of 66.4% clearly exceeds the previous year's 59.4%.

- Equity and long-term debt capital are more than sufficient to finance non-current assets. As of December 31, 2015, the respective ratio stood at 233.3% (previous year: 220.4%), which means that the "golden rule of financing" was more than fulfilled.
- While the debt-to-equity-ratio (net financial liabilities divided by equity) stood at a very low level of only 13.7% already in the previous year, net financial liabilities were eliminated completely as of December 31, 2015.

As of December 31, 2015, the Group's total assets amounted to € 140.4 million (previous year: € 146.2 million), of which 80.3% (previous year: 82.3%) 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 5.7 % (previous year: 5.6 %) of total assets and 8.7% of equity (previous year: 9.4%).

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 long-term growth strategy in spite of uncertain conditions.

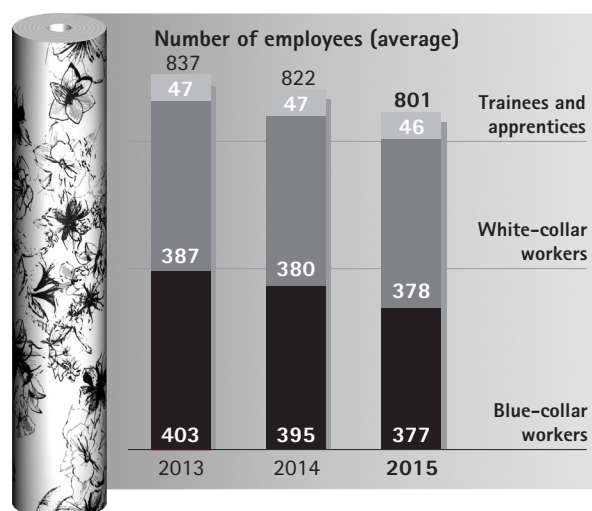


4. Material non-financial indicators

4.1. Employees

The average headcount of A.S. Création declined by 21 people or 2.6% from 822 to 801 in the course of 2015. 728 employees (previous year: 750) worked in the Wallpaper Division and 73 (previous year: 72) in the Furnishing Fabrics Division. A majority of 651 people or 81.3% (previous year: 675 people or 82.1%) are employed by the domestic Group companies.

In view of the decline in sales revenues, the Group has reduced its headcount since 2014; until autumn 2015, this was mostly done through the non-renewal of temporary employment contracts and employees reaching retirement age. As sales revenues were not expected to improve notably, the Managing Board of A.S. Création Tapeten AG decided to concentrate its German production activities in Wiehl-Bomig. This move, which was essentially completed by December 31, 2015, led not only to the relocation of jobs but also to redundancies. As the concentration of the production activities was implemented only in the second half of the year, it has not been reflected notably in the average headcount of the year 2015. The average headcount of the A.S. Création Group will be reduced to roughly 780 only in the fiscal year 2016 as a result of the measures implemented to date.



As the average headcount declined by 2.6% and sales revenues decreased by 12.0% in the past fiscal year, sales per employee continued to decline from € 0.230 million to € 0.208 million in 2015. 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 pay rises. In the absence of revenue and earnings growth which could offset these additional expenses, the staff reductions will continue in 2016. The medium-term objective is to reduce personnel expenses as a percentage of total output to approx. 22%, which was the level that was typical of A.S. Création in the past.

A.S. Création's traditionally strong commitment to training young people has not and will not be restricted. In 2015, A.S. Création

trained an average of 46 (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 not reduced in spite of the economically challenging conditions prevailing over the past years. Trainees/apprentices represented 7.1% of the domestic workforce (previous year: 7.0%).

4.2. Product safety and environmental protection

All A.S. Création wallpapers are produced to 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 evalua-

tion 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 sustainable forest management was used for the product in question.

Our capital expenditures also reflect our commitment to a sparing use of resources. While all capital expenditures required to meet the increasingly stringent legal and regulatory requirements count as direct capital expenditures in environmental protection, capital expenditures in modernisation 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 con-

sumption 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 and a certified quality management system to ISO 9001:2008.

5. Important events in 2015

Mr Jörn Kämper, member of the Managing Board of A.S. Création Tapeten AG in charge of Sales and Marketing since April 8, 1998 and Chairman of the company's Managing Board since June 28, 2001 will not renew his contract, which will expire on March 31, 2016, for personal reasons. Against this background, the Supervisory Board appointed Mr Roland Werner Bantel as additional Managing Board member with effect from April 1, 2015. Until March 31, 2016, Mr Bantel will share responsibility for Sales and Marketing with Mr Kämper and will afterwards take responsibility on its own. The Supervisory Board intends to appoint Mr Maik Holger Krämer new Chairman of the Managing Board with effect from April 1, 2016.

Dr. Rüdiger Liebs, who had sat on the Supervisory Board of A.S. Création Tapeten AG since

the company's IPO in 1998 and most recently served as its Vice Chairman and as Chairman of the Audit Committee, resigned from office for reasons of age in 2015. On May 7, 2015, the Annual General Meeting of Shareholders of A.S. Création Tapeten AG elected Dr. Volker Hues, Chief Financial Officer of Jungheinrich AG, new member of the Supervisory Board. Dr. Hues also serves as Chairman of the Audit Committee. Mrs Jella Susanne Benner-Heinacher was elected new Vice Chair of the Supervisory Board by the Supervisory Board.

In December 2014 the French Cartel Office ("Autorité de la concurrence") issued a penalty notice against the French companies Société de conception et d'édition SAS ("SCE") and MCF Investissement SAS ("MCF"), two members of the A.S. Création Group. The penalties issued against SCE and MCF amounted to a total of € 5.0 million. An appeal has been filed against the penalty notice. An appeal against a penalty notice does, however, not have a suspensive effect under French law, meaning that the penalties had to be paid in 2015. The French antitrust authorities accuse the companies of having exchanged information in violation of antitrust law in the years from 2006 to 2010. A.S. Création acquired the majority in both companies only in December 2008. Liability for the penalty therefore also falls on the former owners SCE and MCF. On June 4, 2015, an agreement was signed with the former

owners, under which they were to contribute € 2.1 million to the penalty as well as the legal costs and fees. This amount was received by A.S. Création (France) SAS, the parent company of SCE and MCF, in June 2015 and is not conditional to the outcome of the pending appeal against the penalty notice.

In view of the decline in sales revenues, the Group has reduced its headcount since 2014, mostly through non-renewal of temporary employment contracts and employees reaching retirement age. In the course of the fiscal year 2015, the Managing Board of A.S. Création Tapeten AG arrived at the conclusion that an imminent improvement in sales revenues was unlikely and therefore decided to concentrate its German production activities in Wiehl-Bomig. This move, which was essentially completed by December 31, 2015, led not only to the relocation of jobs but also to redundancies. Accordingly, the severance payments made and the provisions established in this context clearly reached a high level of € 0.9 million in the fiscal year 2015 (previous year: € 0.2 million).

6. Important events after the end of the fiscal year

The Managing Board is of the opinion that no reportable events occurred.

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, Ernst & Young GmbH 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 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 manageable. 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

The Managing Board is of the opinion that the future political and macroeconomic conditions in non-EU Eastern European countries, especially Russia, pose risks with a high to very high potential damage for A.S. Création. In this context, a possible further sustainable depreciation of the Russian rouble against the euro and a very high volatility of the exchange rate is a material risk. A.S. Création believes that this could turn the Russian wallpaper market from a mass market into a speciality market, as the wallpapers exported from Germany to Russia would become much more expensive and no longer be competitive against locally produced wallpapers. As a result, capacity utilisation of the German production facility would deteriorate notably. Moreover, a strong long-term depreciation of the Russian rouble would cause the translation-related exchange losses, which primarily result from the fact that the Russian production facility is financed with euro loans (for details see paragraph 3.1.2 of the management report), to materialise. This means that the currently non-cash

currency-related exchange losses would become cash exchange losses when the loans are repaid. Also, the poor macroeconomic trend in Russia could result in major customers no longer meeting their payment obligations and A.S. Création facing bad debts. Finally, a negative scenario is possible in which an escalating political conflict in Russia would lead to expropriation and capital freezes and A.S. Création would have to write off the Russian investment entirely.

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 for Western European wallpaper manufacturers 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 there are currently significant overcapacities in the Western European wallpaper industry. At the same time, substantial capacity is being added in Eastern Europe, especially in Russia. Russian

wallpaper manufacturers benefit from the fact that wallpaper imports from Western Europe have become very expensive for the Russian consumers due to the depreciation of the rouble and that imports of affordable wallpapers from Ukraine have become more difficult for political reasons. It is possible that investment activity in Russia will lead to overcapacities in this market, too. 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 as well as to the adjustment of the production capacities in Germany in 2015. 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. In the worst-case scenario of a general prohibition of e.g. plasticisers, the entire wallpaper industry would be equally affected. Such a change would therefore not lead to any distortions in the competitive situation. A high risk could arise, if a 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 not high.

Apart from the opportunities arising from the fact that wallpaper is a fashionable product, this fact also entails the risk of fashion trends leading to declining demand for wallpapers. A general and sustainable trend towards smooth white walls, for instance, could lead to strongly declining sales revenues and earnings for A.S. Création. The Managing Board believes,

however, that the probability of such a scenario is rather low, as the same fashion trend would normally not occur in all regional output markets of A.S. Création at the same time and wallpaper cannot only be produced as a design wallpaper but also as a plain wallpaper.

7.2.3. Risks arising from the functional areas

In 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 2015. 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. 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 a very high, existence-threatening, risk for A.S. Création. Against the background of the stagnating commodity prices, there is currently a low probability of such a scenario actually materialising.

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 a very high, existence-threatening, risk.

Apart from the above, there are currently no signs of high or very high risks in production and logistics having nameable occurrence probability. 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.

In the distribution area, there are risks that relate to the changing structures in the output markets. On the one hand, there is a notable concentration process leading to larger companies in the wholesale and retail sector as well as in the DIY store and discount store sector. On the other hand, a trend is emerging which may lead to increased demand in the high-priced premium segment and the price-conscious discount segment at the expense of the medium market segment. Moreover, online distribution of wallpapers has meanwhile established itself as an additional distribution channel and is increasingly competing with the traditional distribution formats. Should A.S. Création be unable to adapt its product

and pricing policy as well as its own organisational structure to these changing structures, this could lead to strong and sustainable pressure on revenues and earnings. There is therefore a high potential risk, even though the Managing Board considers it rather unlikely to materialise.

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 pending anti-trust proceedings in Germany and France, as violations of competition law generally entail the risk of significant penalty payments. Also, there is a potential risk of claims for damages being

raised by third parties in conjunction with anti-trust proceedings as well as with regard to charges resulting from the release of the company's directors and officers from potential penalty payments and claims for damages.

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 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 in March 2014. The Federal Cartel Office has delegated the case to the Public Prosecutor in Düsseldorf in the meantime.

Following on from the search of the offices in November 2010 and the opening of administrative offence proceedings in July 2013, the French antitrust authority ("Autorité de la concurrence") issued penalty notices against SCE – Société de conception et d'édition SAS (SCE) and MCF Investissement SAS (MCF), 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 was filed against the penalty notices in February 2015. The Managing Board of A.S. Création expects the Court of Appeal ("Cour d'appel") in Paris to deliver a verdict in the course of 2016. A.S. Création acquired majority ownership in the two French companies, SCE and MCF, only in December 2008. Liable for the penalty therefore also falls on the former owners SCE and MCF. In June 2015, an agreement was signed with the former owners, under which they were to contribute € 2.1 million to the penalty as well as the legal costs and fees. This amount was received by A.S. Création in June 2015 and is not conditional on the outcome of the pending appeal against the penalty notice. The maximum penalty to be borne by A.S. Création therefore amounts to € 2.9 million.

The maximum penalty to be paid by A.S. Création in the anti-trust proceedings is now known to amount to € 13.4 million (previous year: € 15.5 million). 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. Due to the uncertainties generally arising from court proceedings, however, a risk provision in the amount of € 4.9 million (previous year: € 7.0 million) has been established from 2013 until the balance sheet date. There is a risk that this provision – against today's estimates – may turn out to be insufficient as the proceedings continue.

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 is why the above-mentioned amount of € 5.0 million was paid already in 2015. As explained above, € 2.1 million of this amount has been refunded, resulting in a net cash outflow of € 2.9 million for A.S. Création. In Germany 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. This means that € 4.9 million of the maximum penalty of € 13.4 million has already been paid, i.e. besides the above earnings risk in the amount of € 8.5 million, there is a maximum liquidity risk of the same amount. In view of the good financial position of A.S. Création, the Managing Board does not consider the maximum risks resulting from the anti-trust proceedings as existence-threatening. The probability of occurrence of this maximum risk is also considered to be low for the above reasons.

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 eight 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 of the consolidated financial statements as of fiscal year 2014 as successor to the former auditors KPMG. To ensure a consistent auditing standard within the A.S. Création Group, A.S. Création has a policy of using as few accounting firms as possible. Accordingly, the financial statements of nine of the ten Group companies were audited or reviewed by Ernst & Young or by Ernst & Young in cooperation with KPMG in 2015. 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 consolidated 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 2.9% for 2016.

This comes after a disappointing growth rate of 2.4% for 2015. According to the World Bank, the 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 a number of emerging countries 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 1.3% is projected for 2016, repeating the 1.5% expansion seen in 2015. Consumer spending is expected to grow somewhat more strongly, namely by 1.9%, compared to 1.7% 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 41.5% of A.S. Création's total Group sales revenues in 2015, are expected to pick up by 2.5% in 2016.

By contrast, the expectations for the non-EU

Eastern European countries are subdued. 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, some economic experts expect the gross domestic product of Russia – one of the world's two largest wallpaper markets next to China – to drop by another 0.7% and inflation to rise to 9.2%. But there are also much more pessimistic forecasts for the country. All forecasts assume, however, that Russia will remain in a deep recession in 2016. A.S. Création expects the resulting anticipated 2.0% decline in consumer spending to have an adverse effect on wallpaper consumption. In the present situation, it is virtually impossible to realistically forecast the rouble exchange rate trend for 2016. On balance, Russia will remain a difficult market for A.S. Création in 2016.

Stagnating commodity and energy prices are projected for 2016, as the anticipated low growth in the world economy will probably not lead to much higher demand for commodities and energies. After the oil price slump in 2015 and early 2016, another sharp drop in oil prices is unlikely, however.

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, 2016 will probably not be a year of growth for A.S. Création.

The Eastern European markets, especially the Russian market, will play an important role for Group revenues in 2016. After the strong declines in sales revenues in the past two years, it is impossible to say with sufficient certainty whether business has already bottomed out. With regard to wallpaper exports from Germany to Russia and other Eastern European countries, the Managing Board expects conditions to deteriorate. On the one hand, there are no signs that the rouble exchange rate is stabilising. The depreciation against the euro continued at the beginning of 2016 and the exchange rate remains very volatile. German-made wallpapers are therefore likely to become even more expensive for Russian consumers and become less competitive against locally produced wallpapers. On the other hand, wallpaper consumption – especially demand for high-priced wallpapers – is expected to suffer from the anticipated decline in consumer

spending. In any case, a decline in exports to Eastern Europe will lead to poorer capacity utilisation of A.S. Création's German wallpaper production facilities and have a dampening effect on the Group's revenues.

Just like other Russian wallpaper manufacturers, the Russian joint venture, A.S. & Palitra, benefited from the changed framework conditions and will probably continue to do so in the future. Capacity utilisation was improved continuously in the course of 2015, and the company has operated close to its capacity limit since summer 2015. This is attributable to the expansion of the company's own product range. The Managing Board assumes that the high production volumes that were realised with the existing customer base in the final months of 2015 can be maintained in 2016. This alone will lead to substantial sales growth in the fiscal year 2016. It is also planned to take an additional production line into operation in the last quarter of 2016, which will lay the basis for the planned growth. With break even reached in the past fiscal year and A.S. & Palitra posting a "black zero", the Managing Board is very optimistic that the joint venture will be clearly profitable – adjusted for exchange losses – in the fiscal year 2016.

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 2016. The critical question is to what extent the Russian distribution company, A.S. Création (RUS), can increase its sales of Russian-made wallpapers in 2016. The basis for notable sales growth was laid in 2015 in the form of a change in the management team, the strengthening of the sales organisation and the realignment of the product range. The Managing Board is therefore confident that A.S. Création (RUS) will realise substantial sales growth in 2016. It remains to be seen whether this will be sufficient to offset the anticipated decline in A.S. Création Tapeten AG's exports to Russia. In any case, the scenario of a further decline in Group revenues in the non-EU Eastern European countries cannot be ruled out.

In view of the uncertainties regarding the Eastern European market, it remains A.S. Création's primary objective to increase its revenues in the EU. Due to cautious economic expectations, cut-throat competition will increase. 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. In addition, exports to countries

outside Western and Eastern Europe are to be expanded.

The operating performance should continue to improve in the fiscal year 2016. If the Russian distribution company A.S. Création (RUS) reaches its sales projections, this should improve the company's earnings position, which would also be reflected positive in the Group's operating result. The assumed improvement in the Russian joint venture's earnings will be reflected in the Group's financial result and thus have a positive effect on A.S. Création's consolidated earnings before taxes.

In 2015, A.S. Création Tapeten AG concentrated its production activities in a single location to adjust its capacities to the lower production volume in Germany. In 2016, the focus will be placed on fully utilising this production facility, on increasing productivity notably and on further reducing the reject rate. Special attention will be paid to the Group's personnel expenses as a percentage of total output, which reached a historical high in 2015 and need to be reduced in the medium term. Potential other measures will be decided by the Managing Board in accordance with the sales and business trend in the course of the year.

The assumed improvement in the Russian joint venture's earnings will be reflected in the

Group's financial result and thus have a positive effect on A.S. Création's consolidated earnings before taxes.

With regard to the key performance indicators, the Managing Board expects the following for 2016:

- Group sales revenues should amount to between € 160 million and € 170 million in 2016, compared to € 166.5 million in the past fiscal year.
- The gross profit margin will probably decline moderately against the previous year. This expectation is based on the assumption that the positive effects resulting from a reduced reject rate and potentially stagnating commodity and energy costs will be offset by the anticipated price competition.
- The measures implemented by the end of 2015 to reduce the headcount will take full effect in the fiscal year 2016. These savings will partly be offset, however, by the 2.6% collective wage increase which became effective in November 2015 for most of the domestic employees. Personnel expenses as a percentage of total output are therefore likely to decline in 2016 but

not reach the level of approx. 22% that was typical of A.S. Création in the past.

- Earnings before interest and taxes (EBIT) and the EBIT margin should improve slightly in 2016, provided that no significant burdens arise from the antitrust proceedings and that the Russian rouble does not depreciate extremely against the euro by the end of 2016.
- Provided that the Russian joint venture will operate clearly within the profit zone in 2016, earnings before taxes should increase at a disproportionately higher rate than earnings before interest and taxes in 2016.

Based on the above assumptions, A.S. Création's consolidated earnings after taxes for 2016 would clearly exceed the previous year's € 3.3 million.

Due to the extraordinary uncertainty surrounding the factors that will influence earnings, the Managing Board has decided – as in the previous year – not to issue a specific after-tax profit forecast for the fiscal year 2016. As the year progresses, however, the Managing Board intends to issue more precise statements for the full year 2016 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 2015 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 differ depending on the member's personal circumstances.

The Group's weighted average cash flow from three fiscal years used to serve as 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. This compensation scheme for the Managing Board was approved by the Annual General Meeting of Shareholders on May 5, 2011.

In 2015, the Supervisory Board decided to take the Group's weighted average earnings after taxes of the past three fiscal years as the basis of assessment for the calculation of the performance-linked component, so that, in the event of a loss incurred in a fiscal year, this

negative amount would be considered in the basis of assessment. This modified compensation system for the Managing Board is to be submitted to the 2016 Annual General Meeting of Shareholders for approval. The new basis of assessment has already been considered in the new management contract of Mr Bantel, who was appointed new Managing Board member with effect from April 1, 2015. As the current management contracts of Mr Krämer and Mr Suskas will expire on March 31, 2016, the modified basis of assessment has been incorporated into the new management contracts that will become effective as of April 1, 2016. According to the new contracts, the performance-linked component may not exceed a total amount of € 1.700 million ("bonus cap").

Consequently, the performance-linked component of the fiscal year 2015 for Mr Kämper, Mr Krämer and Mr Suskas was determined on the basis of the Group's weighted average cash flow of three fiscal years, while the performance-linked component for Mr Bantel was determined on the basis of the weighted average earnings after taxes of three fiscal years.

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 improved earnings position in the fiscal year 2015 and the change in the number of Board members, the performance-linked compensation of the Managing Board increased from € 0.502 million in the previous year to € 0.663 million. The non-performance-linked component rose to € 0.902 million (previous year: € 0.750 million). The Managing Board's annual income for the fiscal year 2015 thus totalled € 1.565 million (previous year: € 1.252 million).

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, for service duration and for each Managing Board member, 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 € 0.053 million on December 31, 2014 to € 0.013 million on the balance sheet date.

In fiscal 2015, the payments to the external relief fund led to expenses of € 0.069 mil-

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

amounted to € 0.029 million in the fiscal year 2015 (previous year: € 0.020 million).

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

	2015 € '000	2014 € '000
Fixed salary	815	680
Side benefits	87	70
Non-performance-related component	902	750
Performance-related component (bonus)	663	502
Annual compensation	1,565	1,252
Payment to an external relief fund	69	60
+/- Addition to / release of pension provisions	-40	-40
Pension expenses	29	20
	1,594	1,272

The compensation of the Managing Board members is not reported individually, as 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. On May 15, 2014, the Annual General Meeting of Shareholders decided to adjust the Supervisory Board compensation with effect from the fiscal year 2015.

According to Article 14 of the statutes (as amended on May 7 2015), which is relevant for the compensation of the Supervisory Board members in the fiscal year 2015, the members of the Supervisory Board receive a fixed compensation in an amount of € 12,500 (previous year: € 9,000) in addition to the reimbursement of their expenses. The Chairman receives three times that amount (previous year: twice) and the Vice Chairman 1.5 times that amount (previous year: 1.5 times). A performance-linked component is not provided for. The members of a committee formed by the Supervisory

Board receive an additional compensation of € 6,250 (previous year: € 4,500) for this activity, with the total compensation for committee work limited to the double amount of the fixed compensation. In accordance

with these regulations, the compensation of the Supervisory Board members for the past fiscal year totalled € 162,500 (previous year: € 108,000) and breaks down as follows:

	2015 € '000	2014 € '000
Mr Schneider	56	32
Mrs Benner-Heinacher	23	13
Dr. Hues (since May 7, 2015)	16	0
Dr. Liebs (until May 7, 2015)	11	23
Mr Mourschinetz	13	9
Mr Müller (since May 15, 2014)	25	11
Dr. Schadt (until May 15, 2014)	0	7
Mr Schmuck	19	13
	163	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 7, 2015), the share capital of A.S. Création Tapeten AG amounts to € 9,000,000 and is divided into 3,000,000 no par value registered shares. Each 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 35.27%, Lins Wallpaper Limited (and indirectly Mr Oleg Dzhagayev, 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 and the 0.08% voting interest held by Franz Jürgen Schneider Stiftung are also attributable to Mr Schneider in addition to his directly held voting interest of 29.52%.

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

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

quarters of the votes cast is required to change the business purpose of the company.

According to a resolution of the Annual General Meeting of Shareholders dated May 7, 2015, the Managing Board is authorised to acquire own shares up to a par value of € 900,000 (which represents a maximum of 10% of the share capital) until May 6, 2020. The Managing Board is also authorised to call in the shares acquired, to resell them, in which case shareholders' subscription rights may be excluded under certain circumstances, or to use the shares acquired for company acquisitions or equity investments. As of December 31, 2015 the company holds 243,649 own shares.

According to Article 4 paragraph 3 of the current statutes of A.S. Création Tapeten AG, the Managing Board is authorised, until May 6, 2020, to increase the share capital, subject to the approval of the Supervisory Board, by up to € 4,500,000 through the issue of new shares against contributions in cash or kind (authorised capital). Shareholders' subscription rights may be excluded in certain cases. As no use has been made of this authorisation so far, the authorised capital still amounted to € 4,500,000 as of December 31, 2015.

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

name of 000 A.S. & Palitra, in which each of the partners holds 50% of the shares. In the event of a material change in the shareholder structure of one of the two founding partners, the partnership agreement grants the respective other party a purchase option for the other party's shares in the joint venture.

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.

**10. Statement pursuant to section 315
para. 1 sentence 6 of the
German Commercial Code
(Handelsgesetzbuch HGB)**

Gummersbach, February 22, 2016

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

A.S. Création Tapeten AG
The Managing Board

Kämper Bantel Krämer Suskas

2015: A turbulent but successful stock market year

After the moderate stock market year 2014, in which Germany's DAX[®] index gained only 2.7%, 2015 was a better year for the stock market. At 10,743 points on December 30, 2015, the DAX[®] closed the year 9.6% higher compared to the beginning of the year. The SDAX[®] and MDAX[®], in which small and medium-sized companies are listed, clearly outperformed the DAX[®] in 2015. They gained a gratifying 26.6% and 22.7%, respectively. In 2015, the shares of second and third-tier companies were apparently in higher demand than those of the large enterprises.

These growth rates for the full year 2015 conceal the fact that share prices, especially in the DAX[®], went on an extreme roller-coaster ride in the course of 2015. In the first months of 2015, the DAX[®] rose by an impressive 26.2% and reached a historic high of 12,374 points in April. Subsequently, it clearly lost value and virtually slumped in late August in conjunction with the stock market collapse in China and the surprising depreciation of the Chinese currency. The DAX[®] finally hit its 2015 low of 9,428 points in September. This represented a 23.8% decline compared to the historical high of April. The index gained 13.9% in the following three months and closed the year 2015 at 10,743 points.

THE SHARE AND OUR SHAREHOLDERS

This strong up and down in share prices was caused by the many factors that influenced the future expectations of capital market participants in 2015 and stimulated the markets or caused uncertainty. Greece, China, the wars in Ukraine and Syria, the weakness of the emerging economies, the terrorist attacks in Paris, the VW scandal and the diesel affair as well as the falling oil price are only some of these factors.

Against the background of a market environment which continued to be characterised by very low interest rates and a downward trend in commodity prices and in spite of the great uncertainty, investors were again more interested in shares and investment funds than in alternative investments in fixed-income bonds or the commodities sector in 2015. Accordingly, 2015 was a successful stock market year on the whole.

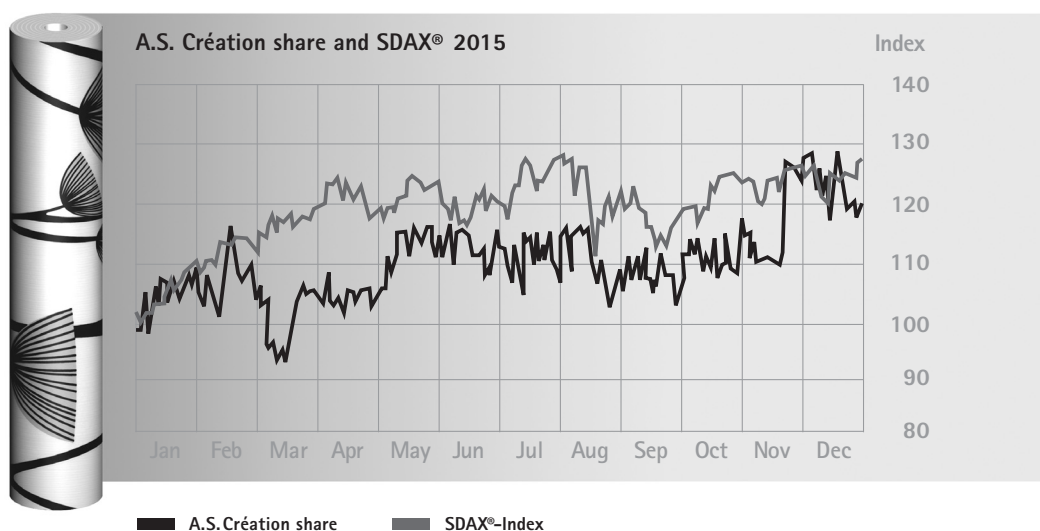
A.S. Création share picks up strongly

The A.S. Création share also benefited from the positive overall stock market performance in 2015. The share price climbed from € 26.20 at the beginning of the year to € 31.47 at the end of 2015, which represents an impressive increase by 20.1%. Even though this gain is still slightly lower than the 26.6% increase in

the SDAX[®], this is a very positive trend. The chart below compares the performance of the A.S. Création share with that of the SDAX[®].

Until mid-February 2015, the A.S. Création share moved more or less in sync with the SDAX[®] and reached € 30.40 on February 18, 2015, up 16.0% on the share price of € 26.20 at the beginning of the year. The price of the A.S. Création share then dropped steadily and hit a low of € 24.42 on March 23, 2015. This negative performance was attributable to the publication of the unsatisfactory figures for the year 2015 and the Managing Board's announcement not to pay out a dividend for 2014 in view of the poorer earnings position.

The share recovered from these losses by mid-May 2015. Between that time and early November 2015, the share showed a relatively stable sideways movement at around € 29. The higher price of the A.S. Création share was due, among other things, to the fact that A.S. Création's operating results remained satisfactory in spite of the sharp drop in sales revenues. The shortfall in earnings resulting from the reduced revenues was partly offset by an improved gross profit margin and cost savings. Moreover, the start-up losses of the Russian production facility declined notably in the course of 2015. With regard to the anti-trust proceedings in France, a final agreement was reached with the former owners of the

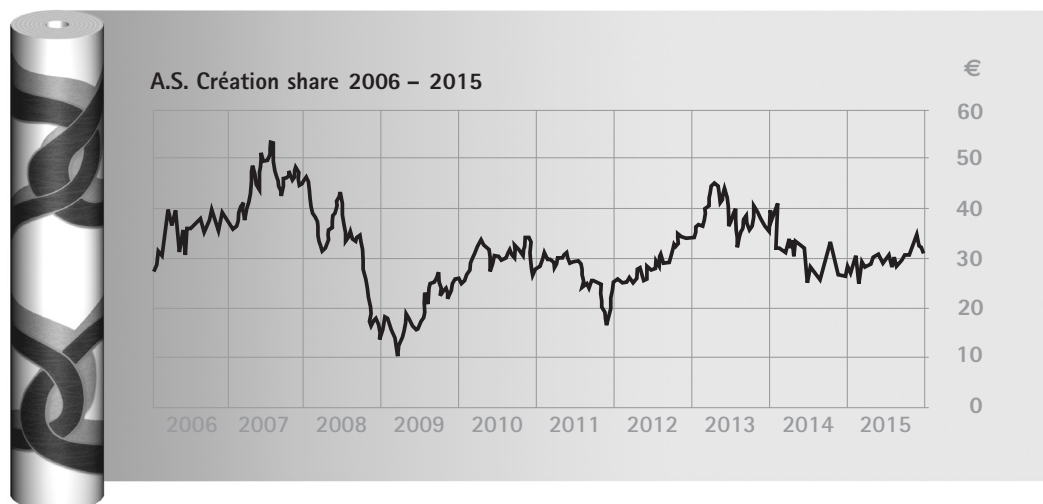


companies involved regarding their share in the penalty and the legal costs and fees. This means that the uncertainties resulting from the anti-trust proceedings, which had an adverse impact on the valuation of the A.S. Création share, have been reduced further.

On November 5, 2015, A.S. Création published the interim report for the period ended September 30, 2015. In this report, the Managing Board confirmed the forecast for the full year 2015 and a notable improvement in earnings subject to the proviso that the Russian rouble would not depreciate extremely against the euro by the end of 2015. The interim report also showed that the Russian production company had turned around in the meantime and was operating profitably. As a result, the price of the A.S. Création share rose sharply in late

November and reached a high of € 33.60 on December 7, 2015 – up 28.2% on the price of € 26.20 at the beginning of the year. The price increase was supported by a much higher trading volume. Between November 5 and December 7, 2015, an average of 1,680 shares were traded per day, compared to an average of only 628 shares per day for the full year 2015.

In the further course of December, the A.S. Création share lost part of the previous gains, however, and closed the year 2015 at € 31.74. The gain of 20.1% or € 5.27 on the price of € 26.20 at the beginning of the year is nevertheless very gratifying, especially against the background of the difficult trading conditions faced by A.S. Création in the fiscal year 2015.



Market valuation still unsatisfactory

The share price performance of the year 2015 has led to a better valuation of A.S. Création. Based on the year-end closing price of € 31.47 and the 2,756,351 shares outstanding as of December 31, 2015, the market values A.S. Création at € 86.7 million. This market capitalisation is up by € 14.5 million on the market value of € 72.2 million recorded on December 31, 2014. While this increase is very gratifying, it remains below the target set by the Managing Board, which had aimed for the market capitalisation to exceed the company's equity capital again following the decline in 2014. The current market capitalisation remains at a 6.9% discount to the equity capital of € 93.2 million carried in the company's balance sheet on December 31, 2015. A valuation below the equity capital and the net asset value is not satisfactory in view of A.S. Création's

strong competitive position and the positive medium to long-term growth prospects. We therefore need to further improve our communication with the capital market and to better explain A.S. Création's future prospects to shareholders and investors.

The analysis of the longer-term performance of the A.S. Création share also shows that the share price has not yet reached a satisfactory level in spite of the gains realised in 2015. The share has not yet recovered from the losses incurred in conjunction with the 2008 financial crisis. The A.S. Création share still has a long way to go to match the 2007 year-end share price of € 45.50 or the 2007 high of € 53.40.

When assessing the current share price level, the uncertainty surrounding A.S. Création's

Russian business should be taken into account, as the current RUB/EUR exchange rate is weighing heavily on wallpaper exports to Russia and it is not clear yet to what extent Russian consumers will reduce their demand for wallpapers against the background of the Russian recession. Moreover, the uncertainty about the ultimate burdens resulting from the anti-trust proceedings will probably not be fully eliminated before the proceedings are closed.

Stable shareholder structure

A.S. Création has a stable shareholder structure. No material changes occurred in 2015 compared to the previous year, except for the fact that Argos Investment Managers S.A., Switzerland, increased its share in A.S. Création from 4.92% to 5.12%. The table below shows the current shareholder structure:

Consistent dividend policy

The Managing Board of A.S. Création Tapeten AG has always pursued a dividend policy that provides for a high payout ratio as long as this is permitted by the company's financial situation. In the past years, the payout ratio of A.S. Création settled at a level of 45% to 50%. 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 smoothened over time but increase or decrease in line with earnings. The earnings situation of A.S. Création deteriorated in the fiscal year 2014 and the company posted a loss. In keeping with the dividend policy, the Annual General Meeting of Shareholders on May 7, 2015 decided not to pay out a dividend for the



Shareholder Structure

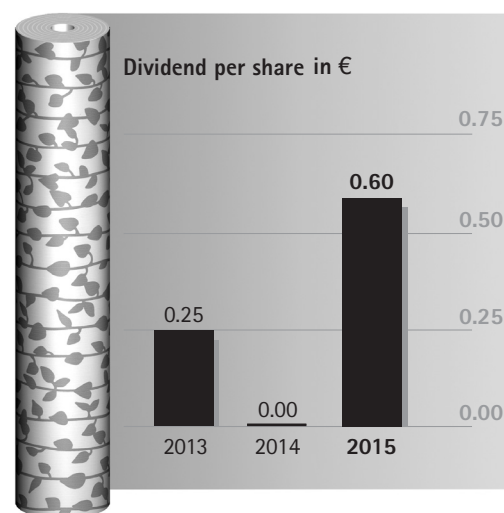
Franz Jürgen Schneider*	29.52 %
A.S. Création Tapeten-Stiftung*	5.67 %
Franz Jürgen Schneider-Stiftung*	0.08 %
	35.27 %
Lins Wallpaper Ltd., UK	15.01 %
Karin Schneider	10.09 %
Own shares	8.12 %
Argos Investment Managers S.A., Switzerland	5.12 %
Free Float	26.39 %
Total	100.00 %

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

fiscal year 2014. This was the first fiscal year in which no dividend was paid since the 1998 IPO.

In view of the improved earnings situation and the very good financial position of A.S. Création in the fiscal year 2015, a dividend of € 0.60 per share for fiscal 2015 will be proposed to the Annual General Meeting of Shareholders scheduled for April 28, 2016. In relation to earnings per share in an amount of € 1.19, this proposed dividend represents a payout ratio of 50.4%.

The chart below shows the dividends of the past three years:



Key figures of the A.S. Création share		2011	2012	2013	2014	2015
Earnings per share	€/share	1.69	2.67	0.48	-3.39	1.19
Dividend	€/share	0.75	1.20	0.25	0.00	0.60
Payout ratio	%	44.4	44.9	52.1	n.a.	50.4
Year-closing-price	€/share	24.49	34.00	36.00	26.20	31.47
High	€/share	31.00	34.68	44.55	40.40	33.60
Low	€/share	16.73	23.86	32.43	25.37	24.42
Shares outstanding (year end)	million	2.756	2.756	2.756	2.756	2.756
Average trading volume *	pieces	3,851	2,232	1,611	1,213	628
Market value (year-end)	€ '000	67,503	93,716	99,229	72,216	86,742
Equity	€ '000	89,553	94,839	93,473	86,891	93,188
Market value/Equity	%	75.4	98.8	106.2	83.1	93.1
Price-earnings-ratio		14.5	12.7	75.0	n.a.	26.4
Dividend yield	%	3.1	3.5	0.7	0.0	1.9

* 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 2015 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, 2015

Assets

	Notes No.	31.12.2015 €	31.12.2014 €
Tangible fixed assets	(1)	29,145,852.43	33,284,632.90
Intangible fixed assets	(2)	8,056,968.87	8,148,599.19
Investments accounted for at equity	(3)	0.00	0.00
Financial assets	(4)	8,510,114.58	8,901,389.36
Other assets	(5)	3,690,599.30	2,843,529.77
Income tax receivables	(6)	294,735.00	574,775.00
Deferred tax assets	(7)	512,099.59	511,929.61
Non-current assets		50,210,369.77	54,264,855.83
Inventories	(8)	38,858,685.49	43,530,834.17
Trade receivables	(9)	28,240,486.90	34,702,484.74
Other assets	(5)	14,223,295.69	7,353,414.07
Income tax receivables	(6)	1,954,801.09	535,138.14
Cash and cash equivalents	(10)	6,917,723.23	5,775,086.34
Current assets		90,194,992.40	91,896,957.46
Total assets		140,405,362.17	146,161,813.29

Equity and Liabilities			
	Notes No.	31.12.2015 €	31.12.2014 €
Capital stock		9,000,000.00	9,000,000.00
Capital reserves		13,756,740.32	13,756,740.32
Revenue reserves		81,132,986.50	70,938,956.29
Profit carried forward		-17,216,204.59	974,025.94
Earnings after taxes		3,287,042.16	-9,338,437.95
Adjustment for own shares		-4,020,836.57	-4,020,836.57
Currency translation differences		7,248,330.37	5,580,503.83
Equity	(11)	93,188,058.19	86,890,951.86
Financial liabilities (interest-bearing)	(12)	10,004,707.41	16,236,288.89
Other liabilities	(13)	781,251.04	1,011,007.31
Provisions for pensions	(14)	11,124,325.00	12,626,371.00
Deferred tax liabilities	(7)	2,036,614.86	2,856,017.94
Non-current liabilities		23,946,898.31	32,729,685.14
Financial liabilities (interest-bearing)	(12)	6,172,491.21	4,518,108.73
Other liabilities	(13)	10,584,613.64	15,549,787.24
Trade payables		6,069,663.34	6,057,771.94
Provisions	(15)	131,220.00	102,000.00
Tax liabilities		312,417.48	313,508.38
Current liabilities		23,270,405.67	26,541,176.29
Total equity and liabilities		140,405,362.17	146,161,813.29

A.S. Création Tapeten AG, Gummersbach

Consolidated income statement

for the period from January 1, 2015 to December 31, 2015

	Notes No.	2015 €	2014 €
Sales	(17)	166,515,340.15	189,127,864.00
Increase or decrease in unfinished and finished goods		-4,145,752.01	-2,623,350.65
Total output		162,369,588.14	186,504,513.35
Cost of materials	(18)	75,872,682.26	93,011,195.64
Gross profit		86,496,905.88	93,493,317.71
Other income	(19)	3,076,439.74	802,252.99
		89,573,345.62	94,295,570.70
Personnel expenses	(20)	43,014,760.46	43,236,771.90
Depreciation	(21)	8,645,318.08	9,339,958.17
Operating taxes		438,074.18	506,568.29
Other operating expenses	(22)	29,595,638.53	37,906,222.00
Operating expenses		81,693,791.25	90,989,520.36
Earnings before interest and taxes (EBIT)		7,879,554.37	3,306,050.34
Interest and similar income		1,136,254.17	993,015.34
Results from investments accounted for at equity		-2,484,116.04	-8,219,237.44
Interest and similar expenses		909,735.20	1,131,450.29
Financial result	(23)	-2,257,597.07	-8,357,672.39
Earnings before income taxes		5,621,957.30	-5,051,622.05
Income taxes	(24)	2,334,915.14	4,286,815.90
Earnings after taxes		3,287,042.16	-9,338,437.95
Earnings per share	(25)	1.19	-3.39

A.S. Création Tapeten AG, Gummersbach
Consolidation statement of comprehensive income
for the period from January 1, 2015 to December 31, 2015

	Notes No.	2015 € '000	2014 € '000
Earnings after taxes		3,287	-9,338
Items, that will never be reclassified to profit or loss:			
Actuarial gains/losses from pension provisions	(14)	1,751	-2,680
Deferred taxes on other comprehensive income		-546	836
		1,205	-1,844
Items, that are or may be reclassified to profit or loss:			
Foreign currency translation differences for fully consolidated companies		214	2,450
Foreign currency translation differences for investments accounted for at equity		1,454	2,871
Change in fair value of interest rate hedges	(30)	199	-47
Deferred taxes on other comprehensive income		-62	15
		1,805	5,289
Other comprehensive income (outside profit or loss)	(11)	3,010	3,445
Total comprehensive income		6,297	-5,893

A.S. Création Tapeten AG, Gummersbach
Consolidated statement of changes in equity
for the period from January 1, 2015 to December 31, 2015

	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, 2014	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
Earnings after taxes 2014	0	0	0	-9,338	9,338	0	0	0
Allocation to revenue reserves	0	0	8,852	-8,852	0	0	0	0
Total comprehensive income 2015	0	0	1,342	0	3,287	0	1,668	6,297
December 31, 2015	9,000	13,757	81,133	-17,216	3,287	-4,021	7,248	93,188

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

for the period from January 1, 2015 to December 31, 2015

	2015 € '000	2014 € '000
Operating activities		
Earnings after taxes	3,287	-9,338
+ Depreciation on tangible and intangible fixed assets	8,645	9,340
+/- Increase/decrease in long-term provisions	249	-1,760
-/+ Income/expenses from investments accounted for at equity	2,484	8,219
-/+ Increase/decrease in present value of corporate income tax credit	267	236
-/+ Income/expenses from changes in deferred taxes	-1,472	-579
Cash-flow	13,460	6,118
-/+ Profit/losses from disposal of tangible and intangible fixed assets	-52	6
-/+ Increase/decrease in inventories	4,409	3,168
-/+ Increase/decrease in trade receivables	6,333	-826
+/- Increase/decrease in trade payables	126	-2,408
-/+ Increase/decrease in other net working capital	-6,832	8,107
Cash-flow from operating activities	17,444	14,165
Investing activities		
- Cash outflows for capital expenditures on tangible and intangible fixed assets	-4,545	-4,472
- Cash outflows for credits and bonds granted	-797	-643
Capital expenditures	-5,342	-5,115
-/+ Cash outflows / proceeds from current financial investments	-6,500	-3,050
+ Proceeds from the disposal of tangible and intangible fixed assets	170	152
Cash-flow from investing activities	-11,672	-8,013
Financing activities		
- Dividends paid to shareholders of A.S. Création Tapeten AG	0	-689
+/- Raising/repayment of financial liabilities (interest-bearing)	-4,577	-6,206
Cash-flow from financing activities	-4,577	-6,895
Net change in cash and cash equivalents	1,195	-743
+/- Change in cash and cash equivalents due to exchange rate fluctuations	-52	-126
+ Cash and cash equivalents at January 1	5,775	6,644
Cash and cash equivalents at December 31	6,918	5,775

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 2015

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. In the fiscal year 2015, no new or revised standards and interpretations had to be observed.

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, 2015 at the earliest:

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

IFRS 15 introduces comprehensive new regulations regarding the recognition of revenue. In an initial analysis, only minor adjustment requirements have been identified, which may lead to a minor shift in the time at which revenue is realised as well as to the identification of additional performance obligations. In addition, the disclosures in the notes will become more extensive.

The application of IFRS 16 will lead to a moderate increase in assets and equity and liabilities, as operating leases play only a minor role at A.S. Création. In addition, the disclosures in the notes will become more extensive.

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.

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

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

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

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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, 9 companies are consolidated. Due to affiliation of A.S. Création Textil GmbH and Indes Fuggerhaus Textil GmbH the basis of consolidation has reduced by one company compared to the previous year.

The table below shows the fully consolidated companies:

No.	Company, location	held by	Share in %	Nominal capital Dec. 31, 2015
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.	Indes Fuggerhaus Textil GmbH, Marienheide/Germany	No. 1	100.0	550,000 €

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

All financial statements included in the consolidated financial statements were established as of December 31, 2015 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 £ 0.72577/€ (previous year: £ 0.80610/€) and a closing rate of £ 0.73505/€ (previous year: £ 0.77860/€), were used for the pound sterling, while an average annual rate of RUB 67.99153/€ (previous year: RUB 50.99281/€) and a closing rate of RUB 79.69720/€ (previous year: RUB 68.34270/€) 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 off on a pro rata temporis basis in the year of acquisition.

Printing and embossing rollers and rotary screens are written off using the unit-of-production method over a period of three years. For reasons of simplification it is assumed that the printing tools are disposed from fixed assets after they have been written off completely.

Fixed assets are written off for impairment if the fair value of the asset is below the net carrying amount. If the reasons for the write-downs for impairment no longer apply, the impairment is reversed provided that this does not state the asset at more than amortised original cost.

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

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

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

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 amount.

Raw materials and supplies as well as merchandise are shown at the weighted average cost of acquisition or the lower fair value on the balance sheet date less cost to sell. Finished and

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

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

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

Provisions are established for contingent liabilities from pension obligations. These are determined in accordance with IAS 19 (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 for losses carried forward 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.

Financial instruments such as derivatives are recognised at their fair value in accordance with IFRS 13. The fair value is the price that would be paid between market participants for the sale of an asset or the transfer of a liability.

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.

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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, 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
Addition	57	295	3,677	450	4,479
Reclassifications	0	0	0	0	0
Disposals	0	6	3,912	0	3,918
Currency translation differences	0	0	-19	0	-19
Dec 31, 2015	35,296	78,455	22,448	450	136,649
Depreciation					
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
Addition	1,539	2,886	4,069	0	8,494
Reclassifications	0	0	0	0	0
Disposals	0	6	3,801	0	3,807
Currency translation differences	0	0	-6	0	-6
Dec 31, 2015	20,650	69,741	17,112	0	107,503
Net book value					
Dec 31, 2014	16,128	11,305	5,852	0	33,285
Dec 31, 2015	14,646	8,714	5,336	450	29,146

Tangible fixed assets include assets on the basis of finance leases in an amount of € 5.111 million (previous year: € 5.976 million). The finance leases refer to production and warehouse buildings.

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

Explanations regarding land charges 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, 2013	5,437	9,276	14,713
Addition	124	0	124
Disposals	267	0	267
Dec 31, 2014	5,294	9,276	14,570
Addition	66	0	66
Disposals	15	0	15
Dec 31, 2015	5,345	9,276	14,621
Depreciation			
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
Addition	151	0	151
Disposals	8	0	8
Dec 31, 2015	5,021	1,543	6,564
Net book value			
Dec 31, 2014	416	7,733	8,149
Dec 31, 2015	324	7,733	8,057

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 2016 and 2017. 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 2018, the budgeted cash flow before interest and taxes of the year 2017 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 5.3% and 4.9% 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 10.8% for the Wallpaper Division and of over 9.7% for the Furnishing Fabrics Division would indicate the need to recognise an impairment loss.

(3) Investments accounted for at equity

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

	2015 € '000	2014 € '000
January 1	0	0
Additions	0	0
Pro-rata changes in equity		
Changes affecting income	0	0
Changes	0	0
December 31	0	0

The table below shows the financial information of this investment:

	31.12.15 € '000	31.12.14 € '000
Non-current assets	16,939	18,429
Current assets	9,787	6,160
thereof cash and cash equivalents	(1,313)	(37)
Non-current liabilities	40,505	37,290
thereof financial liabilities and deferred tax liabilities	(34,344)	(33,073)
Current liabilities	3,196	2,117
thereof financial liabilities and tax liabilities	(5)	(9)
Net assets (100%)	-16,975	-14,818
Group share in net assets (50%)	-8,488	-7,409
Capitalised other costs	11	11
Elimination of unrealised intercompany profits	-184	-233
Carrying amount	-8,661	-7,631

	2015 € '000	2014 € '000
Sales revenues	20,488	13,034
Depreciation	2,347	2,267
Interest expenses	1,769	1,265
Income taxes	-630	-3,294
Earnings after taxes	-5,004	-16,488
Other earning after taxes	0	0
Total comprehensive income (100%)	-5,004	-16,488
Total comprehensive income (50 %)	-2,502	-8,244
Elimination of unrealised intercompany profits	18	25
Share in total comprehensive income	-2,484	-8,219

Of A.S. Création's share in total comprehensive income in an amount of € -2.484 million (previous year: € -8.219 million), an amount of € 0 million (previous year: € 0 million) was offset against the carrying amount of the investment. Another amount of € -2.484 million (previous year: € -8.219 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.

At fiscal year-end the company had financial obligations from order commitments for investments in an amount of € 2.590 million (previous year: € 0.0 million).

(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:

	2015 € '000	2014 € '000
January 1	8,901	13,946
Additions	797	643
Currency adjustment	-158	-340
Pro-rata changes in equity		
Changes affecting income	-2,484	-8,219
Changes affecting other comprehensive income	1,454	2,871
December 31	8,510	8,901

(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	
	31.12.15 € '000	31.12.14 € '000	31.12.15 € '000	31.12.14 € '000	31.12.15 € '000	31.12.14 € '000
Miscellaneous other assets	7,784	6,644	4,093	3,800	3,691	2,844
Current financial investments	9,550	3,050	9,550	3,050	0	0
Deferred charges	580	503	580	503	0	0
	17,914	10,197	14,223	7,353	3,691	2,844

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.

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(6) Income tax receivables

The non-current income tax receivables in an amount of € 0.295 million (previous year: € 0.575 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:

	31.12.15 € '000	31.12.14 € '000
Realisable future reductions in tax payments resulting from losses carried forward	325	388
Differences between the tax balance sheet and the commercial balance sheet	32	38
Adjustments of individual financial statements to IFRS	93	34
Consolidation processes	62	52
	512	512

Losses carried forward for corporate income tax and solidarity surcharge in an amount of € 0.028 million (previous year: € 0.219 million) exist in Germany. In addition, tax losses carried forward in an amount of € 6.737 million (previous year: € 6.539 million) exist abroad. No deferred tax assets were recognised for losses carried forward in the amount of € 5.403 million (previous year: € 5.097 million) as their realisation is not sufficiently certain from today's point of view.

Deferred tax liabilities break down as follows:

	31.12.15 € '000	31.12.14 € '000
Differences between the tax balance sheet and the commercial balance sheet	-1,481	-920
Adjustments of individual financial statements to IFRS	2,600	2,637
Consolidation processes	918	1,139
	2,037	2,856

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Deferred taxes refer to the following balance sheet items:

	31.12.15		31.12.14	
	Deferred tax assets € '000	Deferred tax liabilities € '000	Deferred tax assets € '000	Deferred tax liabilities € '000
Tangible fixed assets	13	4,871	12	5,993
Intangible fixed assets	36	92	48	109
Inventories	315	151	235	143
Trade receivables and other assets	443	259	79	244
Provisions for pensions	1,853	0	2,341	0
Other provisions	17	0	10	0
Other liabilities	857	11	1,049	17
Tax losses carried forward	325	0	388	0
	3,859	5,384	4,162	6,506
Set-off*	-3,347	-3,347	-3,650	-3,650
	512	2,037	512	2,856

* 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:

	31.12.15 € '000	31.12.14 € '000
Raw materials and supplies	3,458	3,932
Unfinished products	120	262
Finished goods and merchandise	35,281	39,337
	38,859	43,531

Inventories with carrying amounts of € 9.405 million (previous year: € 10.248 million) are recognised at the fair value less cost to sell. Impairments of inventories in an amount of € 0.047 million (previous year: € 0.694 million) were recognised as an expense in the past fiscal year.

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(9) Trade receivables

€ 0.033 million (previous year: € 0.052 million) of the trade receivables have a remaining term of more than one year.

The table below shows the allowances on trade receivables:

	2015 € '000	2014 € '000
As of January 1	2,728	1,986
Allocation	2,361	1,103
Use	214	196
Release	7	160
Currency adjustment	-53	-5
As of December 31	4,815	2,728

Of the total allowances, an amount of € 2.154 million (previous year: € 1.095 million) refers to itemised allowances and an amount of € 2.661 million (previous year: € 1.633 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, 2014	34,702	31,510	2,633	128	8	2
As of Dec 31, 2015	28,240	23,514	3,484	466	304	3

(10) Cash and cash equivalents

Cash and cash equivalents break down as follows:

	31.12.15 € '000	31.12.14 € '000
Cash in banks	6,401	5,269
Cash on hand, cheques and bills of exchange	517	506
	6,918	5,775

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, 2015, the share capital amounted to € 9,000,000.00 divided into 3,000,000 no par value registered shares.

According to Article 4 paragraph 3 of the current statutes of A.S. Création Tapeten AG (as amended on May 7, 2015), the Managing Board is authorised, subject to the approval of the Supervisory Board, to increase the capital stock by up to € 4.500 million (so called authorised capital) until May 6, 2020 through the issue of new shares against a contribution in kind or in cash. Shareholders' subscription rights may be excluded in certain cases. Given that no use has been made of this authorisation so far, the authorised capital amounted to € 4.500 million on December 31, 2015.

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

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

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

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For the fiscal year a dividend of € 0.60 per share, respectively a total output of € 1.654 million will be suggested. In view of the consolidated loss posted in the previous year, no dividend was paid in the fiscal year.

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

	Financial derivative	Deferred taxes	Pension provisions	Deferred taxes	Foreign currency translation differences from		Total
					fully consolidated companies	companies accounted for at equity	
	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000
As of Jan 1, 2014	-592	184	-2,261	696	306	-47	-1,714
Other comprehensive income 2014	-47	15	-2,680	836	2,450	2,871	3,445
As of Dec 31, 2014	-639	199	-4,941	1,532	2,756	2,824	1,731
Other comprehensive income 2015	199	-62	1,751	-546	214	1,454	3,010
As of Dec 31, 2015	-440	137	-3,190	986	2,970	4,278	4,741

(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	
	31.12.15 € '000	31.12.14 € '000	31.12.15 € '000	31.12.14 € '000	31.12.15 € '000	31.12.14 € '000	31.12.15 € '000	31.12.14 € '000
Financial liabilities (without finance lease)	14,268	18,372	4,349	4,045	9,669	13,084	250	1,243
Liabilities from finance lease								
Gross value	2,023	2,636	1,935	613	88	2,023	0	0
Discounting	-114	-254	-112	-140	-2	-114	0	0
Present value	1,909	2,382	1,823	473	86	1,909	0	0
	16,177	20,754	6,172	4,518	9,755	14,993	250	1,243

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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: € 33.418 million) as well as assignments of machines with gross acquisition costs of € 6.176 million (previous year: € 6.176 million).

Interest-bearing financial liabilities of € 16.177 million (previous year: € 20.754 million) include € 15.450 million (previous year: € 20.707 million) from credit agreements at fixed interest rates and € 0.727 million (previous year: € 0.047 million) from credit agreements at variable interest rates. An amount of € 8.890 million (previous year: € 11.098 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 2015 %	Book value 31.12.15 € '000	Average interest rate 2014 %	Book value 31.12.14 € '000
of up to 1 year	3.5	5,445	2.9	4,471
of over 1 year up to 5 years	2.7	9,755	3.0	14,993
of over 5 years	2.8	250	2.8	1,243
		15,450		20,707

(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	
	31.12.15 € '000	31.12.14 € '000	31.12.15 € '000	31.12.14 € '000	31.12.15 € '000	31.12.14 € '000
Liabilities to employees	5,236	5,025	5,005	4,755	231	270
Liabilities due to social security charges	719	736	719	736	0	0
Liabilities due to other taxes	921	860	921	860	0	0
Liabilities due to bonuses/discounts	1,701	1,110	1,701	1,110	0	0
Liabilities due to antitrust proceedings	0	4,979	0	4,979	0	0
Miscellaneous other liabilities	2,789	3,851	2,239	3,110	550	741
	11,366	16,561	10,585	15,550	781	1,011

The previous year's liabilities due to antitrust proceedings related to the penalties imposed on the two French member companies of the A.S. Création Group, SCE – Société de conception et d'édition SAS and MCF Investissement SAS. An appeal has been filed against the penalty notice. Given that an appeal against a penalty notice does not have a suspensive effect under French law, however, the penalties had to be paid in 2015.

(14) Pension provisions

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:

	31.12.15 %	31.12.14 %
Projected interest rate (discount rate)	2.40	1.80
Projected pension trend	2.00	2.00
Projected rate of fluctuation	5.00	5.00

For employees of German Group companies the assumptions for mortality and disability are based on the RICHTTAFELN 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	-1,768	1.00	2,334
Projected pension trend	0.25	325	0.25	-311

If the life of the persons entitled to pension were extended by one year, the pension obligation would increase by another € 0.442 million.

The duration of the pension obligation, i.e. the anticipated average capital tie-up period, is 18.7 years.

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

	2015 € '000	2014 € '000
As of January 1	12,832	9,888
Pension payments	-332	-300
Current service cost	354	262
Interest cost	228	302
Actuarial gains (-) or losses (+) from changes in the discount rate	-1,364	2,685
Other actuarial gains (-) or losses (+)	-384	-5
As of December 31	11,334	12,832

Of the defined benefit obligations, an amount of € 0.328 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:

	2015 € '000	2014 € '000
As of January 1	206	182
Employer contributions	13	18
Benefit payments	-16	0
Expected return on plan assets	4	6
Actuarial gains	3	0
As of December 31	210	206

Re-insurance contributions are expected to amount of € 0 million in the following fiscal year.

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

The table below shows the changes in pension provisions:

	2015 € '000	2014 € '000
As of January 1	12,626	9,706
Pension payments and employer contributions	-329	-318
Allocation through profit/loss (income statement)	578	558
Allocation/release through equity (other comprehensive income)	-1,751	2,680
As of December 31	11,124	12,626

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	2015 € '000	2014 € '000
Current service cost and benefit payments	Personnel expenses	354	262
Interest cost	Financial result	224	296
		578	558

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

	2015 € '000	2014 € '000
Change in the discount factor	1,364	-2,685
Change in the biometric assumptions	416	-4
Experience adjustment	-29	9
	1,751	-2,680

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

(15) Short-term provisions

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

	2015 € '000	2014 € '000
As of January 1	102	113
Use	102	113
Release	0	0
Allocation	131	102
As of December 31	131	102

(16) Other financial liabilities and contingent liabilities

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

	Total		Remaining term of up to 1 year		Remaining term of over 1 year up to 5 years		Remaining term of over 5 years	
	31.12.15 € '000	31.12.14 € '000	31.12.15 € '000	31.12.14 € '000	31.12.15 € '000	31.12.14 € '000	31.12.15 € '000	31.12.14 € '000
from loan contracts	0	219	0	219	0	0	0	0
from building rents	963	789	318	371	645	418	0	0
from operating leases	511	560	286	278	225	282	0	0
from order commitments for investments in tangible fixed assets	1,360	607	1,360	607	0	0	0	0
	2,834	2,175	1,964	1,475	870	700	0	0

The Russian joint venture, 000 A.S. & Palitra, had purchase commitments of € 2.590 million as of the balance sheet date (previous year: € 0.0 million), for which A.S. Création Tapeten AG has issued a performance guarantee of € 1.295 million (previous year: € 0.0 million).

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Notes to the income statement**(17) Sales**

A breakdown of Group sales by region is provided below:

	Wallpaper Division		Fabrics Division		Consolidation		Group	
	2015 € '000	2014 € '000	2015 € '000	2014 € '000	2015 € '000	2014 € '000	2015 € '000	2014 € '000
Germany	66,714	69,064	10,576	11,151	-142	-315	77,148	79,900
EU (excl. Germany)	72,869	78,502	2,460	2,383	-54	-68	75,275	80,817
European Union (EU)	139,583	147,566	13,036	13,534	-196	-383	152,423	160,717
Other Eastern Europe	19,046	33,952	438	553	0	0	19,484	34,505
Other countries	13,573	14,448	578	465	0	0	14,151	14,913
Sales (gross)	172,202	195,966	14,052	14,552	-196	-383	186,058	210,135
Reduction in revenues	-18,645	-20,082	-899	-927	1	2	-19,543	-21,007
Sales (net)	153,557	175,884	13,153	13,625	-195	-381	166,515	189,128

(18) Cost of materials

The cost of materials includes:

	2015 € '000	2014 € '000
Cost of raw materials, consumables and supplies and purchased materials	71,624	88,941
Cost of purchased services	4,249	4,070
	75,873	93,011

(19) Other income

Other income includes the income of € 2.100 million (previous year: € 0.0 million) resulting from the agreement with the former owners of the two French Group companies affected by the French antitrust proceedings regarding their financial contribution to the penalty and the legal and court fees. Other income also includes income from the release of allowances for doubtful receivables and income from the expiry of obligations, income from disposals of tangible and intangible fixed assets in an amount of € 0.081 million (previous year: € 0.047 million) as well as foreign exchange gains of € 0.121 million (previous year: € 0.102 million).

(20) Personnel expenses

Personnel expenses are comprised as follows:

	2015 € '000	2014 € '000
Wages and salaries	34,946	35,234
Social security contributions and pension expenses	8,069	8,003
	43,015	43,237

Social security contributions and pension expenses include contributions to state pension insurance institutions in an amount of € 2.764 million (previous year: € 2.881 million), allocations to pension provisions in an amount of € 0.354 million (previous year: € 0.262 million).

million) as well as payments to external relief funds and similar pension organisations due to defined contribution plans in an amount of € 0.159 million (previous year: € 0.191 million).

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

	2015 Persons	2014 Persons
Blue-collar workers	377	395
White-collar workers	378	380
Trainees and apprentices	46	47
	801	822

(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.

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(22) Other operating expenses

Other operating expenses mainly include expenses on freight out, advertising, rental and operating leases, maintenance and insurance policies. Moreover, they include losses from disposals of tangible and intangible fixed assets in an amount of € 0.029 million (previous year: € 0.053 million), foreign exchange losses in an amount of € 0.969 million (previous year: € 4.604 million). In the previous year expenses on potential claims from the anti-trust proceedings in an amount of € 4.979 million were included.

(23) Financial result

The financial result includes interest expenses of € 0.224 million (previous year: € 0.296 million), which result from the allocation to pension provisions. For details see No. 14 above.

(24) Income taxes

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

	2015 € '000	2014 € '000
Current income tax expenses	3,807	4,866
Deferred taxes	-1,472	-579
	2,335	4,287

At € 2.335 million (previous year: € 4.287 million), tax expenses exceeded the expected tax expenses of € 1.746 million (previous year: € -1.569 million) that would have arisen based on the overall German tax rate of 31.06% (previous year: 31.06%) by € 0.589 million (previous year: € 5.856 million). The difference between expected and effective income tax expenses in the Group is due to the following:

	2015 € '000	2014 € '000
Expected income tax expenses	1,746	-1,569
Tax rate differentials to the overall German tax rate	302	543
Income from reimbursement of corporate income tax credit	-34	-65
Taxes unrelated to the accounting period	-78	-388
Non-tax-deductible expenses	205	1,927
Non-recognition and allowances from losses carried forward	242	1,367
Non-taxable income	-822	-92
Results from investments accounted for at equity	772	2,553
Other tax effects	2	11
Effective income tax expenses	2,335	4,287
Effective income tax rate	41.53%	-84.86%

The change in the effective tax rate is attributable to decreased pro-rated losses from the Russian joint venture, lower allocation to allowances on losses carried forward, as well as tax-free income (previous year: non-tax deductible expenses) relating to the antitrust proceeding.

(25) Earnings per share

Earnings per share are calculated as follows:

		2015	2014
Number of shares outstanding (weighted average)	shares	2,756,351	2,756,351
Earnings after taxes	€	3,287,042	-9,338,438
Earnings per share	€/share	1.19	-3.39

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:

	2015 € '000	2014 € '000
Interest received	28	18
Interest paid	632	725
Income tax paid	4,950	4,584
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:

	2015 € '000	2014 € '000
Raising of financial liabilities (excl. financial lease)	1,698	1,271
Raising of liabilities under financial lease contracts	0	0
Repayment of financial liabilities (excl. financial lease)	-5,802	-7,014
Repayment of liabilities under financial lease contracts	-473	-463
	-4,577	-6,206

(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	
	2015 € '000	2014 € '000	2015 € '000	2014 € '000	2015 € '000	2014 € '000	2015 € '000	2014 € '000
External sales	153,434	175,612	13,081	13,516	0	0	166,515	189,128
Intra-Group sales	123	272	72	109	-195	-381	0	0
Total sales	153,557	175,884	13,153	13,625	-195	-381	166,515	189,128
EBITDA ¹	16,012	11,963	494	702	19	-19	16,525	12,646
EBITDA-margin	10.4%	6.8%	3.8%	5.2%			9.9%	6.7%
EBIT ²	7,530	2,781	308	521	42	4	7,880	3,306
EBIT-margin	4.9%	1.6%	2.3%	3.8%			4.7%	1.7%
Interest income	1,226	1,100	1	1	-91	-108	1,136	993
Results from investments accounted for at equity	-2,484	-8,219	0	0	0	0	-2,484	-8,219
Interest expenses	878	1,086	123	154	-91	-108	910	1,132
Earnings before income taxes	5,394	-5,424	186	368	42	4	5,622	-5,052
Return on sales (before taxes)	3.5%	-3.1%	1.4%	2.7%			3.4%	-2.7%
Income taxes	2,256	4,168	66	118	13	1	2,335	4,287
Capital expenditures ³	5,064	4,967	278	148	0	0	5,342	5,115
Depreciation	8,482	9,182	186	181	-23	-23	8,645	9,340
Cash-flow ³	13,135	5,687	306	450	19	-19	13,460	6,118
Segment assets 31.12. ⁴	113,575	128,907	7,689	7,258	-88	-450	121,176	135,715
thereof non-current assets	(48,076)	(51,946)	(1,368)	(1,294)	(-40)	(-61)	(49,404)	(53,179)
Segment liabilities 31.12. ⁵	15,964	21,172	1,651	1,916	-48	-368	17,567	22,720
Employees (average)	728	750	73	72	0	0	801	822

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 equity and liabilities less shareholders' equity, long-term provisions, tax liabilities, deferred tax liabilities and financial liabilities.

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

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

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

	Total		Reamaining term of up to 1 year		Remaining term of over 1 year	
	31.12.15 € '000	31.12.14 € '000	31.12.15 € '000	31.12.14 € '000	31.12.15 € '000	31.12.14 € '000
Germany	85,120	96,823	55,476	64,745	29,644	32,078
EU (excl. Germany)	24,698	26,244	13,533	14,134	11,165	12,110
Other Eastern Europe	11,358	12,648	2,764	3,657	8,594	8,991
	121,176	135,715	71,773	82,536	49,403	53,179

(28) Research and development expenses

In the past fiscal year, € 2.538 million (previous year: € 2.619 million) were spent on the development of new designs.

(29) Audit expenses

In the past fiscal year, € 0.193 million (previous year: € 0.203 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 € 0.175 million (previous year: € 0.183 million) as well as an additional € 0.043 million (previous year: € 0.0 million) for tax consulting services and € 0.008 million (previous year: € 0.002 million) for other services.

(30) Risks from financial instruments

€ 0.727 million or 4.5% (previous year: € 0.047 million or 0.2%) of the total interest-bearing financial liabilities of € 16.177 million (previous year: € 20.754 million) represent variable-rate loans. Accordingly, a rise in interest rates by one percentage point would increase interest

expenses by € 0.008 million and reduce earnings after taxes by € 0.005 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. € 0.200 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 € -0.303 million (previous year: € -0.440 million) was recognised in equity as at the balance sheet date. Of this total amount, € -0.137 million (previous year: € 0.032 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 € 28.240 million (previous year: € 34.702 million), € 6.864 million or 24.3% (previous year: € 9.710 million or 28.0%) 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 € 17.171 million (previous year: € 16.532 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 € 16.468 million (previous year: € 8.825 million) and unused credit lines of € 14.277 million (previous year: € 16.513 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	
	31.12.15 € '000	31.12.14 € '000	31.12.15 € '000	31.12.14 € '000	31.12.15 € '000	31.12.14 € '000	31.12.15 € '000	31.12.14 € '000
Financial assets	8,510	8,901	0	0	8,510	8,901	8,510	8,901
Trade receivables	28,240	34,702	0	0	28,240	34,702	28,240	34,702
Other receivables	15,405	8,123	0	0	15,405	8,123	15,405	8,123
Cash and cash equivalents	6,918	5,775	0	0	6,918	5,775	6,918	5,775
Loans and receivables	59,073	57,501	0	0	59,073	57,501	59,073	57,501
Financial liabilities (without finance lease)	14,268	18,373	0	0	14,268	18,373	14,647	16,943
Other liabilities	1,807	1,244	0	0	1,807	1,244	1,807	1,244
Trade payables	6,070	6,058	0	0	6,070	6,058	6,070	6,058
Financial liabilities measured at amortised cost	22,145	25,675	0	0	22,145	25,675	22,524	24,245
Financial derivative	440	639	0	0	440	639	440	639
Liabilities from finance lease	0	0	1,909	2,382	1,909	2,382	1,997	2,560

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 13.81, i.e. at a derived fair value. There were no reclassifications between level 1, 2 and 3 in the fiscal year.

In the fiscal year, net losses of € 2.320 million (previous year: € 1.105 million) resulted from bad debts and the change in bad debt write-downs.

Interest income totalling € 1.136 million (previous year: € 0.993 million) and interest expenses totalling € 0.649 million (previous year: € 0.821 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 66.4% on December 31, 2015 (previous year: 59.4%). 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, 2015, the debt-to-equity ratio was 233.3% (previous year: 220.4%). 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 2015:

	Responsible for	Member of the supervisory body
Jörn Kämper Chairman	Sales and Marketing	–
Roland Werner Bantel (since April 1, 2015)	Sales and Marketing	–
Maik Holger Krämer	Finance and Controlling	–
Antonios Suskas	Production and Logistics	–

As of the balance sheet date, members of the Managing Board held 5,133 shares (previous year: 4,983 shares) in the company.

(34) Supervisory Board

In FY 2015, the Supervisory Board was comprised as follows:

	Profession practised	Supervisory Board member
Franz Jürgen Schneider Chairman	Businessman	–
Jella Susanne Benner-Heinacher Vice Chairwoman	Lawyer and Vice Managing Director of the DSW e. V., Düsseldorf (a German Shareholders's Association)	K+S AG, Kassel
Dr. Volker Hues (since May 7, 2015)	Managing Board Member of the Jungheinrich AG	–
Dr. Rüdiger Liebs (until May 7, 2015)	Lawyer	Deutsche Investitions- und Vermögensstreuhand AG (DIVAG), Düsseldorf (Chairman) Dierig Holding AG, Augsburg (Vice Chairman)
Peter Mourschinetz Employee representative	Works council member released from productive working duties	–
Jochen Müller	Managing Board Member of the LSG Lufthansa Service Holding AG, Neu-Isenburg	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 AEROMAR Ltd., Moskau/RUS
Rolf Schmuck Employee representative	Works council member released from productive working duties	–

As of the balance sheet date, members of the Supervisory Board held 885,646 shares (previous year: 886,046 shares) in the company.

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

The annual salaries of the Managing Board members in fiscal 2015 totalled € 1.565 million (previous year: € 1.252 million). In addition, the payments to a relief fund and the reversal of pension provisions resulted in net expenses in an amount of € 0.029 million (previous year: € 0.020 million).

The compensation of the Supervisory Board members in fiscal 2015 totalled € 0.163 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 surviving dependents amounted to € 2.247 million (previous year: € 2.393 million) as of the balance sheet date. Pension payments to former members of the Managing Board and their surviving dependents amounted to € 0.121 million (previous year: € 0.113 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, 2016 are deferred until the end of the agreement. The resulting receivable has been discounted accordingly. Details of the business relationship are shown below:

	2015 € '000	2014 € '000
Sales	314	322
Purchases	4,956	7,271
Interest income	1,108	975

	31.12.15 € '000	31.12.14 € '000
Shareholder loans	17,171	16,532
Receivables	3,523	2,421
Liabilities	638	1,057

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: € 0.015 million) from A.S. Création Tapeten AG in support of its work.

A.S. Création Tapeten AG has signed agreements with Franz Jürgen Schneider and Jörn Kämper, 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. In this context an amount of € 0.0 million (previous year: € 0.030 million) accrued in the fiscal year.

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

On March 16, 2015, the Managing Board and the Supervisory Board issued the declaration of conformity for FY 2015 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 2016 will be discussed and adopted at the Supervisory Board meeting on March 1, 2016. This declaration will be published on the company's

website and in the chapter "Corporate governance statement and report on corporate governance" of the 2015 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 will declare whether it approves the consolidated financial statements and the group management report in this meeting on March 1, 2016.

Gummersbach, February 22, 2016

A.S. Création Tapeten AG
The Managing Board

Kämper

Bantel

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 2015 to 31 December 2015. 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, February 29, 2016

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Gockel
Wirtschaftsprüfer
(German Public Auditor)

Galden
Wirtschaftsprüfer
(German Public Auditor)

CORPORATE CALENDAR**135**

March 17, 2016	Analyst presentation
April 28, 2016	Interim report for the three-month period ended March 31, 2016
April 28, 2016	Annual General Meeting of Shareholders
August 4, 2016	Interim report for the six-month period ended June 30, 2016
November 3, 2016	Interim report for the nine-month period ended September 30, 2016

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Playfully romantic motifs in expressive shades reflect stylish living,
clothing walls with modern wallpapers.
Fine canvas texture creates a comfortable and lively mood.

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