



ANNUAL REPORT 2013 A.S. CRÉATION TAPETEN AG

A.S. CRÉATION: KEY FIGURES

		2009	2010	2011	2012	2013
Sales	€ '000	181,325	184,603	192,262	198,909	199,818
Earnings before interest and taxes (EBIT)	€ '000	13,428	14,318	9,587	15,727	10,238
Earnings before income taxes	€ '000	10,834	12,352	7,325	11,346	5,233
Net profit	€ '000	7,499	8,395	4,650	7,358	1,323
Cash-flow	€ '000	17,568	19,027	14,338	19,276	16,393
Capital expenditures	€ '000	5,771	6,826	19,667	13,071	8,667
Depreciation	€ '000	9,864	10,504	9,933	9,813	9,469
Non-current assets	€ '000	68,866	64,460	67,763	68,662	63,961
Shareholders' equity	€ '000	83,774	88,789	89,553	94,839	93,473
Non-current liabilities	€ '000	51,688	39,689	43,436	40,114	37,184
Total assets	€ '000	161,835	161,625	157,327	161,748	159,067
Earnings per share	€/share	2.72	3.05	1.69	2.67	0.48
Dividend	€/share	1.20	1.35	0.75	1.20	0.25
Number of employees (average)		787	772	796	820	837

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This English translation of the annual report 2013 is merely a convenience translation.
The German version is the prevailing one.

FOREWORD

Dear readers, dear shareholders,

While we were able to improve our performance significantly in 2012, 2013 was a disappointing fiscal year for A.S. Création. At € 199.8 million, A.S. Création's sales revenues more or less stagnated at the prior year level (€ 198.9 million), while earnings before interest and taxes declined by 35.1% from € 15.8 million in 2012 to € 10.2 million in 2013, due to various adverse factors. At € 1.3 million, net profit for the year 2013 was down by as much as 85.1% on the previous year's € 8.9 million.

Although the first signs of an economic recovery emerged in several countries in the course of 2013, A.S. Création was unable to benefit from these macroeconomic developments in all of its markets. According to the statistics of the Association of German Wallpaper Manufacturers (VDT), German manufacturers' domestic sales of wallpapers and borders declined by 7.5% in 2013. One of the main reasons was the insolvency of the Praktiker/Max Bahr Group. On the one hand, there were no follow-up orders from the two insolvent DIY store operators; on the other hand, the high discounts granted to consumers in order to sell the remaining stocks led to declining sales at other DIY store chains and specialist retailers. They reduced their purchases from wallpaper manufacturers accordingly. It is

almost impossible to say at what rate wallpaper sales in Germany – adjusted for these factors – actually declined. While A.S. Création had projected a reduction in 2013 domestic sales revenues in view of the major one-time effects which had a positive impact on sales in 2012, nobody could have predicted the 6.3% decline in sales suffered by the company in Germany in 2013.

In Russia, which is the largest wallpaper market in the world and A.S. Création's most important output market in Eastern Europe, wallpaper sales dropped by between 10% and 15% in 2013, according to estimates by our wholesale partners. In view of slower economic growth and banks' restrictive lending policies, consumers are showing greater restraint in their spending behaviour. In this environment, we failed to reach our ambitious growth targets; as a result, sales revenues in non-EU Eastern European countries were up by only 7.8% on the prior year level. Much higher growth rates are required, however, to achieve full utilisation of the production capacity of the Russian joint venture, A.S. & Palitra, which started operation in late October 2012.

To support the start-up of production in Russia, we initially focused exclusively on the screen printing products, which are easier to produce. Sales of these products were impeded

by the difficult situation in the Russian wallpaper market. Moreover, we faced strong competition from established local suppliers in this quality segment, who sell these products at relatively low prices. As a result, our sales organisation, A.S. Création (RUS), was unable to list our own product range with major customers such as DIY store chains quickly enough; demand from these customers would have ensured a basic degree of capacity utilisation. The insufficient sales revenues generated by the distribution company and the unsatisfactory capacity utilisation of the production company, in conjunction with high reject rates during the initial period, weighed heavily on the Group's earnings in the past fiscal year. Consolidated net profit for the year 2013 includes losses of € 6.1 million from the new Russian activities. This means that the start-up losses were much higher than expected at the beginning of the project.

Accordingly, improving the earnings situation in Russia is the chief objective for the fiscal year 2014. This will primarily be achieved through an increase in sales revenues and the resulting improved utilisation of the production capacity. The measures already initiated are aimed at this:

- Product development will focus on "flat-vinyls", for which there is strong demand

in the Russian market. We aim to be listed by the leading DIY store chains in 2014 with the help of a more attractive product mix of our "asc" brand.

- The production company, A.S. & Palitra, will be given its own compact sales unit as well as its own design studio, which will allow the (factory) brand "A.S. & Palitra" to build up additional selling pressure. Distribution of this complementary brand started in early 2014.

At the same time, priority will be attached to improving the production processes and adjusting the cost structures at A.S. & Palitra. The first results were achieved already in late 2013, when the reject rate was brought down significantly. Both partners, A.S. Création and Kof Palitra, are convinced that they will be able to resolve the start-up problems in their joint project. The articles produced by the joint venture are of very appealing quality, which means that a good product range is available for marketing. Moreover, the intensification of the distribution activities described above will result in additional sales volumes in 2014. The future of the Russian wallpaper market is difficult to predict. It is a fact that several competitors are installing additional production capacities in the Russian market. As these additional capacities will probably not be offset by corresponding

growth in the Russian wallpaper market in 2014, competition will intensify.

On the upside, business in France, an important export market of the company, was positive, with all three subsidiaries of A.S. Création performing very well in the competitive environment. Against the background of the tight economic situation in France, we are very satisfied with the sales growth achieved in this market in 2013 and the improved overall earnings situation of the three distribution companies.

The pending anti-trust proceedings in Germany and France again failed to be concluded in 2013 and will be with us for some time to come. More than three years after the offices were searched in November 2010, the German Federal Cartel Office issued penalty notices totalling € 10.5 million against A.S. Création Tapeten AG and some of its directors and officers in February 2014. In our opinion, the German Federal Cartel Office has not sufficiently taken into account the material arguments that speak against a violation of anti-trust law having occurred. We will therefore appeal against the penalty notices. Due to the uncertainties generally arising from court proceedings, A.S. Création established a provision of € 2.0 million for the risks arising from the anti-trust proceedings as a precautionary measure in the fiscal year

2013. This provision weighed on the Group's net profit for the year. The French Competition Authority has not issued a penalty notice to date.

Even though A.S. Création generally outperformed the other German wallpaper manufacturers in 2013 and increased its market share by about one percentage point, the Managing Board is not satisfied with the fiscal year. The company clearly missed its original forecast, which provided for sales revenues of between € 210 million and € 220 million and a net profit of between € 9 million and € 11 million.

As the deviation from the original targets for the year 2013 is primarily attributable to the start-up of production and distribution in Russia as well as to the above-mentioned provision for the anti-trust proceedings, we see no general need to modify our strategy, which is aimed at a diverse product range and innovations. Right on the contrary, the fact that A.S. Création outperformed its German competitors shows that our customers clearly appreciate the company's great efforts in this respect.

In spite of the obvious weakness in the market, we therefore continued to push ahead the development of attractive new product lines. The number of new products and collections

once again exceeded the prior year level. We were able to renew our cooperation with ESPRIT home, one of our major licensed brands, for another four years. In addition, A.S. Création meanwhile has a well sellable mix of proprietary designs created by our international team and collections designed by external licensing partners and renowned designers. Besides the established brand concepts such as SCHÖNER WOHNEN, BRIGITTE, DANIEL HECHTER, VERSACE, PORSCHE DESIGN and JETTE, two more licensing partners - RAFFI and MICHALSKY - were presented in the past fiscal year. Their highly original designs clearly add to the value of our offerings. By launching the MARTRICS collection, our long-standing partner Lars Contzen has once again broken fresh ground. The collection turned out to be one of the highlights at the January 2014 Heimtextil exhibition in Frankfurt. In the course of 2014, we will also announce a new partnership with another fashion brand on the development of two attractive wallpaper collections.

In 2013, A.S. Création continued to support retailers with innovative sales and marketing concepts:

- Our complex touch-screen consulting software, "wallpaper order shop", is meanwhile used in some 2,000 customer stores world-wide. An improved software release

presented at the Heimtextil exhibition makes the search for the right wallpaper a pleasant consumer experience and strengthens the consulting expertise of our retail partners.

- "tapetenshop.de", our online shop, allows even those retail partners who have no software programming resources of their own to benefit from growing online sales. The online shop has successfully established itself in the market and still ranks at the very top of the Google ranking.
- Our newly developed "Mobile Shopping Tool" allows those retail partners who have no online shops of their own to sell A.S. wallpapers on the Internet. All retail partners need to do is fit the A.S. Création products with a QR code in advertisements, posters, handouts or directly at the POS. End users then have the possibility to read these articles with their smart phone and to order them on a mobile website directly from our customer. A.S. Création manages everything from programming and handling, to delivery and potential returns for the retail partners. This concept was also presented at the Heimtextil exhibition 2014; the first response from our customers has been very positive. The first pilot project is scheduled for implementation in spring 2014.

In spite of this strategy aimed at innovative products and marketing concepts, A.S. Création's earnings deteriorated in 2013, which is primarily due to the start-up problems of the new activities in Russia and the provision for the anti-trust proceedings discussed above. But we nevertheless need to improve the earnings position of other Group companies in established markets. In this context, the focus will be on internal rationalisation measures, as the Managing Board does not believe that significant volume growth can be achieved on the basis of market growth or a consolidation of the market in 2014.

Notwithstanding the prevailing uncertainties, the Managing Board is cautiously optimistic about the future. Provided that the start-up problems in Russia are eliminated, we expect Group sales revenues to rise to between € 205 million and € 215 million in 2014 and project both earnings before interest and taxes and net profit to improve significantly. Accordingly, A.S. Création's earnings position in 2014 should be better than in the past fiscal year.

Besides the uncertainties arising from the markets, A.S. Création will continue to face the pending anti-trust proceedings in

Germany and France in 2014. There is a risk that the provision set aside for these proceedings – against today's estimates – turns out to be insufficient. Such a scenario has not been considered in the above planned figures for 2014. As anti-trust violations generally may entail significant penalty payments and claims for damages, this could lead to deviations from the plans.

I would like to take this opportunity to thank all employees of the A.S. Création Group for their commitment in the past fiscal year. It remains our main objective to expand the leading market position of A.S. Création even further. In view of our excellent team and good concepts, we are optimistic that this objective will be achieved.

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

Gummersbach, February 2014



Jörn Kämper
Chairman of the Managing Board

Managing Board

Jörn Kämper

Chairman

Sales and Marketing

Maik Holger Krämer

Finance and Controlling

Antonios Suskas (from April 1, 2013)

Production and Logistics

Karl-Heinz Hallwig (until March 31, 2013)

Production and Logistics

MANAGING BOARD AND SUPERVISORY BOARD

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Supervisory Board

Franz Jürgen Schneider ^{1),2),3)}

Chairman

Dr. Rüdiger Liebs ^{1),2)}

Vice Chairman

Jella Susanne Benner-Heinacher ³⁾

Peter Mourschinetz

Employee representative

Dr. Dieter Schadt ^{1),3)}

Rolf Schmuck ²⁾

Employee representative

¹⁾ Member of Committee for Managing Board Matters

²⁾ Member of Audit Committee

³⁾ Member of Nomination Committee

- January** In the stock market, the A.S. Création share starts the new year at € 34.00.
- At the "Heimtextil" exhibition in Frankfurt am Main, A.S. Création presents its new 2013 products including the first VERSACE HOME Collection.
- March** The fully revamped website, www.as-creation.de, goes live and is available in eight languages. The fresh design of the new website invites users to explore the company and its collections.
- April** On April 1, Mr Antonios Suskas takes up office as Managing Board member in charge of Production and Logistics at A.S. Création Tapeten AG.
- The A.S. Création share climbs to € 44.55 on April 30 - the highest level of the year.
- July** On July 29, the A.S. Création bearer shares are converted into registered shares. A.S. Création's new International Securities Identification Number (ISIN) is DE000A1TNN5 and its new stock exchange symbol is "ACWN".
- August** The A.S. Création share hits its low for the year at € 32.43 on August 12.
- September** Marketing start of the METROPOLIS wallpaper collection designed by German fashion designer Michael Michalsky.
- December** The A.S. Création share closes the year at € 36.00 on December 30.

The composition of the Supervisory Board remained unchanged in 2013 as compared to the previous year. 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. In the fiscal year 2013, the Supervisory Board held five ordinary meetings on March 14, May 3, July 8, September 24 and December 12, 2013. Each of these meetings was attended by all members of the Supervisory Board.

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

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

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

The Committee for Managing Board Matters, which is responsible for the preparation of the

Managing Board contracts as well as for other personnel matters, met on March 14 and on December 11, 2013 and primarily addressed the compensation of the Managing Board members in the fiscal year 2012. The Committee for Managing Board Matters is chaired by the Chairman of the Supervisory Board.

The Audit Committee, which is primarily responsible for auditing the financial statements and the consolidated financial statements, 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 5 and on September 23, 2013. The two meetings were attended by the representatives of the auditors and by the Director of Finance and Controlling. The Audit Committee is chaired by the Vice Chairman of the Supervisory Board. He is an independent financial expert and has special knowledge and experience in accounting and auditing.

In the fiscal year, the Audit Committee focused on the audit of the financial statements and the consolidated financial statements for the year 2012, the supervision of the accounting process, the effectiveness of the internal control system (including the results of the relevant examinations at A.S. Création Tapeten AG and A.S. Création (NL) B.V.) and on planning the audit for the fiscal year 2013. At its meeting on March 5, 2013, the Audit Committee also discussed the possibility to appoint a new auditor and decided to publish an invitation to tender for the audit

of the financial statements and the consolidated financial statements for the fiscal year 2014. At its meeting on September 23, 2013, the Audit Committee also addressed the latest risk report as well as the compliance measures implemented at A.S. Création Tapeten AG. In addition, the Audit Committee discussed the interim report and the quarterly reports with the Managing Board prior to their publication.

The Nomination Committee, whose tasks include proposing suitable candidates for the election of new shareholder representatives to the Supervisory Board, held one meeting in the fiscal year, on December 11, 2013. At this meeting, the Nomination Committee consulted on the successor to Dr. Dieter Schadt, who had informed the Supervisory Board of his intention to resign from the Supervisory Board with effect from the end of the 2014 ordinary Annual General Meeting Shareholders for reasons of age. Based on the recommendation made by the Nomination Committee, it shall be proposed to the Annual General Meeting of Shareholders to elect Jochen Müller new member of the Supervisory Board. Mr Müller sits on the Management Board of LSG Lufthansa Service Holding AG.

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, 2012;
- consultation about the current state of the administrative offence proceedings opened against the company by the Federal Cartel Office, including discussion and resolution on the release of the Chairman of the Supervisory Board from claims for damages and expenses in conjunction with these proceedings, following the release of the Managing Board members decided at the end of the past fiscal year, with both releases being conditional on the approval of the Annual General Meeting of Shareholders;
- discussion about the current situation and organisation of the Russian joint venture, OOO A.S. & Palitra, and the Russian distribution company, OOO A.S. Création (RUS), especially with regard to the distribution structure chosen for the Russian-produced wallpapers, and resolution on the build-up of a sales organisation in the joint venture including a visitation of the newly erected factory in Dzerzhinsk near Nizhniy Novgorod by some of the Supervisory Board members in January 2013;
- discussion and consultation on the financing of the Russian companies and resolution on the granting of a short-term loan to the distribution company;
- approval of the corporate plan and the capital expenditure budget for fiscal year 2014;
- preparation of the succession for Dr. Schadt;
- consultation and resolution on an invitation to tender for the audit of the financial statements and the consolidated financial statements for the fiscal year 2014, discussion of the results of the invitation to tender and decision to propose to the 2014 ordinary Annual General Meeting of Shareholders the appointment of a new auditor, namely Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Cologne;

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

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

In the fiscal year 2007, the Supervisory Board already decided to successively subject all internal control systems of the Group companies to an external review. This is not a review for a specific reason but an review in the context of the Group-wide risk management efforts. In the context of the consolidated financial statements for the year 2013, A.S. Création (NL) B.V. was subjected to such an external review. As in the previous years, this review was performed by a KPMG subsidiary specialising in such matters. The results of the review, including the respective report, were submitted to the Audit Committee and discussed by the latter. Overall, KPMG's assessment of the internal control systems of A.S. Création (NL) B.V. was positive.

The financial statements of A.S. Création Tapeten AG and the consolidated financial statements for 2013 as well as the management report of A.S. Création Tapeten AG and the Group management report were made available to the Supervisory Board. They were audited by KPMG AG Wirtschaftsprüfungsgesellschaft, Cologne, and received their unqualified audit opinion.

The audit assignment for the financial year 2013 was awarded by the Audit Committee of the Supervisory Board on the basis of the resolution adopted at its meeting on March 5, 2013. In accordance with the recommendations made by the German Corporate Governance Code, the Supervisory Board, which was represented by the Chairman of the Audit Committee, obtained a statement from the auditor stating which professional, financial and other relations between the auditors and the company exist that might raise doubts about their independence before awarding the audit assignment. The statement also covers other services provided to the company in the past fiscal year. The statement issued by the auditors to the Supervisory Board raised no doubts about their independence.

The auditor has been instructed to focus on the recognition of the investment in OOO A.S. & Palitra in the financial statements and the consolidated financial statements and of OOO A.S. Création (RUS) in the financial statements of A.S. Création Tapeten AG in their audit for the fiscal year 2013.

The auditors' reports were submitted to the Supervisory Board members in good time. They were discussed in detail with the Audit Committee and at the Supervisory Board's annual accounts meeting on March 13, 2014. 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 on March 4, 2014 and the Supervisory Board's annual accounts meeting were attended by representatives of the auditors, who reported on the key results of their audit. In the context of their audit, the auditors noted, among other things, that potential developments that may jeopardise the continued existence of the company and the Group are identified and recorded by the risk management system implemented in accordance with Article 91 (2) of the German Stock Corporation Act (Aktengesetz 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, 2013. 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 Govern-

ance Code, the Supervisory Board members of A.S. Création Tapeten AG immediately disclose any conflicts of interest to the Supervisory Board. In the past fiscal year 2013, the Supervisory Board resolved to release the Chairman of the Supervisory Board, Mr Schneider, from claims for damages and expenses in conjunction with the administrative offence proceedings opened against the company by the Federal Cartel Office. To prevent a conflict of interest, the Chairman of the Supervisory Board instructed the Vice Chairman of the Supervisory Board to lead the meeting with regard to the discussion and the resolution regarding his release and abstained from voting. There were no other 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.

Gummersbach, March 13, 2014



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 13, 2013. The current version of the Code can be viewed at www.corporate-governance-code.de.

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

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

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

The latest declaration of conformity was issued on March 13, 2014 and had the following wording:

The Managing Board and the Supervisory Board of A.S. Création Tapeten AG declare that the company complied with the German Corporate Governance Code as amended on May 15, 2012 in the period from March 14, 2013 to May 13, 2013, save for the exceptions listed in last year's declaration of conformity dated March 14, 2013, and has since complied with the German Corporate Governance Code as amended on May 13, 2013 save for the following exception:

Pursuant to Section 5.4.1 of the Code the Supervisory Board shall specify concrete objectives regarding its composition which take into account, among other things, an age limit for the members of the Supervisory Board and diversity. These concrete objectives shall, in particular, stipulate an appropriate degree of female representation. The Supervisory Board of A.S. Création Tapeten AG is convinced that the proposals for the election of Supervisory Board members should be based exclusively on the functional and personal suitability of the candidates. As this suitability

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

Work of the Managing Board and the Supervisory Board

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

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

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

- Antonios Suskas,
Production and Logistics

The tenure of the current Board members will end on March 31, 2016.

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

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

The Managing Board informs the Supervisory Board about the course of the business and the situation of the company by monthly written reports as well as by oral and written reports presented at the Supervisory Board meetings. Extraordinary events are additionally reported to the Supervisory Board in writing. In addition, the Chairman of the Supervisory Board is regularly informed by the Managing Board in personal meetings.

In accordance with the law and the statutes, the Supervisory Board of A.S. Création Tapeten AG

consists of four members who are elected by the General Meeting of Shareholders and two members who are elected by the workforce. The Supervisory Board elects a Chairman and a Vice Chairman from among its members. The Supervisory Board currently has the following members:

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

The terms of office of all Supervisory Board members will expire at the end of the General Meeting of Shareholders that will ratify their acts for fiscal 2015, i.e. presumably in spring 2016. Dr. Schadt informed the Supervisory Board of his wish to resign from the Supervisory Board at the end of the 2014 ordinary Annual General Meeting of Shareholders for reasons of age. It shall therefore be proposed to the Annual General Meeting of Shareholders to elect Jochen Müller new Supervisory Board member. Mr Müller sits on the Management Board of LSG Lufthansa Service Holding AG.

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

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

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

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

The Audit Committee is responsible for moni-

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

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

Shares held by the Managing Board and the Supervisory Board

As of the balance sheet date, members of the Managing Board held 4,983 shares, while members of the Supervisory Board held 888,046 shares in A.S. Création Tapeten AG. The Managing Board and the Supervisory Board thus hold 29.77% 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 Interna-

tional 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 2013 elected KPMG AG Wirtschaftsprüfungsgesellschaft, Cologne, (KPMG) auditors of the consolidated and the separate financial statements. Prior to the election, KPMG issued a statement of independence as recommended by the German Corporate Governance Code. This statement has not given rise to any doubt about the independence of KPMG as an auditor. It was contractually agreed with the auditor that the Supervisory Board would be informed immediately of

- any grounds for disqualification or impartiality arising during the audit,
- any findings or incidents arising during the audit that are material for the tasks of the Supervisory Board and

- any findings indicating that the declaration issued by the Managing Board and the Supervisory Board with regard to the German Corporate Governance Code is incorrect.

Changing the auditor after a few years is generally regarded as an element of good corporate governance and recommended in order to avoid habituation effects. KPMG has audited the consolidated financial statements as well as the financial statements of A.S. Création Tapeten AG since 2004 and, in the opinion of the Supervisory Board and the Managing Board, has done an excellent job and performed its task as auditor in a very responsible and circumspect manner over the past ten years. The Supervisory Board will nevertheless propose to the 2014 ordinary Annual General Meeting of Shareholders to change the auditor in order to show that A.S. Création is willing and able to give itself up to the potentially especially critical assessment by a new auditor. Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Cologne, will be proposed as the new auditor.

Since July 1, 2005, the accounts of capital market oriented companies in Germany have been audited not only by the auditor elected by the Annual General Meeting of Shareholders but also by Deutsche Prüfstelle für Rechnungslegung e.V. (DPR). Companies listed in

an index such as the DAX®, MDAX®, SDAX® or TECDEX® are audited every four to five years and all other companies are audited every eight to ten years on a random sample basis. In addition, DPR conducts event-triggered audits if and when there are indications of a violation of accounting regulations. Between September 2013 and January 2014, DPR audited the consolidated financial statements and the Group management report for the year 2012 of A.S. Création on a random sample basis and found no accounting errors. The Managing Board and the Supervisory Board are very satisfied with the timely completion and the positive result of the audit, all the more so as this was the first audit of its kind for A.S. Création.

Transparent corporate communication

Open and transparent corporate communication is an important aspect of good corporate governance. Apart from clear and comprehensible contents, this aspect also calls for all stakeholders to have equal access to company information. A.S. Création attaches great

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

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

Gummersbach, March 13, 2014

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 93% of 2013 Group sales, it is the larger of the two Divisions. The wallpapers are primarily produced in Germany at A.S. Création Tapeten AG and – since the end of 2012 – in Russia at OOO A.S. & Palitra. The other entities that form part of the Wallpaper Division are pure sales and trading companies without their own production facilities. They are based in the UK, the Netherlands, France and Russia. The Furnishing Fabrics Division markets curtains and furnishing fabrics and has no manufacturing resources of its own. The two entities of this division are headquartered in Germany. The corporate structure remained unchanged from the previous year.

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

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

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

The most important output markets of A.S. Création are in Europe. In the fiscal year 2013, the countries of the European Union (EU) accounted for 74.1% of the Group’s gross sales revenues (previous year: 75.5%), while non-EU Eastern European countries accounted for 18.2% (previous year: 17.0%). Representing 34.8% (previous year: 37.3%), 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 2013, the company spent € 2.8 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 is only slowly recovering from the deep recession and did not begin to show the first moderate signs of growth before the latter part of the year. The eurozone's gross domestic product (GDP) for the full year 2013 was down by 0.4% on the previous year, however, having previously declined by 0.6% in the year 2012. The tight macroeconomic situation is also reflected in the jobless rate, which reached 12.1% in 2013 (previous year: 11.4%) the highest level since the launch of the common currency area. The only positive aspect is that the jobless rate has not risen any further since April 2013 and that

concerns about a potential break-up of the eurozone in the wake of the sovereign debt crisis have subsided notably. But the improved sentiment indicators did not lead to increased private consumption and capital spending before the second half of the year. Consumer spending and capital spending for the full year 2013 was down by 0.5% and 3.4%, respectively, on the previous year. With regard to the economic recovery of the eurozone, 2013 was a lost year, although the positive tendencies towards the end of the year suggest that the macroeconomic situation will improve – albeit moderately – in 2014.

Economic growth in Germany slowed down notably in 2013. Having grown by 0.7% in the previous year, GDP picked up by only 0.4% in the past fiscal year. This weak growth was insufficient to further reduce the jobless rate; accordingly, the downward trend in unemployment was halted and the jobless rate remained almost unchanged at 6.9% in 2013 (previous year: 6.8%). On the upside, consumer spending increased once again, namely by 0.9%, compared to an increase of 0.8% in 2012.

Economic growth in Russia – A.S. Création's most important output market in Eastern Europe – has slowed down markedly. Having grown by over 4% in 2010 and 2011 and by 3.4% in 2012, GDP picked up by only 1.4% in 2013. This was mainly due to the decline in

gross fixed capital formation, which was down by 0.5 on the previous year. As a result, the jobless rate, which had declined for several years, picked up again and reached 5.8% (previous year: 5.1%). Private households, whose consumption spending increased by 5.4% in 2013, were again one of the main pillars of the Russian economy.

The weak growth in the world economy was one of the reasons why the situation in the commodity and energy markets continued to ease in 2013. According to the Hamburg Institute of International Economics (HWWI), global commodity and energy prices, which had already declined by 5.3% in 2012, dropped by another 5.1% on a euro basis in 2013. In spite of this trend, the situation is far from having eased completely, as the commodity and energy prices in 2013 were still up by as much as 22.3% on the year 2010, according to the HWWI. A.S. Création benefited only little from the above tendencies. While commodity costs declined moderately in 2013, energy costs at both German production facilities rose sharply.

2.2. Industry-specific environment

Every year since the 2009 financial and economic crisis, the members of the Association of German Wallpaper Manufacturers (VDT) were able to increase their sales revenues. This positive trend did not continue in 2013.

Right on the contrary, VDT members reported a 4.1% decline in sales; at 7.5%, the drop in domestic sales revenues was stronger than the decline in export sales, which fell by only 2.4%. 2013 was a disappointing year for German wallpaper manufacturers also for another reason. While wallpaper sales had outperformed consumer spending in the prior years, VDT members were unable to benefit from German households' growing consumption spending in 2013.

Wallpaper manufacturers' domestic sales revenues were adversely affected by the bankruptcy of the Praktiker and Max Bahr DIY store chains in two respects. Unlike in the previous year, there were no regular orders from the two insolvent DIY store operators; secondly, the high discounts granted to consumers in order to sell the remaining stocks led to declining sales at other DIY store chains and specialist retailers. They reduced their purchases from wallpaper manufacturers accordingly. It is not possible to say to what extent these factors influenced the sales revenues of the VDT members in 2013.

As described above, the macroeconomic environment in the Western and Eastern European markets that are relevant for the German wallpaper industry were difficult in 2013 and provided no positive impulses. As far as Russia, the world's largest wallpaper market, is concerned, the downward trend of the Russian

rouble had an adverse impact on exports. As the latter depreciated by over 10% against the euro in 2013, the wallpapers offered by German manufacturers in rouble prices became more expensive in comparison to Russian manufacturers' wallpapers, which affected their competitiveness accordingly.

The drop in sales revenues in 2013 has dashed the German wallpaper industry's hopes of a recovery from the slump in sales of the year 2009. At the time, total sales revenues reported by VDT members dropped by 17.2%. The Managing Board assumes that this also applies to other Western European wallpaper manufacturers, meaning that total production capacities are not yet fully utilised again. The unused production capacity has led to fierce price competition, thereby intensifying the consolidation pressure in the wallpaper industry. Some wallpaper manufacturers in Western Europe did not survive this consolidation process in 2013. The Managing Board expects this trend to continue.

Thanks to its focus on innovation as well as its financial strength, A.S. Création is one of the most competitive European wallpaper manufacturers in this consolidation process and again outperformed its German peers in 2013, which has helped to further expand the company's market position. While A.S. Création Tapeten AG also saw its sales revenues, which are included in the VDT

figures, drop in 2013; this decline, at 2.2%, was much lower than the total reduction of all VDT members of 4.1%. At € 186.5 million, total consolidated sales revenues of A.S. Création's Wallpaper Division slightly exceeded the previous year's € 186.0 million, thus showing a positive trend in contrast to the wallpaper industry as a whole.

After a moderate improvement in the previous year, the industry-specific environment of the Furnishing Fabrics Division deteriorated markedly in 2013. The latest figures published by the Association of German Home Textiles Manufacturers for the first half of 2013 show a 6.4% decline in sales of furnishing fabrics/curtains. As demand declined, the market consolidation continued and again led to several – also major – bankruptcies and mergers. In this highly competitive environment, the Furnishing Fabrics Division was one of the successful market players and again outperformed the market in 2013. The division's sales revenues increased by a moderate 1.1% from € 13.5 million in 2012 to € 13.6 million in 2013, resulting in a further improvement of its market position.

2.3. Overview of the business trend

In the difficult macroeconomic and industry-specific environment described above, A.S. Création was able to increase its consolidated sales revenues moderately from € 198.9

million in the previous year to € 199.8 million. Both divisions contributed to this improvement. However, sales revenues fell clearly short of the company's high expectations, according to which sales revenues for the fiscal year 2013 had been projected to amount to between € 210 million and € 220 million. Accordingly, the Managing Board is dissatisfied with the trend in sales, even if some of the company's competitors – unlike A.S. Création – suffered sharp declines in sales revenues in 2013.

The fact that the company's projections were not met is primarily attributable to the low sales revenues generated in Russia. The Russian joint venture, A.S. & Palitra, took the new wallpaper production facility in Dzerzhinsk into operation in October 2012. Sales of the locally produced wallpapers via the Russian distribution company, A.S. Création (RUS), were expected to make an important contribution to growing revenues in 2013. This has not been achieved. Under the difficult market conditions prevailing in Russia in 2013 it was not possible to sell the planned quantities of the basic product range developed for the start-up of production and the fine-tuning of the production processes at the expected prices. Besides reduced revenues, the lower-than-planned sales volumes also led to unsatisfactory utilisation of the production capacity of A.S. & Palitra.

Sales revenues in Germany also failed to meet the company's projections. The Managing

Board had expected revenues to decline in 2013 as several major (first) orders had a positive effect on sales revenues in 2012. At 6.3%, however, the drop in domestic gross revenues was stronger than anticipated. As outlined under paragraph 2.2 ("Industry-specific environment), total demand for wallpapers in Germany, which had been on the increase for several years, remained below the prior year level in 2013.

Net profit for the fiscal year 2013 was disappointing, too. At € 1.3 million, it was down by 85.1% on the previous year's € 8.9 million. The company thus clearly missed its 2013 projections targeting net profit between € 9 million and € 11 million. This is primarily attributable to factors which had not been considered in the projections for the fiscal-year 2013 at all or not to this extent:

- The insufficient sales volumes of Russian-made wallpapers led to higher-than-planned losses at the Russian distribution company and the Russian production company.
- The depreciation of the Russian rouble against the euro in 2013 led to conversion-related exchange losses at both Russian companies, as the companies are mainly financed in euros.
- A provision for the pending anti-trust proceedings in Germany was established during the fiscal year.

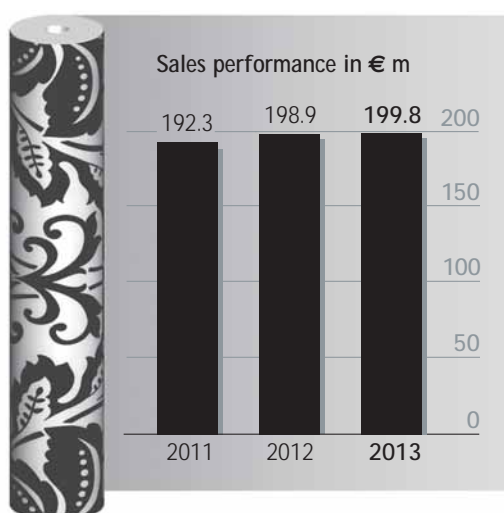
On balance, the Managing Board of A.S. Création is not satisfied with the business trend in the fiscal year.

3. Net asset, financial and earnings position

3.1. Earnings position

3.1.1. Sales revenues

A.S. Création achieved marginal revenue growth of 0.5% from € 198.9 million to € 199.8 million in the fiscal year 2013. Both of the company's divisions contributed to this growth - the Wallpaper Division posted a growth rate of 0.3% and the Furnishing Fabrics Division reported a 1.1% increase in revenues. The sales momentum slowed down markedly as the year progressed. While consolidated sales revenues climbed 1.2% in the first half of 2013, they were down by 0.3% on the previous year in the second half of the year.

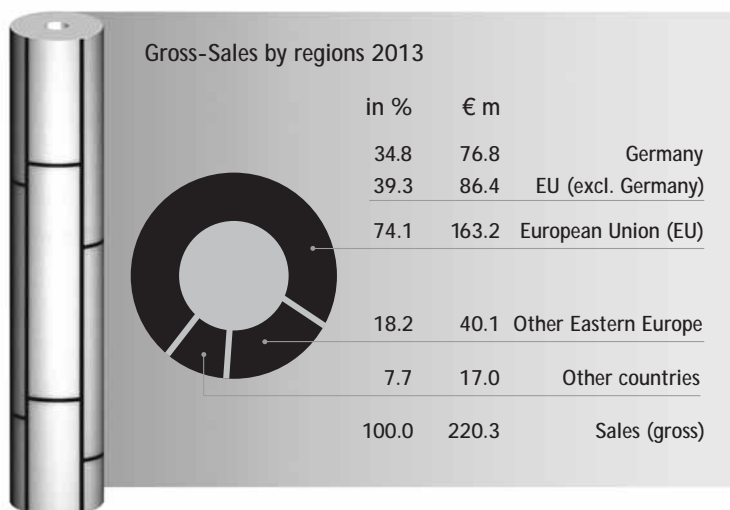


The analysis of A.S. Création's sales revenues shows that the company was able to increase its revenues in all regions – except Germany – in 2013:

- A.S. Création reported the strongest revenues growth in non-EU Eastern European countries, where gross revenues picked up by 7.8% in 2013. As outlined in paragraph 2.3. ("Overview of the business trend"), sales revenues in Russia fell short of the company's expectations, though.
- In the other EU countries excluding Germany, gross revenues increased by 2.9%, with great success achieved in France, where A.S. Création meanwhile benefits markedly from the 2008 takeover of two French wholesalers, SCE – Société de conception et d'édition and MCF Investissement. Together with A.S. Création (France), these companies give A.S. Création a very closely knit sales network in this large wallpaper market. Against the background of the sales declines reported in this region in the previous years and the difficult macroeconomic conditions prevailing in the EU, the Managing Board is satisfied with these developments.
- Growing by 3.0%, sales revenues in the other markets outside Western and Eastern Europe reached an equally satisfactory level in 2013.

This revenue growth was almost fully offset by the 6.3% decline in gross revenues in Germany. As a result, consolidated sales revenues increased only marginally in 2013.

Due to the sales trend in the regions outlined above, the breakdown of sales revenues changed slightly in the fiscal year 2013. While the Group's sales revenues still focus on the EU, the relative share of this region declined to 74.1% in 2013 (previous year: 75.5%). By contrast, non-EU Eastern European countries have gained in importance and now account for 18.2% of gross revenues, compared to 17.0% in the previous year. The other countries, including Asia, increased their relative contribution to total sales revenues but still account for only a minor share of 7.7% (previous year: 7.5%).



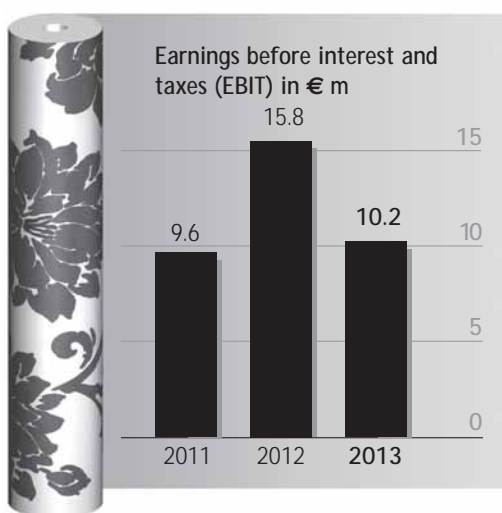
With regard to the breakdown of consolidated sales revenues by divisions, no material changes

occurred in 2013. The Wallpaper Division accounted for € 186.3 million or 93.3% (previous year: € 185.7 million or 93.4%) of total Group sales in the amount of € 199.8 million (previous year: € 198.9 million), while the Furnishing Fabrics Division accounted for € 13.5 million or 6.7% (previous year: € 13.2 million or 6.6%).

3.1.2. Earnings

While A.S. Création's operating result (earnings before interest and taxes - EBIT) had improved notably in the previous year, it amounted to only € 10.2 million in 2013 (previous year: € 15.8 million), with the EBIT margin reaching 5.1% (previous year: 7.9%). The EBIT margin thus was down between 7% and 8% the planned level of the reporting period. It should be noted, however, that the operating result stated for the fiscal year 2013 is also attributable to one-time extraordinary effects which may not be shown separately from the operating result under IFRS.

As the cost of materials is the most important expense item in the income statement of A.S. Création, the gross profit margin (gross profit as a percentage of total output) is one of the key indicators to assess the trend in earnings before interest and taxes. This indicator deteriorated from 49.8% in the previous year to 48.3% in the fiscal year 2013. In



relation to the increased total output in 2013, this decline represented a profit shortfall of € 3.0 million from operations compared to the prior year, which was not available to cover the other expense items. This is due to the following factors:

- **Price competition**
In the fiscal year, price competition intensified both in the Wallpaper Division and in the Furnishing Fabrics Division.
- **Increase in inventories**
Inventories increased by € 1.0 million in the course of 2013 (previous year: € 0.0 million). This increase in inventories also weighed on the gross profit margin in 2013, as profits will be realised only when the products are sold in future.

- **Write-downs of Russian-made products**
As explained in paragraph 2.3 ("Overview of the business trend"), it was not possible to sell the planned quantities of the basic range of wallpapers used by A.S. Création (RUS) during the start-up of production at the expected prices under the difficult market conditions prevailing in Russia in 2013. We were therefore forced to adjust the prices to sell these goods and to write down the remaining inventories, which had an adverse impact on the gross profit margin in the fiscal year.

- **Stagnating procurement costs**
The adverse factors weighing on the gross profit margin were not offset by lower procurement prices. While A.S. Création recorded a moderate decline in commodity costs in 2013, both of the company's production facilities in Germany were faced with a sharp rise in energy costs. On balance, procurement costs stagnated at a high level.

The fact that personnel expenses increased disproportionately to total output also weighed on the bottom line in the fiscal year 2013. Personnel expenses rose by 2.5% from € 44.0 million in the previous year to € 45.1 million in 2013. As a result, personnel expenses as a percentage of total output deteriorated to 22.5% (previous year: 22.1%). On the one

hand, this is attributable to the fact that the average headcount climbed from 820 in the previous year to 837 in 2013. The increase primarily relates to the staff hired by A.S. Création Tapeten AG in the course of 2012 and 2013. In addition to this, the three collective pay rises of the years 2012 and 2013 led to rising wages and salaries for most employees in Germany in 2013, which were not offset by higher output. Finally, the lower-than-expected revenue growth in Russia also prevented an improvement in personnel expenses as a percentage of total output.

The deterioration in the gross profit margin and in personnel expenses as a percentage of total output was not offset by a reduction in other operating expenses. While other operating expenses were adversely affected by one-time effects of € 1.5 million in the previous year, most of which were attributable to the extensive modernisation of buildings and machinery, the Managing Board had expected the relation between other operating expenses and total output to improve in 2103. In fact, however, this indicator deteriorated from 15.0% in 2012 to 16.2% in the reporting year. While maintenance expenses were reduced, the company's increased presence at national and international trade fairs and exhibitions sent the respective expenses rising. In addition, the Russian sales organisation incurred higher rental and logistic expenses

than in the previous year as inventories were built up in the regional warehouses. In addition, exchange losses resulting from the depreciation of the Russian rouble against the euro also had an adverse impact on other operating expenses in the fiscal year 2013. As the Russian rouble depreciated from RUB/€ 0.02486 on December 31, 2012 by 10.5% to RUB/€ 0.02224 on December 31, 2013 while A.S. Création (RUS) is financed in euros, this depreciation led to translation-related exchange losses. On balance, exchange losses of € 0.6 million weighed on A.S. Création's EBIT in the fiscal year 2013, whereas exchange gains and losses in the previous year were balanced. In addition, a provision in the amount of € 2.0 million was established in 2013 for risks arising from the anti-trust proceedings in Germany. The details are outlined in paragraph 7.2.5. ("Risks from the anti-trust proceedings"). In accordance with IFRS, this extraordinary expense is included in other operating expenses and consequently weighed on earnings before interest and taxes in the fiscal year.

By contrast, depreciation, which was down by € 0.3 million to € 9.5 million compared to the previous year's € 9.8 million, had a positive impact on the 2013 operating result. This reduction reflects the lower depreciation resulting from the purchase price allocation of the 2008 acquisitions in France, as the phased

depreciation of the acquired customer bases in the amount of € 0.7 million p.a. was completed at the end of 2012. This profit-enhancing effect was partly offset by increased depreciation of printing tools, which was related to the ongoing development of the product range.

Between them, the above effects led to the before-mentioned 35.1% or € 5.6 million decline in earnings before interest and taxes from € 15.8 million in the previous year to € 10.2 million in the past fiscal year. Even considering the fact that this sharp drop in EBIT includes two significant one-time effects, namely the € 1.4 million increase in start-up and exchange losses incurred by the Russian distribution company, A.S. Création (RUS), and the provision for risks from the anti-trust proceedings in the amount of € 2.0 million, the earnings situation of the fiscal year 2013 is not satisfactory. Adjusted for these one-time effects, EBIT for the fiscal year 2013 was still down by € 2.2 million on the previous year.

The financial result declined by € 2.8 million from the previous year's € -2.2 million to € -5.0 million in 2013. This reduction is primarily attributable to higher start-up losses at the Russian production company. The new production plant in Dzerzhinsk, Russia, was taken into operation at the end of October 2012, which means that the year 2013 was

marked by the start-up of the new factory and the fine-tuning of the production processes. Start-up losses are regularly incurred in the start-up and early phases of a new factory, which are reflected in high reject rates and low efficiency. Accordingly, the Russian production company, A.S. & Palitra, posted a loss in the fiscal year 2013. However, the start-up loss was much higher than anticipated, as A.S. Création (RUS) was unable to market the Russian-made products to the planned extent in 2013 (see paragraph 2.3. "Overview of the business trend"). The insufficient sales volumes of Russian-made wallpapers led to an unsatisfactory degree of capacity utilisation at A.S. & Palitra. As a result of the depreciation of the Russian rouble, the joint venture was additionally affected by high exchange losses, as the company is mostly financed in euros. As A.S. Création Tapeten AG and the second shareholder, Kof Palitra, each hold 50% in the joint venture, the Russian production company is accounted for using the equity method, i.e. A.S. Création's share in the result is shown in the consolidated financial result. The start-up losses shaved € -4.3 million off the financial result in 2013 (previous year: € -1.0 million).

The operating result and the financial result led to earnings before taxes of € 5.2 million in 2014, down 61.4% on the previous year's € 13.6 million.

Earnings before taxes include expense items in the total amount of € 6.3 million - i.e. the pro-rated losses of the Russian joint venture accounted for using the equity method and the provision for risks arising from the anti-trust proceedings in Germany - which do not lead to a reduction in the tax assessment base. Accordingly, the Group's imputed tax ratio increased sharply from 34.4% in the previous year to 74.7% in 2013; as a result, net profit for the year declined at a much higher rate than earnings before taxes. At € 1.3 million, net profit for the year 2013 was down by 85.1% on the previous year's € 8.9 million. This is the lowest level since 1998, the year of the first-time adoption of IFRS. The main factors in this development are the start-up losses in Russia; the Russian operations, i.e. the production and the distribution company, shaved off € 6.1 million (previous

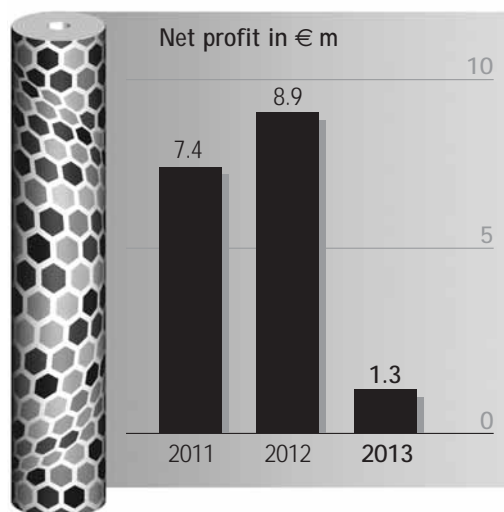
year: € 1.4 million) of the company's consolidated net profit for the year 2013.

Based on the number of shares outstanding, which remained unchanged at 2,756,351 in 2013, earnings per share amounted to € 0.48 (previous year: € 3.22).

3.1.3. Profit appropriation

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

The fixed payout ratio means that the absolute amounts of the dividend payments are not smoothed over time but increase or decrease in line with earnings. The fact that net profit for the year declined from € 8.9 million in 2012 to € 1.3 million is explained in detail in paragraph 3.1.2. ("Earnings"). In keeping with the dividend policy, the reduced earnings will be reflected in a lower dividend. The Managing Board will therefore propose payment of a dividend of € 0.25 per share to the Annual General Meeting of Shareholders,

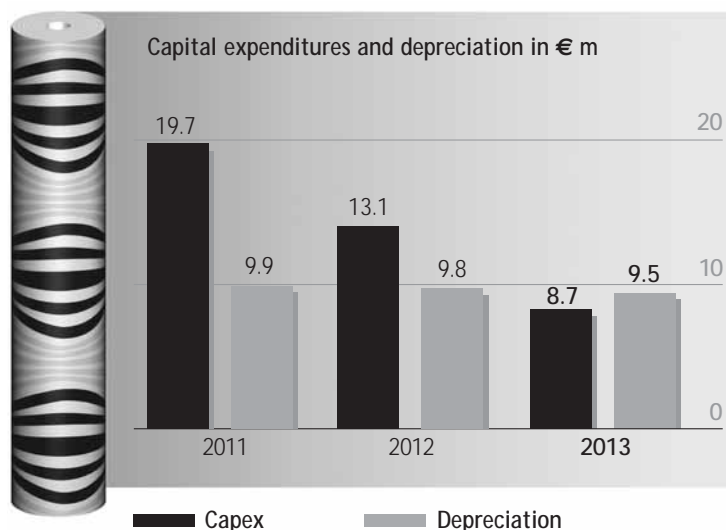


which is scheduled for May 15, 2014. In relation to earnings per share, this represents a payout ratio of 52.1%. A dividend of € 1.20 per share was paid in the previous year, which corresponded to a payout ratio of 44.9% to the reported earnings per share of € 2.67 in 2012. Based on the number of 2.756 million shares outstanding as of December 31, 2013, this will result in a total dividend volume of € 0.7 million (previous year: € 3.3 million).

3.2. Financial position

3.2.1. Capital expenditures

At € 8.7 million, capital expenditures in the fiscal year 2013 were down by € 4.4 million on the previous year's € 13.1 million, as most of the financing requirements for the start-up of the Russian joint venture, A.S. & Palitra, had already been covered by the end of 2012. To finance this joint venture, the shareholders, A.S. Création Tapeten AG and Kof Palitra, made equity contributions and granted shareholder loans to A.S. & Palitra. A.S. Création's share in this long-term financing is shown under capital expenditures in the consolidated financial statements. These financings accounted for € 3.0 million (previous year: € 7.9 million) of the total capital expenditures in the fiscal year. Since the foundation of A.S. & Palitra in 2008, the investments made



by the two shareholders have added up to € 39.4 million, of which € 19.7 million relates to A.S. Création. It is planned that both shareholders will make additional funds totalling € 1.0 million available in the year 2014.

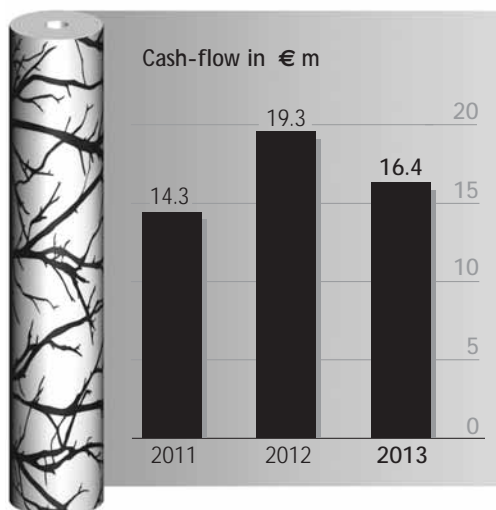
Adjusted for the investments in Russia, capital expenditures in the fiscal year 2013 amounted to € 5.7 million, which was almost unchanged from the previous year's € 5.2 million. They primarily related to replacement investments and to investments in printing tools for the new wallpaper collections. As in the previous year, no major investments in new plant capacity were required.

As of the balance sheet date, the company had financial obligations from order commitments for investments in tangible fixed assets in the amount of € 0.2 million (previous year: € 0.4 million).

3.2.2. Cash flow statement and net financial liabilities

The result for the year 2013 was materially influenced by non-cash factors such as the increased pro-rated start-up losses of the Russian joint venture, A.S. & Palitra, which is accounted for using the equity method, and the non-current provision for risks from the anti-trust proceedings in Germany. Accordingly, A.S. Création's internal financing strength did not decline at the same rate as the company's earnings. While net profit for the year dropped by € 7.6 million from € 8.9 million in 2012 to € 1.3 million in the fiscal year, cash flow, at € 16.4 million, was down by only € 2.9 million on the previous year's € 19.3 million.

The reduced cash flow was still sufficient to cover A.S. Création's financing requirements in the fiscal year. The latter increased in



spite of the reduction in capital expenditures outlined above. This was mainly due to the following factors:

- **Additional capital tied up in inventories**
Additional capital in the amount of € 2.2 million was tied up in inventories in 2013. This increased capital tie-up in inventories is primarily attributable to the build up of inventories in Russia. At 4.3 times per year, the imputed inventory turnover remained unchanged from the previous year, however.
- **Higher dividend**
Due to the greatly increased net profit for the fiscal year 2012, a higher dividend was paid out in May 2013. At € 3.3 million, it exceeded the previous year's dividend of € 2.1 million by € 1.2 million.

A.S. Création's high internal financing strength is also reflected in the fact that – in spite of lower earnings – the company was again able to reduce its net financial liabilities (difference between interest-bearing financial liabilities and cash and cash equivalents) in the fiscal year 2013. The latter were reduced by a moderate € 0.8 million from € 21.1 million on December 31, 2012 to € 20.3 million on December 31, 2013. This overall improvement is the result of a reduction in interest-bearing financial liabilities by € 1.3 million and an

€ 0.5 million decline in cash and cash equivalents. As of the balance sheet date, A.S. Création thus had cash and cash equivalents of € 6.7 million (previous year: € 7.2 million).

In 2013, A.S. Création took advantage of the low interest rates in the capital markets to further reduce its average funding costs. By refinancing part of the existing credit agreements, the company was able to cut its average interest rate for long-term fixed-interest loans from 3.8% as of December 31, 2012 to 3.0% on the balance sheet date.

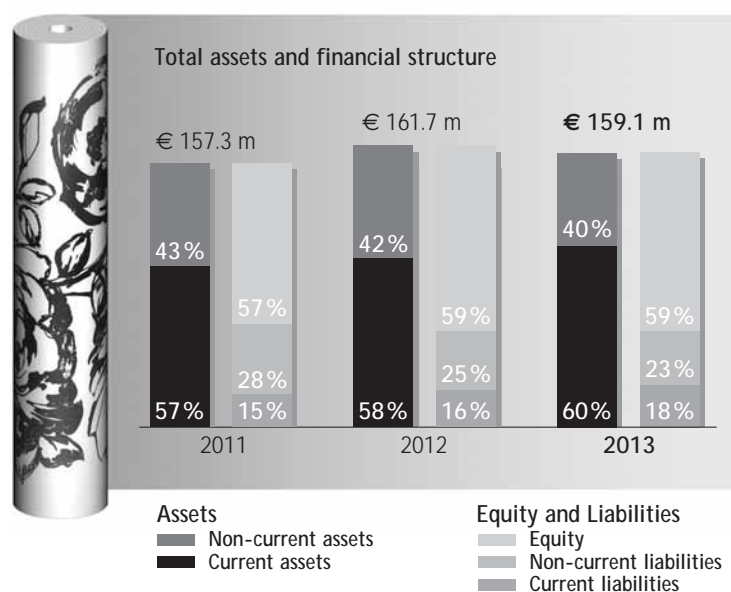
3.2.3. Balance sheet structure

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

- Based on equity of € 93.5 million as of December 31, 2013 (previous year: € 94.8 million), the equity ratio exceeded the

high level of the previous year (58.6%) and reached 58.8%.

- Equity and long-term debt capital are more than sufficient to finance non-current assets. As of December 31, 2013, the respective ratio stood at 204.3% (previous year: 196.5%), which means that the "golden rule of financing" was more than fulfilled.
- The debt to equity ratio (net financial liabilities divided by equity) declined and stood at a low 21.7% on December 31, 2013 (previous year: 22.2%).
- At 1.2 years (previous year: 1.1 years), the debt repayment period (the quotient of net financial liabilities and cash flow) also reached a very good level in the past fiscal year.



The Managing Board also considers the net-worth position of A.S. Création to be very sound. As of December 31, 2013, the Group's total assets amounted to € 159.1 million (previous year: € 161.7 million), of which 80.0% (previous year: 79.9%) related to property, plant and equipment, inventories, trade receivables as well as cash and cash equivalents. Goodwill recognised in the consolidated financial statements represented only 4.9% (previous year: 4.8%) of total assets and 8.3% (previous year: 8.2%) of the equity.

The Managing Board of A.S. Création believes that the net asset and financial position of A.S. Création is robust and sound and will enable the company to further pursue its growth strategy in spite of uncertain conditions.

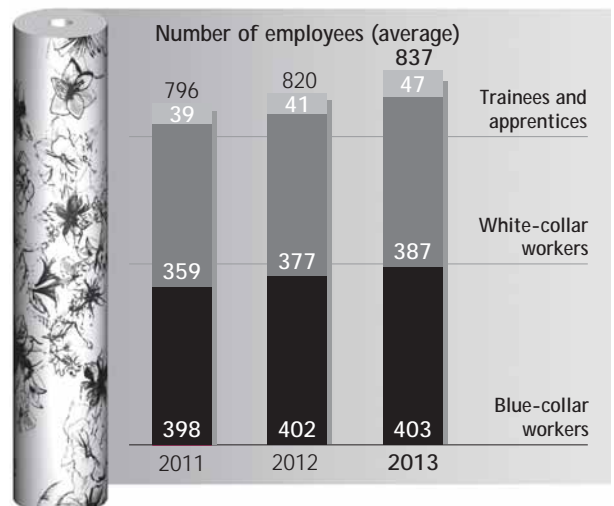
4. Material non-financial indicators

4.1. Employees

The average headcount of A.S. Création increased by 17 people or 2.1% from 820 to 837 in the course of 2013. 765 employees (previous year: 749) worked in the Wallpaper Division and 72 (previous year: 71) in the Furnishing Fabrics Division. A majority of 82.2% (previous year: 81.8%) are employed by the domestic Group companies.

The increase in the average headcount in the fiscal year is mainly due to the fact that new

staff was hired by A.S. Création Tapeten AG in 2012 and 2013. The increase also reflects the scheduled build-up of the Russian distribution company, A.S. Création (RUS). The deterioration in earnings in the past fiscal year led to a minor staff reduction in the second half of 2013. As a result, the Group headcount of 836 on December 31, 2013 was only slightly above the previous year's headcount of 831.



As the planned revenue growth was not achieved in the past fiscal year, the above-mentioned increase in the average headcount led to deterioration in staff productivity. At € 0.239 million, sales revenues per employee were down by 1.6% on the previous year's € 0.243 million.

A.S. Création's long tradition of training young people should be seen against the background of the long-term development of the company. The Managing Board of A.S. Création is con-

vinced that the training and further education of its workforce are important factors for the future of the company. Accordingly, the company decided to expand its training activities already back in 2007. At the time, the number of trainees and apprentices stood at 34, which represented 5.5% of the domestic workforce. This decision was not questioned even under the difficult economic conditions prevailing in the past years. As announced in last year's management report, the average number of trainees and apprentices increased, namely from 41 in 2012 to 47 in 2013. As a result, trainees/apprentices as a percentage of the domestic workforce climbed from 6.2% in the previous year to 6.8% in 2013.

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

4.2. Product safety and environmental protection

All A.S. Création wallpapers are produced

to applicable EN or DIN standards and thus comply with legal provisions. For instance, all wallpapers made by A.S. Création bear a qualified CE mark to EN 15102. This shows that A.S. Création wallpapers have proven to meet the fire protection criteria defined by the EU. According to a French ordinance all building products, floor and wall coverings as well as paints and varnishes used indoors must be marked with their emission class. The results of an analysis performed by an accredited test institute, demonstrate that all wallpapers made by A.S. Création meet the limits of the emission class "A+", which is the lowest class, and that they are all labelled accordingly. But apart from complying with legal requirements, A.S. Création offers its customers even greater safety, as the company's wallpapers meet the more stringent requirements of Germany's "Gütegemeinschaft Tapete e. V.", which are documented in RAL-GZ-479. Compliance with this standard is reviewed by the internationally renowned Fraunhofer Society on a random basis.

To promote environmental protection and sustainability, A.S. Création exclusively uses 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. Established in 1993, the FSC[®] (Forest Stewardship Council) is a non-governmental, not-for-profit organisation committed to the

environmentally and socially compatible and economically viable management of the world's forests. The FSC[®] label tells consumers that wood from responsible and sustainable forest management was used for the product in question.

Our capital expenditures also reflect our commitment to a sparing use of resources. While all capital expenditures required to meet the increasingly stringent legal and regulatory requirements count as direct capital expenditures in environmental protection, capital expenditures in modernisation contribute to environmental protection given that the use of advanced technologies usually also entails a higher degree of efficiency with regard to the resources used. In this context, the reject rate and the average energy consumption in the production of a wallpaper roll have been reduced over the past years. This trend is to be continued over the next years. In this context, A.S. Création Tapeten AG introduced an energy management system to ISO 50001: 2011 in the course of 2013. This energy management system was certified by TÜV Rheinland on January 2, 2014.

5. Important events in FY 2013

Mr Karl-Heinz Hallwig resigned from the Managing Board with effect from March 31, 2013. Back in 2012, the Supervisory Board had

already nominated Mr Antonios Suskas as his successor. He assumed responsibility for Production and Logistics on the Managing Board of A.S. Création Tapeten AG on April 1, 2013.

Following on from the search conducted in November 2010, the French Competition Authority sent letters of accusation to SCE – Société de conception et d'édition SAS and MCF Investissement SAS, the two French companies which are members of the A.S. Création Group, in July 2013 to officially inform them that administrative offence proceedings had been opened against them. In its letter, the French Competition Authority has raised accusations of an information exchange in the period from 2006 to 2010 which it considers to constitute a violation of anti-trust law. No accusations of price fixing have been raised.

6. Important events after the end of the fiscal year

Since July 1, 2005, the accounts of capital market oriented companies in Germany are audited not only by the auditor elected by the Annual General Meeting of Shareholders but also by Deutsche Prüfstelle für Rechnungslegung e.V. (DPR). Companies listed in a stock market index are audited every four to five years and all other companies are audited every eight to ten years on a random sample basis. In addition, DPR conducts event-triggered

audits if and when there are indications of a violation of accounting regulations. DPR audited the consolidated financial statements and the Group management report for the year 2012 of A.S. Création on a random sample basis and informed the company in January 2014 that no accounting errors had been found.

Following on from the search of the offices of A.S. Création Tapeten AG in November 2010 and the opening of administrative offence proceedings in November 2011, the Federal Cartel Office has now issued the penalty notices against the company and some of its employees. 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. More details are outlined in paragraph 7.2.5. ("Risks from the anti-trust proceedings").

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", "medium", "high" and "existence-threatening". The Managing Board is constantly kept informed of the risks and pays special attention to risks with a high or existence-threatening damage potential. The Managing Board is of the opinion that the risk management system, which is an integral element of A.S. Création's reporting system, is of a sufficient size. Based on statutory requirements, KPMG AG Wirtschaft-

sprüfungsgesellschaft, 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 KPMG in the context of this year's annual audit.

In view of the large number of identifiable individual risks captured by the risk management system – some of which are explained below – it is important to make a realistic assessment of the overall risk. The Managing Board of A.S. Création Tapeten AG considers the overall risk to be relatively low. The likelihood of risks materialising that would jeopardise the company's continued existence tends to be low.

7.2.2. Macroeconomic and industry-specific risks

Future macroeconomic developments may entail risks for A.S. Création. For instance, a decline in consumer spending resulting from a recession could have an adverse impact on

A.S. Création's sales revenues. The forecasts for the year 2014 currently assume that consumer spending in the eurozone will grow by 0.7%, with an increase by approx. 4.5% projected for Russia. In this respect, the Managing Board can currently not identify any existence-threatening potential risks.

Industry-specific risks result from existing overcapacities in the wallpaper industry. Against the background of increased demand, new capacities for the production of wallpapers were installed in Western and Eastern Europe in the past years. Due to the sudden drop in demand in 2009 resulting from the global financial and economic crisis, the large European wallpaper manufacturers are currently no longer able to fully utilise their own production capacities. While capacity utilisation has since improved, the Managing Board of A.S. Création believes that the wallpaper industry is not operating at full capacity yet. This is also true of A.S. Création. The Managing Board sees the risk of this underutilisation leading to ruinous price competition and, hence, to a new consolidation process in the global wallpaper industry. Should a new consolidation process arise nevertheless, A.S. Création expects to emerge from it as a winner thanks to its innovation and financial strength. The Managing Board therefore sees no existence-threatening risk.

Another potential risk for the wallpaper industry results from the more stringent legal provisions regarding the use of chemicals in the production of wallpapers. The REACH chemicals regulation, for instance, is applicable throughout the European Union (EU). The acronym REACH stands for "Registration, Evaluation, Authorisation and Restriction of Chemicals". On the basis of this regulation, the hazards which chemicals may pose to human health and the environment are assessed. Substances of very high concern are put on a SVHC list, which means that the use of these chemicals may be reportable. In extreme cases, certain substances may be banned throughout the EU. Just like other industries, the wallpaper industry uses such additives, e.g. plasticisers, in the production of flat and expanded vinyl wallpapers. Should these substances be banned in general, these types of wallpaper could no longer be produced with current-technology. There are two reasons, however, why the Managing Board considers the probability of such a scenario materialising to be relatively low:

- There have been frequent discussions about the potential health hazards posed by additives such as plasticisers in the past. The theoretical hazard depends on the use of the finished product. If used as intended, wallpapers do not present

any hazard. Moreover, in accordance with RAL-GZ 479, A.S. Création exclusively uses non-volatile plasticisers in its wallpapers. The sale of the wallpapers produced by A.S. Création has never been subject to any restrictions and it is unlikely that the risk classification of wallpapers will change in future.

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

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

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 2013. 2007, 2008 and 2011 were the only fiscal years in which the company was unable to maintain the gross profit margin within this bandwidth due to the "explosion" in commodity and energy prices. At 45.7% (2007), 44.9% (2008) and 45.8% (2011), the gross profit margin stood at a very low level. In

spite of these adverse impacts, A.S. Création still generated positive results and sufficient cash flows to finance the regular capital expenditures also in these years. This is why the Managing Board of A.S. Création sees no risks arising from procurement prices that could jeopardise the company's continued existence.

Another potential risk on the procurement side relates to the availability of raw materials and/or intermediate products of adequate quality. Due to the concentration among the suppliers providing the raw materials and intermediate products required by A.S. Création, the procurement risk increased in the past years. Should A.S. Création be unable to obtain the required quantities of a raw material or an intermediate product due to a general increase in demand or the loss of a major supplier, this may lead to a temporary production outage. With a view to mitigating this risk, A.S. Création analyses and tests the quality and efficiency of new suppliers. This process has already made the supplier structure more international - a trend which the Managing Board expects to continue. The Managing Board is of the opinion that inadequate availability of raw materials is not an existence-threatening but a high risk.

In 2008, A.S. Création Tapeten AG and OOO Kof Palitra, Russia's leading wallpaper manufacturer, established a joint venture under the name of OOO A.S. & Palitra. The purpose of

this joint venture is to produce higher-quality wallpapers for the Eastern European market and the Russian market, in particular. The production facility in Dzerzhinsk was taken into operation at the end of October 2012. To finance this project, the shareholders made equity contributions and granted shareholder loans to A.S. & Palitra. Since the year 2008, the investments made by the two shareholders have added up to € 39.4 million, of which € 19.7 million relates to A.S. Création. The project has increased the risk potential for A.S. Création in several respects. On the one hand, additional production capacities have been built up, which must be utilised. It is planned to use the wallpapers produced in Russia to tap additional market segments. On the other hand, this is the first time in the history of A.S. Création that material assets are tied up in a country exposed to much higher economic and political risks than Germany. The Managing Board believes, however, that the company should take these additional risks in what is the world's largest wallpaper market as they are outweighed by the resulting opportunities. According to IGI, the international wallpaper association, some 192 million rolls of wallpaper were sold in Russia in 2012, compared to only about 35 million rolls in Germany. The Managing Board is of the opinion, that the risk associated with this investment is classified as "high", but sees no existence-threatening risk.

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

7.2.4. Financial risks

As outlined in the analysis of the financial situation, the traditionally strong cash flow and the robust financial structure mean that no finance and liquidity bottlenecks are expected. Due to the specific structure of the A.S. Création Group, interest rate or currency hedges and financial derivatives play only a minor role. Such hedges are generally taken out only for specific underlying transactions. For details, please refer to No. 30 in the Notes to the consolidated financial statements.

7.2.5. Risks from anti-trust proceedings

Risks result from the current investigations by the German and French anti-trust authorities, which are conducting separate proceedings to find out whether there have been agreements in restraint of competition in the wallpaper industry. Violations of anti-trust law generally pose a risk of significant fines as both the German and the French anti-trust laws provide for a maximum fine of 10% of Group sales

revenues for each violation of anti-trust law. Also, there is a potential risk of claims for damages being raised by third parties in conjunction with anti-trust proceedings as well as with regard to charges resulting from the release of the company's directors and officers from potential penalty payments and claims for damages.

Following on from the search of the offices of A.S. Création Tapeten AG in November 2010 and the opening of administrative offence proceedings in November 2011, the German Federal Cartel Office has in February 2014 issued the penalty notices against the company and some of its employees. The Cartel Office claims that they violated anti-trust 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 now issued relate to two of the originally five allegations. One allegation has been dropped by the Federal Cartel Office in the meantime. The Federal Cartel Office has not yet issued a final statement as to whether the two remaining allegations will continue to be pursued or whether they will be dropped as well. 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 Meet-

ing of Shareholders. A.S. Création Tapeten AG and the persons affected will appeal against the penalty notices. A duty to pay the penalty will not arise before a legally enforceable penalty notice or a final verdict is issued. According to the first impression of the Managing Board of A.S. Création Tapeten AG and its legal counsel, the Federal Cartel Office has not sufficiently taken into account the material arguments that speak against a violation of antitrust law. But even if the allegations raised by the Federal Cartel Office were correct, the amount of the penalties appears to be out of proportion. A.S. Création Tapeten AG has established, as a precautionary measure, a provision in an amount of € 2.0 million for the risks arising from the anti-trust proceedings in the 2013 financial statements due to the uncertainties generally arising from court proceedings. There is a risk, that the amount of the corresponding provision, against today's estimates, is not sufficient during the further proceedings.

The French Competition Authority sent a letter of accusation in July 2013 to officially inform the company that administrative offence proceedings have been opened. In its letter, the French Competition Authority has raised accusations of an information exchange in the period from 2006 to 2010 which it considers to constitute a violation of anti-trust law. No accusations of price fixing have been raised.

No information is available with regard to the amount of the penalty that may be imposed by the French Competition Authority. In consideration of the present state of the proceedings, the company refrained from establishing a provision as in the previous years.

7.2.6. Accounting-related internal control and risk management system

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

The accounting process in the A.S. Création Group is decentralised, i.e. the member companies of the Group are responsible for preparing their individual financial statements in accordance with local GAAP. The individual companies use different accounting programmes, most of which are standard software that is adapted to specific local and corporate requirements. Standardised bulk processes such as invoicing and payroll accounting are also processed using IT-based systems, which are connected with the accounting systems via interfaces. This way, potential errors in the accounting process are reduced to a minimum.

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

External control of the accounting process is performed, on the one hand, through the annual audit of the financial statements by the auditors. To ensure a consistent auditing standard within the A.S. Création Group, A.S. Création has a policy of using as few accounting firms as possible. Accordingly, the financial statements of all Group companies were audited or reviewed by KPMG in 2013. 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 state-

ments, 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 discounting factor 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 soft-

ware 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 100% certainty that the

individual financial statements or the consolidated financial statements are free of errors.

8. Forecast report

According to the World Bank, the outlook for the world economy is the best in a long time. The World Bank consequently expects the world economy to grow by 3.2% in 2014, compared to 2.4% in 2013.

The forecasts for the eurozone essentially assume that the region will slowly recover from the severe recession and that companies will make the investments they previously postponed in 2014, which will lead to a sharp increase in capital expenditures on plant and machinery. Consumer spending - which declined for several years in a row - is also expected to grow by 0.7%, as consumers' uncertainty related to the sovereign debt crisis has largely disappeared. Based on these factors, eurozone GDP is projected to increase by 0.9% in 2014. 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 34.8% of A.S. Création's total Group sales revenues in 2013, are expected to pick up by 1.3%.

Expectations for non-EU Eastern European markets are less optimistic. For Russia, the world's largest wallpaper market, economic researchers project a GDP growth rate of between 2.0% and 2.5%, which is only about half of the growth rates of the past. Economic researchers also expect private consumer spending to grow at a much lower rate of about 4.5% (previous year: 5.4%). From A.S. Création's point of view, the projections regarding the rouble exchange rate are equally negative. Since the US central bank started to gradually give up its extremely expansionary monetary policy, investors have withdrawn large amounts of capital from Russia and other emerging markets, which is putting the respective currencies under pressure. In Russia, this effect is being intensified by the notable slowdown in economic growth. As the Russian central banks aims for full convertibility of the Russian rouble and therefore tends to reduce its support purchases, the rouble has come under particular pressure. Between early January 2014 and mid-February 2013, the rouble lost another 6% against the euro.

Commodity and energy prices are expected to rise moderately in 2014, as the anticipated global economic growth should lead to growing demand for raw materials and energy.

For A.S. Création, the fiscal year will be dominated by the activities in Russia. As the analysis of earnings in 2013 has shown, the start-up and exchange losses incurred in Russia had an adverse impact on the company's income statement, which is why the measures aimed at improving the earnings situation will be targeted at these issues. Sales volumes will have to be increased significantly, as a reasonable degree of capacity utilisation is required to ensure continuous production, which, in turn, will lead to improved manufacturing costs. In keeping with this industrial logic, the company started to install an in-house sales organisation at the Russian joint venture, A.S. & Palitra, already in the course of the second half of 2013. These additional sales capacities achieved the first successes already in late 2013/early 2014. Moreover, the Russian distribution company, A.S. Création (RUS), which meanwhile has a broader, attractive range of products, has been successful in placing these products also with larger customers. This shows that the product development activities of 2013 are paying off. As a result, sales volumes already exceed the prior year levels by far. Overall, the Managing Board of A.S. Création is confident that the basis for a marked increase in sales volumes and revenues from Russian-made products has been laid. 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 2014.

The additional profit contributions resulting from the anticipated sales growth should have a positive impact on the earnings position of the two Russian companies. In addition, the production processes need to be optimised further to reduce the manufacturing costs. As the cost of materials, i.e. raw materials and energy, is the biggest expense item in the production of wallpapers, it is important to reduce the reject rate in order to improve the earnings position. In this respect, the first successes became visible already at the end of 2013, which are due not only to the fact that the Russian staff are becoming increasingly experienced but also to the fact that more and more repeat orders are received and produced. The first production run of a new article, referred to as the sampling run, usually entails a higher reject rate, as colours and machines are fine-tuned during this first run. The parameters defined at this stage are then used for future production, meaning less need to adjustments and less waste at this stage. In the start-up phase of A.S. & Palitra, during which the product range had to be built up, all production runs involved new products. As sales increase, the number of repeat orders increases as well. As repeat

orders are expected to account for a growing share of total production – and production staff will become increasingly experienced – the reject rate should decline significantly. Given that both A.S. Création and Kof Palitra contribute their respective “wallpaper know-how” to the joint venture, the Managing Board is optimistic that the profit situation in Russia should improve markedly in 2014 compared to 2013.

The exchange rate trend of the Russian rouble against the euro is difficult to predict. As outlined above, both A.S. & Palitra and A.S. Création (RUS) are largely financed by euro-denominated shareholder loans. Raising rouble-denominated loans from local banks is virtually impossible for start-ups that have not broken even yet. In the current phase, in which cash flows can hardly be planned, currency hedges are also almost impossible and border on speculation. Accordingly, changes in the RUB/EUR exchange rate currently lead to translation-related exchange gains or losses. While these are non-cash items, they influence the result stated. From the point of view of A.S. Création, a depreciation of the rouble by one percentage point reduces the Group’s net profit by € 0.2 million. Besides these direct effects, which are attributable to the financing of the subsidiaries, there are indirect effects, as imports become more

expensive for Russian customers if they are billed in euros. For A.S. Création Tapeten AG, this means that wallpapers exported from Germany to Russia become more expensive and less competitive against Russian-made products.

The challenges faced by the company in Russia should not make us ignore the other markets. With regard to the European Union, where A.S. Création generated 74.1% of its gross sales in 2013, the Managing Board expects a difficult year characterised by growing and increasingly aggressive competition. As in the previous years, A.S. Création will respond to this competition with an innovation-driven product policy and creative marketing concepts. Given that A.S. Création has once again strengthened its own sales organisations, the latter should be well positioned to offer customers in the individual countries better service than the competitors. Apart from achieving revenue growth through sales and marketing activities, the company aims to improve its cost structures in 2014. Besides the ongoing optimisation of the production processes, a reduction in overheads should also help to improve the profit situation.

With regard to the key performance indicators, the Managing Board expects the following developments for 2014:

- Group sales revenues should climb from € 199.8 million in 2013 to between € 205 million and € 215 million in 2014. This would be equivalent to sales growth of between 2.6% and 7.6%.
- As this growth is expected to result from sales of Russian-made products, which have a lower gross profit margin, the Managing Board projects a moderate decline in the gross profit margin for 2014.
- Personnel expenses as a percentage of total output should improve slightly in 2014 and partly offset the reduction in the gross profit margin that will weigh on the bottom line. This expectation is based on the assumption that personnel expenses per employee will exceed the prior year level in 2014 due to the collective pay rises while the anticipated revenue growth will not require the workforce to be expanded significantly.
- Earnings before interest and taxes (EBIT) and the EBIT margin should improve notably in 2014, provided that no significant burdens exceeding the provision of € 2.0 million arise from the anti-trust proceedings will occur and that the Russian rouble does not depreciate extremely against the euro.

- Provided that the start-up losses of the Russian joint venture decline markedly, earnings before taxes should improve disproportionately to earnings before interest and taxes in 2014. The reduction in interest expenses which is expected to result from declining net financial liabilities and lower funding costs than in 2013 should intensify this effect.

Based on the above assumptions, the imputed tax ratio should decline markedly in 2014 compared to the very high 74.7% of the year 2013. This is due to the fact that two non-deductible expense items, i.e. the provision for the anti-trust proceedings and the pro-rated losses from the Russian joint venture, would not recur in the same amount as in 2013. As a result, net profit for the year 2014 would increase at a much higher rate than earnings before taxes.

Due to the extraordinary uncertainty surrounding the factors that will influence earnings in 2014, the Managing Board has decided – in contrast to the previous years – not to make a precise net profit forecast for the fiscal year 2014. As the year progresses, however, the Managing Board intends to issue more precise statements for the full year 2014 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.de) under "Investor Relations – Corporate Governance" and in the chapter "Corporate governance statement and report on corporate governance" of the 2013 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 forms the basis of assessment for the calculation of the performance-linked component. Each member of the Managing Board receives a fixed percentage of this basis of assessment. The new compensation scheme for the Managing Board was approved by a vast majority of the shareholders (95.88%) at the Annual General Meeting of Shareholders on May 5, 2011.

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

In accordance with the recommendation to provide incentives for responsible manage-

ment, the performance-linked, variable component has traditionally represented the major portion of the Managing Board compensation paid by A.S. Création Tapeten AG. In fiscal 2013, the performance-linked component accounted for 61.9% or € 1,167 million (previous year: 70.4% or € 1,481 million) of the Managing Board's annual compensation of € 1,884 million (previous year: € 2,105 million), while the non-performance-linked component represented only 38.1% or € 0.717 million (previous year: 29.6% or € 0.624 million). The 21.2% reduction in the performance-linked variable component and, hence, the reduced total Managing Board compensation are attributable to the deterioration in the profit situation of A.S. Création in the fiscal year 2013.

In the past, the members of the Managing Board additionally benefited from pension commitments. These are guaranteed fixed amounts that will be payable by the company when the pension entitlements arise. This performance-oriented system entails two imponderables from the company's point of view. First, it is uncertain, in view of the changing life expectancy, whether the provisions that have been established will be sufficient when the pension entitlements arise. Second, the outflow of funds is delayed in time, which means that today's pension commitments will limit the financial scope available to the company's future management.

To mitigate these disadvantages for A.S. Création Tapeten AG, the transfer of the pension commitments for the Managing Board members from the performance-oriented system to a contribution-based system was initiated in 2006. Since then, a constant annual amount has been paid to an external relief fund, which will make the future pension payments. Accordingly, A.S. Création Tapeten AG's liabilities under the performance-based commitments are reduced. As a result, pension obligations towards the active Managing Board members and, hence, the respective pension provisions, decreased by € 0.054 million from € 0.147 million on December 31, 2012 to € 0.093 million on the balance sheet date.

In fiscal 2013, the payments to the external relief fund led to expenses of € 0.060 million (previous year: € 0.060 million). At the same

time, pension provisions in an amount of € 0.054 million were released through the profit and loss account. In the previous year, pension provisions had been increased by € 0.056 million through the profit and loss account due to the adjustment of the discount factor used for the calculation of pension provisions. As a result, total pension expenses for the members of the Managing Board amounted to € 0.006 million in the fiscal year 2013 (previous year: € 0.116 million).

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

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

	2013 € '000	2012 € '000
Fixed salary	651	564
Side benefits	66	60
Non-performance-related component	717	624
Performance-related component (bonus)	1,167	1,481
Annual compensation	1,884	2,105
Payment to an external relief fund	60	60
+/- Addition to / release of pension provisions	-54	56
Pension expenses	6	116
	1,890	2,221

The compensation of the Supervisory Board is defined by the Annual General Meeting of Shareholders and is documented in the statutes of A.S. Création Tapeten AG. According to Article 14 of the current statutes (as amended on May 3, 2013) the members of the Supervisory Board receive a fixed compensation of € 9,000 in addition to the reimbursement of their expenses. The Chairman receives twice that amount and the Vice Chairman 1.5 times that amount. A performance-linked component is not provided for. The members of a committee formed by the Supervisory Board receive an additional compensation of € 4,500 for this activity, with the total compensation for committee work limited to the amount of the fixed compensation. In accordance with these regulations, the compensation of the Supervisory Board members for the past fiscal year totalled € 108,000, as in the previous year. Of this amount, Mr Schneider received € 31,500, Dr. Liebs received € 22,500, Dr. Schadt received € 18,000, Mrs Benner-Heinacher and Mr Schmuck each received € 13,500, while Mr Mourschinetz received € 9,000.

In addition, Supervisory Board Chairman Mr Schneider signed an agreement with A.S. Création Tapeten AG – with the consent of the Supervisory Board – for advice on and the realisation of certain projects that are important for the future of the company. In the fiscal year 2013, the fee for these advi-

sory services amounted to € 0.095 million (2012: € 0.098 million). The consulting agreement expired on December 31, 2013.

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 3, 2013), the share capital of A.S. Création Tapeten AG amounts to € 9,000,000 and is divided into 3,000,000 no par value registered shares. Each share has one vote at the General Meeting of Shareholders. This does not apply to own shares held by the company, from which no rights arise to the company.

According to the share register and the notifications received in the past in accordance with sections 21 and 41 of the German Securities Trading Act (Wertpapierhandelsgesetz WpHG) more than 10% of the voting rights in A.S. Création Tapeten AG are held by Mr Franz Jürgen Schneider, who holds 35.19%, Lins Wallpaper Limited (and indirectly Mr Oleg Dzhagaev, to whom all shares in Lins Wallpaper Limited are imputable) which holds 15.01% and Ms Karin Schneider, who holds

10.4%. The 5.67% voting interest held by A.S. Création Tapetenstiftung is also attributable to Mr Schneider in addition to his directly held voting interest of 29.52%.

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

According to section 179 AktG and Article 18 paragraph 2 of the current statutes of A.S. Création Tapeten AG, the statutes may be amended by a resolution of the Shareholders' Meeting with a simple majority of the votes cast. A majority of three quarters of the votes cast is required to change the business purpose of the company.

According to a resolution of the Annual General Meeting of Shareholders dated May 7, 2010, the Managing Board is authorised to acquire own shares up to a par value of € 900,000 (which represents a maximum of 10% of the share capital) until May 6, 2015. The Managing Board is also authorised to call in the shares acquired, to resell them, in which case shareholders' subscription rights may be excluded under certain circumstances, or to use the shares acquired for company acquisitions or equity investments. As of December 31, 2013 the company holds 243,649 own shares. 125,000 of these shares were used as collateral for loans.

According to Article 4 paragraph 3 of the current statutes of A.S. Création Tapeten AG, the Managing Board is authorised, until May 4, 2016, to increase the share capital, subject to the approval of the Supervisory Board, by up to € 4,500,000 through the issue of new shares against contributions in cash or kind (authorised capital). Shareholders' subscription rights may be excluded in certain cases. As no use has been made of this authorisation so far, the authorised capital still amounted to € 4,500,000 as of December 31, 2013.

A.S. Création Tapeten AG and OOO Kof Palitra established a Russian joint venture under the name of OOO A.S. & Palitra, in which each of the partners holds 50% of the shares. In the

event of a material change in the shareholder structure of one of the two founding partners, the partnership agreement grants the respective other party a purchase option for the other party's shares in the joint venture.

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

To the best of our knowledge, and in accordance with the applicable reporting principles for financial reporting, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the manage-

ment report of the Group includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group for the remaining months of the financial year.

Gummersbach, February 28, 2014

A.S. Création Tapeten AG
The Managing Board

Kämper Krämer Suskas

THE SHARE AND OUR SHAREHOLDERS

Strong stock markets in 2013

After the strong 29.1% increase in Germany's DAX[®] index in 2012, some capital market players had feared that a correction might be on the cards for 2013. These fears did not come true – right on the contrary. Following a strong rise especially in the second half of the year, the DAX[®] reached a new all-time high of almost 9,600 points in December 2013 and closed the year only slightly below this record level. Closing at 9,552 points on December 30, 2013, the index had gained 25.5% since the beginning of 2013. Just like Germany's benchmark index, the stock markets in New York, Tokyo, London and Paris also reported double-digit growth rates. Accordingly, 2013 was an excellent year for the German and international stock markets.

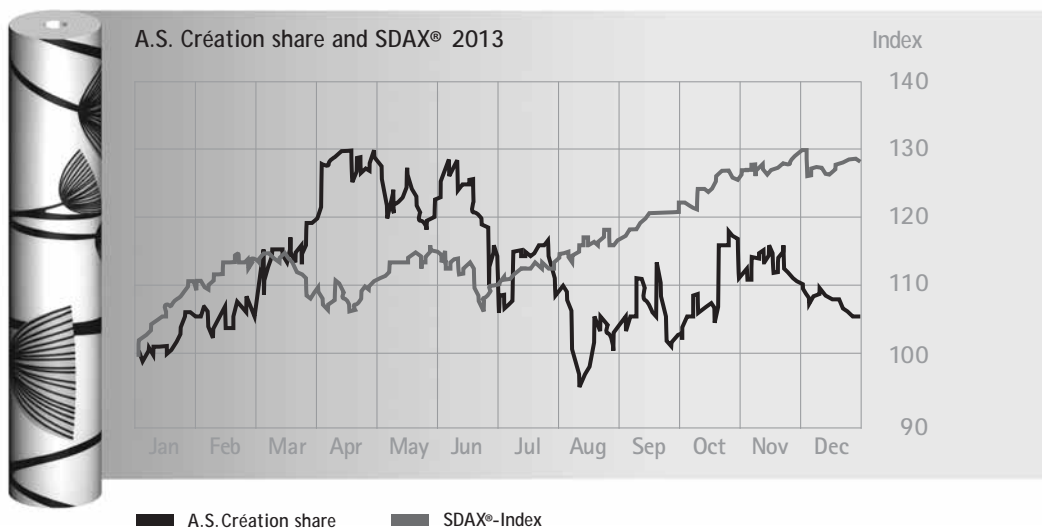
The global stock markets were supported by the very expansionary monetary policies pursued by the US Federal Reserve and the European Central Bank. As only a limited amount of this additional liquidity was used to finance plant and machinery, a lot of capital was available for investment in the equity markets. Due to the absence of other attractive investment opportunities in 2013 – fixed-income bonds generated only low yields, commodity prices were on the decline and the gold price also came under pressure as concerns about the stability of the exchange rate systems subsided –,

many investors turned to the equity markets. In Germany, this trend was additionally supported by the fact that German companies were in an excellent state and benefited from the economic recovery in important export regions such as North America, thus fuelling expectations of rising dividends. This positive stock market environment in the year 2013 benefited not only the large caps, as investors' focus increasingly shifted back to small and medium-sized enterprises. Accordingly, the SDAX[®] and MDAX[®] indices for small and mid-caps also showed a very positive performance, gaining 29.3% and 39.1%, respectively.

A.S. Création share gains only little value

The A.S. Création share was unable to benefit from the positive stock market environment in 2013 and – unlike the previous year – underperformed the SDAX[®]. The chart on the next page shows that the share price was subject to very high volatility.

In the first quarter of 2013, the A.S. Création share performed more or less in sync with the SDAX[®]. After the publication of the very good figures for the fiscal year 2012 on March 21, 2013, the price of the A.S. Création share clearly picked up and reached its 2013 high at € 44.55 on April 30, 2013. Compared to the price of € 34.00 at the beginning of the year,



the A.S. Création share had gained 31.0% by that date and thus outperformed the SDAX®, which had gained only 11.2% during the same period. After the dividend payout on May 6, 2013, investors apparently took their profits and sold A.S. Création shares. This pressure on the share price caused by profit-taking was intensified by negative company news. In July 2013, A.S. Création announced that the French Competition Authority had opened administrative offence proceedings against two Group companies. On August 5, 2013, the company published its six-month report, which showed an improved operating result but a decline in net profit for the year. This was followed by major stock sales. As a result, the A.S. Création share lost 12.9% within only seven trading days and dropped from € 37.25 to € 32.43 on August 12,

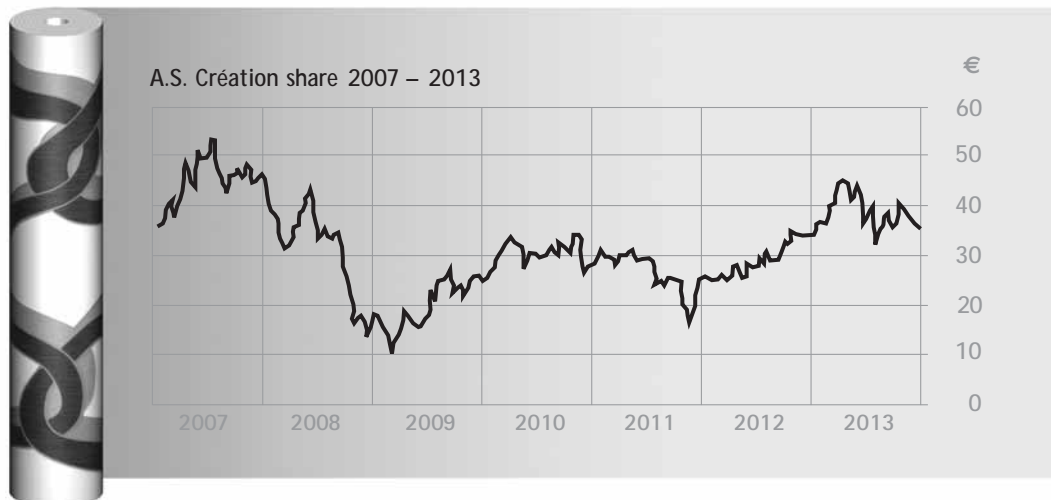
2013, which was the lowest level of the year 2013. In spite of a profit warning issued on September 24, 2013, the price of the A.S. Création share picked up again to € 40.00 at the end of October 2013. From mid-November 2013, the share came under pressure again for no discernible reason. As a result, the share price declined until the end of the year and closed the year at € 36.00 on December 30, 2013. This represented an increase of only € 2.00 or 5.9% on the price of € 34.00 at the beginning of the year, which was not satisfactory given the very positive stock market environment. This general statement applies even if the dividend of € 1.20 paid in the fiscal year 2013 is taken into account; the gain in the share price plus the dividend mean that total appreciation was € 3.20 or 9.4%.

Improved market valuation

Even though the A.S. Création share underperformed the SDAX[®], the company's market valuation continued to improve in 2013 due to the higher share price. Based on the year-end price of € 36.00 and the number of shares outstanding (2,756,351) on December 31, 2013, the company has a market value of € 99.2 million. This means that the market capitalisation of A.S. Création exceeded the company's equity, which amounted to € 93.5 million on December 31, 2013, for the first time since 2008. This valuation by the capital market would suggest that the company has goodwill of € 5.7 million, which exceeds its net asset value. Back in 2007, the market capitalisation exceeded the company's equity by as much as € 49.8 million. Accordingly, the Managing Board is pleased with the price gains achieved in 2013 but still considers the market valuation to be unsatisfactory.

The analysis of the longer-term performance of the A.S. Création share also shows that the share price has not reached a satisfactory level yet. On December 31, 2013, the share price was only just back at the level that had been reached already in 2010. The share is still far below the € 45.50 reported at the end of 2007 or the 2007 high of € 53.40. To return to these levels, the share price would have to pick up by another 26.4% and 48.3%, respectively.

When making a general assessment of the share price, however, deteriorated earnings position and the uncertainty about the outcome of the anti-trust proceedings in Germany and France, which may take a long time, should certainly be taken into account (for details, refer to the Group management report). Based on earnings per share, which came in at a low € 0.48 but were also affected by extraordinary factors in 2013, and the year-end price of



€ 36.00, the price-earnings ratio is 75. In the opinion of the Managing Board, this extremely high level shows that the shareholders of A.S. Création regard the poor earnings in the fiscal year 2013 as a temporary phenomenon and believe in the company's positive future prospects.

Change to registered shares completed

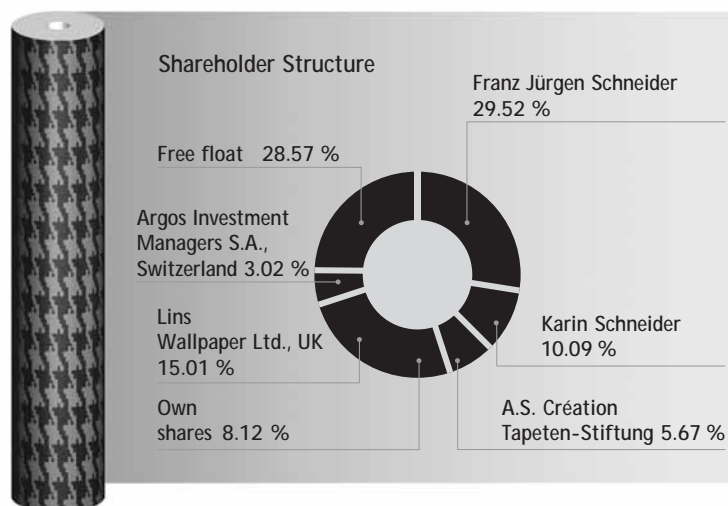
On May 3, 2013, the Annual General Meeting of Shareholders of A.S. Création Tapeten AG decided to convert the bearer shares into registered shares. The conversion was effected as of July 29, 2013; since that date, the A.S. Création shares have been listed as registered shares. In this context, the German Securities Identification Number (WKN - Wertpapierkennnummer) and the International Securities Identification Number (ISIN) changed. The new identification numbers are:

- WKN: A1TNNN
- ISIN: DE000A1TNNN5

Among other things, this change improves the possibilities for communication between the company and its shareholders, as the share register allows A.S. Création to provide its shareholders with faster and more effective information on its performance.

Reduced free float

While there were no material changes in the shareholder structure of A.S. Création in the course of 2013, Argos Investment Managers S.A., a Swiss asset management firm, informed us in February 2014 that its share in A.S. Création Tapeten AG amounts to 3.02%. As a result, the free float declined to 28.57%. The chart below shows the current shareholder structure of A.S. Création:



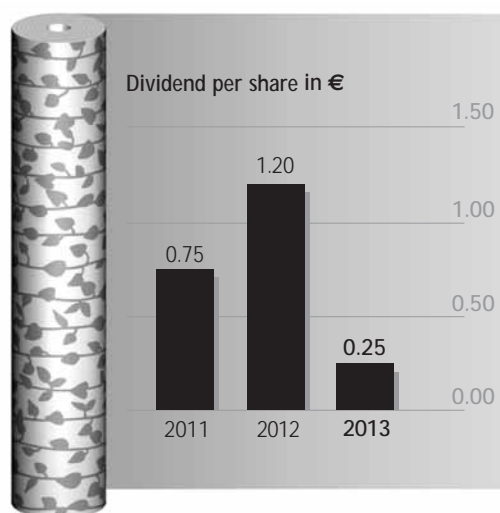
Consistent dividend policy

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

policy of A.S. Création is characterised by continuity and reliability.

The fixed payout ratio means that the absolute amounts of the dividend payments are not smoothed over time but increase or decrease in line with earnings. The earnings position of A.S. Création deteriorated in the fiscal year 2013. Earnings per share declined from € 2.67 in the previous year to € 0.48 in the past fiscal year. In keeping with the dividend policy, the reduced earnings will be reflected in a lower dividend. It will therefore be proposed to the Annual General Meeting of Shareholders to pay out a dividend of € 0.25 per share (previous year: € 1.20). In relation

to earnings per share, this is equivalent to a payout ratio of 52.1% (previous year: 44.9%). The chart below shows the dividends of the past three years:



Key figures of the A.S. Création share		2009	2010	2011	2012	2013
Earnings per share	€/share	2.72	3.05	1.69	2.67	0.48
Dividend	€/share	1.20	1.35	0.75	1.20	0.25
Payout ratio	%	44.1	44.3	44.4	44.9	52.1
Year-closing-price	€/share	25.36	28.76	24.49	34.00	36.00
High	€/share	27.10	34.00	31.00	34.68	44.55
Low	€/share	10.40	24.68	16.73	23.86	32.43
Shares outstanding (year end)	million	2.756	2.756	2.756	2.756	2.756
Average trading volume *	pieces	3,167	2,635	3,851	2,232	1,611
Market value (year-end)	€ '000	69,901	79,273	67,503	93,716	99,229
Equity	€ '000	83,774	88,789	89,553	94,839	93,473
Market value/Equity	%	83.4	89.3	75.4	98.8	106.2
Price-earnings-ratio		9.3	9.4	14.5	12.7	75.0
Dividend yield	%	4.7	4.7	3.1	3.5	0.7

* 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 2013 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, 2013

Assets	Notes No.	31.12.2013 €	31.12.2012 adjusted* €	01.01.2012 adjusted* €
Tangible fixed assets	(1)	38,312,374.45	42,290,473.51	46,920,848.88
Intangible fixed assets	(2)	8,183,867.91	8,196,774.59	9,001,128.83
Investments accounted for at equity	(3)	0.00	1,989,233.49	2,041,657.95
Financial assets	(4)	13,945,927.06	13,240,000.00	6,200,000.00
Other assets	(5)	1,539,143.25	955,474.69	1,493,876.32
Income tax receivables	(6)	830,493.22	1,085,065.82	1,329,260.01
Deferred tax assets	(7)	1,148,884.65	904,714.72	776,571.49
Non-current assets		63,960,690.54	68,661,736.82	67,763,343.48
Inventories	(8)	47,606,035.56	45,570,887.30	46,415,176.50
Trade receivables	(9)	34,688,568.89	34,230,993.61	33,975,073.44
Other assets	(5)	5,370,919.67	5,763,394.76	5,892,747.02
Income tax receivables	(6)	796,638.48	367,253.22	922,420.17
Cash and cash equivalents	(10)	6,643,674.65	7,153,474.94	2,358,316.10
Current assets		95,105,837.25	93,086,003.83	89,563,733.23
Total assets		159,066,527.79	161,747,740.65	157,327,076.71

* Due to the first time application of IAS 19 (rev. 2011) "Employee Benefits" in the reporting period, the previous year's values must be adjusted retroactively, as if the revised standard had already been applied in the previous years.

Equity and Liabilities				
	Notes No.	31.12.2013 €	31.12.2012 adjusted* €	01.01.2012 adjusted* €
Capital stock		9,000,000.00	9,000,000.00	9,000,000.00
Capital reserves		13,756,740.32	13,756,740.32	13,756,740.32
Revenue reserves		67,043,179.40	57,886,014.84	51,890,385.11
Profit carried forward		6,111,340.62	9,321,420.89	14,017,704.07
Net profit		1,323,008.28	8,884,105.27	4,929,203.42
Adjustment for own shares		-4,020,836.57	-4,020,836.57	-4,020,836.57
Currency translation differences		259,102.41	11,830.13	-20,211.28
Equity	(11)	93,472,534.46	94,839,274.88	89,552,985.07
Financial liabilities (interest-bearing)	(12)	19,745,971.66	23,572,712.29	27,787,148.79
Other liabilities	(13)	978,300.63	1,250,943.58	1,326,131.93
Provisions	(14)	11,706,274.00	10,016,129.00	7,613,124.00
Deferred tax liabilities	(7)	4,753,839.56	5,274,090.65	6,709,636.80
Non-current liabilities		37,184,385.85	40,113,875.52	43,436,041.52
Financial liabilities (interest-bearing)	(12)	7,214,785.58	4,636,402.01	4,013,125.09
Other liabilities	(13)	11,542,758.10	12,741,988.79	10,482,086.62
Trade payables		9,025,847.20	7,352,214.84	9,256,346.76
Provisions	(15)	113,000.00	103,000.00	136,700.00
Tax liabilities		513,216.60	1,960,984.61	449,791.65
Current liabilities		28,409,607.48	26,794,590.25	24,338,050.12
Total equity and liabilities		159,066,527.79	161,747,740.65	157,327,076.71

* Due to the first time application of IAS 19 (rev. 2011) "Employee Benefits" in the reporting period, the previous year's values must be adjusted retroactively, as if the revised standard had already been applied in the previous years.

A.S. Création Tapeten AG, Gummersbach
Consolidated income statement
for the period from January 1, 2013 to December 31, 2013

	Notes No.	2013 €	2012 adjusted* €
Sales	(17)	199,818,101.89	198,909,418.54
Increase or decrease in unfinished and finished goods		999,340.40	-30,371.10
Other own work capitalised		0.00	14,815.50
Total output		200,817,442.29	198,893,862.94
Cost of materials	(18)	103,829,067.26	99,873,567.50
Gross profit		96,988,375.03	99,020,295.44
Other income	(19)	856,562.39	1,012,543.99
		97,844,937.42	100,032,839.43
Personnel expenses	(20)	45,107,272.47	44,018,449.31
Depreciation	(21)	9,469,158.51	9,813,306.33
Operating taxes		547,326.36	528,945.39
Other operating expenses	(22)	32,482,930.19	29,899,176.95
Operating expenses		87,606,687.53	84,259,877.98
Earnings before interest and taxes (EBIT)		10,238,249.89	15,772,961.45
Interest and similar income		842,811.02	484,798.70
Results from investments accounted for at equity		-4,310,032.83	-1,002,802.51
Interest and similar expenses		1,538,327.60	1,702,081.72
Financial result	(23)	-5,005,549.41	-2,220,085.53
Earnings before income taxes		5,232,700.48	13,552,875.92
Income taxes	(24)	3,909,692.20	4,668,770.65
Net profit		1,323,008.28	8,884,105.27
Earnings per share	(25)	0.48	3.22

* Due to the first time application of IAS 19 (rev. 2011) "Employee Benefits" in the reporting period, the previous year's values must be adjusted retroactively, as if the revised standard had already been applied in the previous years.

A.S. Création Tapeten AG, Gummersbach
Consolidation statement of comprehensive income
for the period from January 1, 2013 to December 31, 2013

	Notes No.	2013 € '000	2012 adjusted* € '000
Net profit		1,323	8,884
Items, that will not be reclassified to the profit and loss account in the future:			
Actuarial gains/losses from pension provisions	(14)	350	-2,208
Deferred taxes on other comprehensive income		-110	682
		240	-1,526
Items, that will be reclassified to the profit and loss account in the future:			
Foreign currency translation differences for fully consolidated companies		209	-8
Foreign currently translation differences for investments accounted for at equity		39	41
Change in fair value of an interest rate hedge	(30)	189	-57
Deferred taxes on other comprehensive income		-58	19
		379	-5
Other comprehensive income (outside profit or loss)	(11)	619	-1,531
Total comprehensive income		1,942	7,353

* Due to the first time application of IAS 19 (rev. 2011) "Employee Benefits" in the reporting period, the previous year's values must be adjusted retroactively, as if the revised standard had already been applied in the previous years.

A.S. Création Tapeten AG, Gummersbach

Consolidated statement of changes in equity

for the period from January 1, 2013 to December 31, 2013

	Capital stock	Capital reserves	Revenue reserves	Profit carried forward	Net profit	Adjust- ment for own shares	Currency translation differences	Total
	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000
December 31, 2011	9,000	13,757	52,170	14,018	4,650	-4,021	-21	89,553
Adjustment previous year*	0	0	-279	0	279	0	0	0
January 1, 2012 adjusted*	9,000	13,757	51,891	14,018	4,929	-4,021	-21	89,553
Net profit 2011 adjusted*	0	0	0	4,929	-4,929	0	0	0
Dividend payments	0	0	0	-2,067	0	0	0	-2,067
Allocation to revenue reserves	0	0	7,559	-7,559	0	0	0	0
Total comprehensive income 2012 adjusted*	0	0	-1,564	0	8,884	0	33	7,353
December 31, 2012 adjusted*	9,000	13,757	57,886	9,321	8,884	-4,021	12	94,839
Net profit 2012 adjusted*	0	0	0	8,884	-8,884	0	0	0
Dividend payments	0	0	0	-3,308	0	0	0	-3,308
Allocation to revenue reserves	0	0	8,786	-8,786	0	0	0	0
Total comprehensive income 2013	0	0	371	0	1,323	0	248	1,942
December 31, 2013	9,000	13,757	67,043	6,111	1,323	-4,021	260	93,473

* Due to the first time application of IAS 19 (rev. 2011) "Employee Benefits" in the reporting period, the previous year's values must be adjusted retroactively, as if the revised standard had already been applied in the previous years.

A.S. Création Tapeten AG, Gummersbach

Consolidated cash flow statement

for the period from January 1, 2013 to December 31, 2013

	2013 € '000	2012 adjusted* € '000
Operating activities		
Net profit	1,323	8,884
+ Depreciation on tangible and intangible fixed assets	9,469	9,813
+/- Increase/decrease in long-term provisions	2,040	196
-/+ Income/expenses from investments accounted for at equity	4,310	1,003
-/+ Increase/decrease in present value of corporate income tax credit	244	234
-/+ Income/expenses from changes in deferred taxes	-993	-854
Cash-flow	16,393	19,276
-/+ Profit/losses from disposal of tangible and intangible fixed assets	35	570
-/+ Increase/decrease in inventories	-2,246	861
-/+ Increase/decrease in trade receivables	-638	-230
+/- Increase/decrease in trade payables	1,772	-1,905
-/+ Increase/decrease in other net working capital	-2,731	4,766
Cash-flow from operating activities	12,585	23,338
Investing activities		
Capital expenditures on tangible and intangible fixed assets	-5,679	-5,122
- Cash outflows for credits and bonds granted	-2,988	-7,040
- Cash outflows for acquisitions of investments accounted for at equity	0	-909
Capital expenditures	-8,667	-13,071
+ Proceeds from the disposal of tangible and intangible fixed assets	158	176
Cash-flow from investing activities	-8,509	-12,895
Financing activities		
Dividends paid to shareholders of A.S. Création Tapeten AG	-3,308	-2,067
+/- Raising/repayment of financial liabilities (interest-bearing)	-1,248	-3,591
Cash-flow from financing activities	-4,556	-5,658
Net change in cash and cash equivalents	-480	4,785
+/- Change in cash and cash equivalents due to exchange rate fluctuations	-29	10
+ Cash and cash equivalents at January 1	7,153	2,358
Cash and cash equivalents at December 31	6,644	7,153

* Due to the first time application of IAS 19 (rev. 2011) "Employee Benefits" in the reporting period, the previous year's values must be adjusted retroactively, as if the revised standard had already been applied in the previous years.

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 2013

General

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

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

A.S. Création Tapeten AG has a policy of applying new IFRS as soon as they become effective. The following new or revised standards and interpretations had to be observed in the fiscal year 2013:

- IAS 12 "Recovery of Underlying Assets"
- IAS 19 (rev. 2011) "Employee Benefits"
- Amendments to IAS 1 "Presentation of Items of Other Comprehensive Income"
- Amendments to IFRS 7 "Disclosures – Offsetting Financial Assets and Financial Liabilities"
- IFRS 13 "Fair Value Measurement"
- Improvements to IFRS 2009-2011 (IFRS 1, IAS 1, 16, 32, 34)

Except for IAS 1 and IAS 19 (rev. 2011), the above regulations will have not a material impact on the consolidated financial statements of A.S. Création.

According to IAS 1, the account of other comprehensive income (outside profit or loss) in the consolidated statement of comprehensive income is defined.

According to IAS 19 (rev. 2011), all actuarial gains and losses occurring in the calculation of pension provisions should be recognised in equity. Given that A.S. Création has so far recognised these actuarial gains and losses in profit or loss, the initial application of IAS 19 (rev. 2011) will change the result stated.

Compared to IAS 19 (applicable until December 31, 2012), the application of IAS 19 (rev. 2011) has the following effects on the result:

	2013 € '000	2012 € '000
Personnel expenses	350	-46
Interest and similar expenses	0	-2,162
Earnings before income taxes	-350	2,208
Deferred income taxes	-110	682
Net profit	-240	1,526
Other comprehensive income (outside profit or loss)	240	-1,526
Comprehensive income	0	0

The chart below shows earnings per share under the different regulations of IAS 19 and IAS 19 (rev. 2011):

	2013 €/share	2012 €/share
Earnings per share (according to IAS 19 (applicable until December 31, 2012))	0.57	2.67
Earnings per share (according to IAS 19 (rev. 2011))	0.48	3.22

IAS 19 (rev. 2011) explicitly provides for retrospective application. The figures for the previous year 2012 were therefore adjusted to show the effects of the revised standard. These adjusted figures are shown in the prior year information of the consolidated financial statements and the Group management report for the fiscal year ended December 31, 2013. This adjustment is therefore not a correction of incorrect prior year figures. The figures shown for the fiscal year 2012 in the consolidated financial statements for the year ended December 31, 2012 corresponded to the International Financial Reporting Standards (IFRS) such as they were applicable in 2012 and were thus correct.

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, 2013 at the earliest:

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- Amendments to IAS 19 "Employee Benefits"
- Amendments to IAS 28 "Investments in Associates and Joint Ventures"
- Amendments to IAS 32 "Offsetting Financial Assets and Financial Liabilities"
- Amendments to IAS 36 "Recoverable Amount Disclosures for Non-financial Assets"
- IFRS 10 "Consolidated Financial Statements"
- IFRS 11 "Joint Arrangements"
- IFRS 12 "Disclosure of Interests in Other Entities"
- IFRS 9 "Financial Instruments"
- IFRS 9 "Hedge Accounting" and amendments to IFRS 9, IFRS 7 and IAS 39
- IFRS 9/IFRS 7 "Amendment of the Mandatory Effective Date and Transition Disclosures"
- IFRS 10,11,12 "Changes Regarding the Implementation of the Amended Standards"
- Improvements to IFRS 2010-2012 (IFRS 2, 3, 8, 13, IAS 24, 38)
- Improvements to IFRS 2011-2013 (IFRS 1, 3, 13, IAS 40)

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.

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

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

Consolidation principles

Subsidiaries, in which A.S. Création Tapeten AG has the majority of voting rights and, hence, control over the financial and business policy, are fully consolidated. In accordance with IAS 31.38, jointly controlled companies are accounted for using the equity method. The financial statements of domestic and foreign companies included in the consolidated financial statements were prepared using consistent Group-wide accounting and valuation principles in accordance with IFRS regulations.

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

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

Where transactions are carried out with a jointly controlled entity, the resulting unrealised gains or losses are eliminated in accordance with the share held in the jointly controlled enterprise.

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

Notes on the basis of consolidation

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

The table below shows the fully consolidated companies:

No.	Company, location	held by	Share in %	Nominal capital Dec. 31, 2013
Wallpaper Division				
1.	A.S. Création Tapeten AG, Gummersbach/Germany			9,000,000 €
2.	AS Creation (UK) Limited, Formby/UK	No. 1	100.0	100,000 £
3.	A.S. Création (NL) B.V., Werkendam/Netherlands	No. 1	100.0	20,000 €
4.	A.S. Création (France) SAS, Lyon/France	No. 1	100.0	4,000,000 €
5.	MCF Investissement SAS, Ballancourt/France	No. 4	100.0	460,350 €
6.	SCE-Société de conception et d'édition SAS, Boves/France	No. 4	100.0	2,000,000 €
7.	SCE Investissements SC, Boves/France	No. 6	100.0	1,000 €
8.	OOO A.S. Création (RUS), Moscow/Russia	No. 1	100.0	25,000,000 RUB
Furnishing Fabrics Division				
9.	A.S. Création Textil GmbH, Marienheide/Germany	No. 1	100.0	500,000 €
10.	Indes Fuggerhaus Textil GmbH, Marienheide/Germany	No. 9	100.0	550,000 €

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

All financial statements included in the consolidated financial statements were established as of December 31, 2013 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 £ 0.84921/€ (previous year: £ 0.81092/€) and a closing rate of £ 0.83280/€ (previous year: £ 0.81580/€), were used for the pound sterling, while an average annual rate of RUB 42.39129/€ (previous year: RUB 39.95238/€) and a closing rate of RUB 44.96990/€ (previous year: RUB 40.22860/€) were applied for the Russian rouble.

Accounting and valuation principles

Tangible fixed assets are reported at the cost of acquisition or production to be capitalised. If more time is needed to get an asset ready for its intended use, directly attributable borrowing costs incurred during this time are capitalised. Assets acquired under finance leases are shown at the lower of their current market value at the beginning of the lease or the present value of the minimum lease payments in accordance with IAS 17.

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

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

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

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

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

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

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

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

In accordance with IAS 31.38, jointly controlled entities are recognised using the equity method. The investment is recognised at cost at the time of acquisition and the respective carrying amount of the investment is subsequently increased or decreased to reflect changes in equity of the jointly controlled entity through changes affecting income and through changes affecting other comprehensive income, provided that these changes relate to the shares of A.S. Création Tapeten AG. The same also applies to long term shareholder's loan in case they belong to net investment of A.S. Création for economic content.

Financial assets are accounted for as of the settlement date.

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

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

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. Since 2013, actuarial gains or losses have been recognised in equity. In the previous years, these actuarial gains and losses were recognised in full in profit or loss in accordance with the version of IAS 19 that was applicable at the time. 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, which can be realised within the next five fiscal years. Country-specific tax rates are used.

Expenses and income are shown at the time of realisation. Sales revenues are realised at the time of the passage of risk, usually upon delivery. The regional breakdown of sales is based on the locations of customers' headquarters or, if the delivery address differs from the address of the headquarters, on the delivery address. Operating expenses are recognised at the time the underlying services are used, while advertising and sales promotion expenses as well as other sales related expenses are recognised at the time they are incurred. Interest and other cost of debt are accounted for as expenditure in the accounting period.

To prepare the consolidated financial statements, the Managing Board must make estimates and assumptions that influence the recognition of assets and liabilities as well as income and expenses. All estimates and assumptions are made to the best of the Managing Board's knowledge to give a true and fair view of the net worth, financial and earnings position of the Group. The actual values may nevertheless deviate from the estimates. The following estimates and assumptions have a material effect on the consolidated financial statements.

In the case of business acquisitions, all acquired assets and liabilities are measured at the fair value at the time of first consolidation ("purchase price allocation"). Material assumptions must be made especially for the measurement of intangible assets, e.g. trademark rights, as the fair value is determined through the present value of the anticipated future cash flows. Insofar, the estimates of the future development of the asset and its useful economic life as well as the choice of the discount factor have a material impact on the fair value.

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

A.S. Création must examine at every balance sheet date whether there are indications of impairment regarding other intangible assets, property, plant and equipment and financial assets. Such impairment may be the consequence of a number of factors including changed competitive conditions, shorter useful economic lives resulting from technological progress or increased capital charges. Accordingly, the Managing Board's estimates are based on certain assumptions regarding the economic environment. Although the Managing Board believes that the assumptions made are appropriate, an unexpected need for adjustment of these assumptions may lead to an impairment that has an adverse impact on the net worth, financial and earnings position of A.S. Création.

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

Some companies of the A.S. Création Group are involved in litigations or similar proceedings, whose outcome may have a material impact on the net worth, financial and earnings position of the Group. The Managing Board and the Managing Directors of the Group companies analyse the available information on these cases. External lawyers are consulted as well. As part of the decision on the need to establish provisions, assumptions must be made regarding the likely outcome of the proceedings and a well-founded estimate should be made of the potentially resulting obligations. The disclosure of a litigation or similar proceedings in the Notes or the actual filing of an action or of a claim for damages against a company of the A.S. Création Group do not automatically mean that, a provision has been established for this risk. Further more there is a risk that the provision – against estimations at the time of establishing – turns out to be insufficient in the future.

Notes to the balance sheet

(1) Tangible fixed assets

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

	Land, buildings, and similar rights € '000	Plant and machinery € '000	Other fixtures and fittings, tools and equipment € '000	Advance payments and assets under construction € '000	Total € '000
Gross cost of acquisition or production					
Dec 31, 2011 adjusted	34,527	78,854	19,729	1,092	134,202
Addition	391	403	4,183	35	5,012
Reclassifications	0	707	0	-707	0
Disposals	0	1,229	3,906	385	5,520
Currency translations differences	0	0	6	0	6
Dec 31, 2012 adjusted	34,918	78,735	20,012	35	133,700
Addition	279	76	5,019	130	5,504
Reclassifications	11	0	24	-35	0
Disposals	17	17	3,094	0	3,128
Currency translation differences	0	0	-17	0	-17
Dec 31, 2013	35,191	78,794	21,944	130	136,059
Depreciation					
Dec 31, 2011 adjusted	14,476	58,501	14,304	0	87,281
Addition	1,551	3,724	3,624	0	8,899
Reclassifications	0	0	0	0	0
Disposals	0	1,010	3,764	0	4,774
Currency translation differences	0	0	4	0	4
Dec 31, 2012 adjusted	16,027	61,215	14,168	0	91,410
Addition	1,552	3,429	4,314	0	9,295
Reclassifications	0	0	0	0	0
Disposals	4	8	2,938	0	2,950
Currency translation differences	0	0	-8	0	-8
Dec 31, 2013	17,575	64,636	15,536	0	97,747
Net book value					
Dec 31, 2012 adjusted	18,891	17,520	5,844	35	42,290
Dec 31, 2013	17,616	14,158	6,408	130	38,312

Tangible fixed assets include assets on the basis of finance leases in an amount of € 6.841 million (previous year: € 7.705 million). The finance leases refer to production and warehouse buildings.

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

(2) Intangible fixed assets

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

	Lizences and similar rights € '000	Goodwill € '000	Total € '000
Gross cost of acquisition or production			
Dec 31, 2011 adjusted	5,281	9,276	14,557
Addition	110	0	110
Disposals	44	0	44
Dec 31, 2012 adjusted	5,347	9,276	14,623
Addition	175	0	175
Disposals	85	0	85
Dec 31, 2013	5,437	9,276	14,713
Depreciation			
Dec 31, 2011 adjusted	4,013	1,543	5,556
Addition	914	0	914
Disposals	44	0	44
Dec 31, 2012 adjusted	4,883	1,543	6,426
Addition	174	0	174
Disposals	71	0	71
Dec 31, 2013	4,986	1,543	6,529
Net book value			
Dec 31, 2012 adjusted	464	7,733	8,197
Dec 31, 2013	451	7,733	8,184

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 2014 and 2015. 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 2015, the budgeted cash flow before interest and taxes of the year 2015 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 6.5% and 5.6% 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 13.6% for the Wallpaper Division and of over 10.7% 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:

	2013	2012 adjusted
	€ '000	€ '000
January 1	1,989	2,042
Additions	0	909
Pro-rata changes in equity		
Changes affecting income	-2,028	-1,003
Changes	39	41
December 31	0	1,989

The table below shows the financial information of this investment:

	31.12.2013	31.12.2012
	€ '000	€ '000
Non-current assets	26,116	28,322
Current assets	7,177	6,723
thereof cash and cash equivalents	(114)	(1,768)
Non-current liabilities	29,666	26,685
thereof financial liabilities and deferred tax liabilities	(29,666)	(26,685)
Current liabilities	7,449	3,489
thereof financial liabilities and tax liabilities	(6,091)	(229)
Net assets (100%)	-3,822	4,871
Group share in net assets (50%)	-1,911	2,436
Capitalised other costs	11	11
Elimination of unrealised intercompany profits	-382	-458
Carrying amount	-2,282	1,989

	2013 € '000	2012 € '000
Sales revenues	6,587	154
Depreciation	2,086	86
Interest expenses	1,417	358
Income taxes	-1,682	-301
Total comprehensive income (100%)	-8,680	-1,084
Total comprehensive income (50 %)	-4,340	-542
Elimination of unrealised intercompany profits	30	-461
Share in total comprehensive income	-4,310	-1,003
Dividend received	0	0

Of A.S. Création's share in total comprehensive income in an amount of € -4.310 million (previous year: € -1.003 million), an amount of € -2.028 million (previous year: € -1.003 million) was offset against the carrying amount of the investment. Another amount of € -2.282 million (previous year: € 0 million) was offset against the shareholder loans, because the latter are attributable to A.S. Création's net investments taking the economic content into account. As in the previous year, the company had no financial obligations from order commitments for investments.

(4) Financial assets

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

The table below shows the changes in financial assets:

	2013 € '000	2012 adjusted € '000
January 1	13,240	6,200
Additions	2,988	7,040
Pro-rata changes in equity		
Changes affecting income	-2,282	0
Changes affecting other comprehensive income	0	0
December 31	13,946	13,240

(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	
	31.12.13 € '000	31.12.12 adjusted € '000	31.12.13 € '000	31.12.12 adjusted € '000	31.12.13 € '000	31.12.12 adjusted € '000
Miscellaneous other assets	6,300	6,108	4,761	5,152	1,539	956
Deferred charges	610	611	610	611	0	0
	6,910	6,719	5,371	5,763	1,539	956

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

(6) Income tax receivables

The non-current income tax receivables in an amount of € 0.830 million (previous year: € 1.085 million) refer to that portion of the capitalised corporate income tax benefit that will not be refunded in the following year.

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(7) Deferred taxes

Deferred taxes are calculated using country-specific tax rates pursuant to IAS 12. The total tax rate in Germany, which comprises trade tax, corporate income tax and solidarity surcharge, was 31.06% (previous year: 31.06%).

Deferred tax assets break down as follows:

	31.12.13 € '000	31.12.12 adjusted € '000
Realisable future reductions in tax payments resulting from losses carried forward	872	593
Differences between the tax balance sheet and the commercial balance sheet	9	19
Adjustments of individual financial statements to IFRS	242	272
Consolidation processes	26	21
	1,149	905

Losses carried forward for corporate income tax and solidarity surcharge in an amount of € 0.439 million (previous year: € 0.638 million) exist in Germany. In addition, tax losses carried forward in an amount of € 3.869 million (previous year: € 2.163 million) exist abroad. The increase is attributable to the start-up losses incurred in conjunction with the start-up of the Russian sales organisation. As in the previous year, deferred tax assets in the same amount have been recognised for the whole amount of the losses carried forward.

Deferred tax liabilities break down as follows:

	31.12.13 € '000	31.12.12 adjusted € '000
Differences between the tax balance sheet and the commercial balance sheet	-1,140	-1,221
Adjustments of individual financial statements to IFRS	4,142	4,485
Consolidation processes	1,752	2,010
	4,754	5,274

Deferred taxes refer to the following balance sheet items:

	31.12.13		31.12.12 adjusted	
	Deferred tax assets € '000	Deferred tax liabilities € '000	Deferred tax assets € '000	Deferred tax liabilities € '000
Tangible fixed assets	6	7,018	5	7,860
Intangible fixed assets	61	124	62	139
Inventories	212	94	182	50
Trade receivables and other assets	80	253	73	212
Provisions for pensions	1,496	0	1,613	0
Other provisions	14	0	11	0
Other liabilities	1,158	15	1,363	10
Tax losses carried forward	872	0	593	0
	3,899	7,504	3,902	8,271
Set-off*	-2,750	-2,750	-2,997	-2,997
	1,149	4,754	905	5,274

* 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:

	31.12.13	31.12.12 adjusted
	€ '000	€ '000
Raw materials and supplies	3,909	3,992
Unfinished products	374	238
Finished goods and merchandise	43,323	41,341
	47,606	45,571

Inventories with carrying amounts of € 10.394 million (previous year: € 10.671 million) are recognised at the fair value less cost to sell. Impairments of inventories in an amount of € 0.528 million (previous year: € 1.450 million) were recognised as an expense in the past fiscal year.

(9) Trade receivables

€ 0.434 million (previous year: € 0.132 million) of the trade receivables have a remaining term of more than one year.

The table below shows the allowances on trade receivables:

	2013	2012 adjusted
	€ '000	€ '000
As of January 1	1,875	1,872
Allocation	412	369
Use	262	76
Release	39	290
As of December 31	1,986	1,875

Of the total allowances, an amount of € 0.737 million (previous year: € 0.517 million) refers to itemised allowances and an amount of € 1.249 million (previous year: € 1.358 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 between 91 and 180 days	past due between 181 and 360 days	past due in more than 360 days	
€ '000	€ '000	€ '000	€ '000	€ '000	€ '000	
As of Dec 31, 2012 adjusted	34,231	31,610	2,255	170	14	4
As of Dec 31, 2013	34,689	30,992	3,411	45	16	3

(10) Cash and cash equivalents

Cash and cash equivalents break down as follows:

	31.12.13	31.12.12 adjusted
	€ '000	€ '000
Cash in banks	5,612	6,462
Cash on hand, cheques and bills of exchange	1,032	691
	6,644	7,153

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, 2013, 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 3, 2013), the Managing Board is authorised, subject to the approval of the Supervisory Board, to increase the capital stock by up to € 4.500 million (so called authorised capital) until May 4, 2016 through the issue of new shares against a contribution in kind or in cash. Shareholders' subscription rights may be excluded in certain cases. Given that no use has been made of this authorisation so far, the authorised capital amounted to € 4.500 million on December 31, 2013.

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

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

According to a resolution passed by the General Meeting of Shareholders dated May 7, 2010, the Managing Board is authorised to acquire own shares up to a par value of € 0.900 million (which represents a maximum of 10% of the share capital) until May 6, 2015. The Managing Board is also authorised to cancel the shares acquired, to resell them, or to use the shares acquired for company acquisitions or equity investments. Based on previous authorisations granted between 1999 and 2008, A.S. Création Tapeten AG repurchased 243,649 own shares. Since then, no sales or purchases have occurred, which means that A.S. Création Tapeten AG held 243,649 own shares in a nominal amount of € 0.731 million or 8.12% of the share capital as of the balance sheet date. An offsetting item in the amount of the cost of acquisition of own shares was established, which remained unchanged from the previous year at € 4.021 million.

A dividend of € 0.25 per share, which translates into a total profit distribution of € 0.689 million, will be proposed for the fiscal year 2013. A dividend of € 1.20 per share was paid out for the previous fiscal year, resulting in a total distribution of € 3.308 million.

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

	Financial derivative	Deferred taxes	Pension provisions	Deferred taxes	Foreign currency translation differences from		Total
	€ '000	€ '000	€ '000	€ '000	fully consolidated companies	companies accounted for at equity	€ '000
As of Jan 1, 2012 adjusted	-724	222	-403	124	106	-127	-802
Other comprehensive income 2012 adjusted	-57	19	-2,208	682	-8	41	-1,531
As of Dec 31, 2012 adjusted	-781	241	-2,611	806	98	-86	-2,333
Other comprehensive income 2013	189	-58	350	-110	209	39	619
As of Dec 31, 2013	-592	183	-2,261	696	307	-47	-1,714

(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	
	31.12.13 € '000	31.12.12 adjusted € '000	31.12.13 € '000	31.12.12 adjusted € '000	31.12.13 € '000	31.12.12 adjusted € '000	31.12.13 € '000	31.12.12 adjusted € '000
Financial liabilities (without finance lease)	24,116	24,911	6,752	4,183	15,135	15,689	2,229	5,039
Liabilities from finance lease								
Gross value	3,257	3,749	621	590	2,636	3,159	0	0
Discounting	-412	-451	-158	-137	-254	-314	0	0
Present value	2,845	3,298	463	453	2,382	2,845	0	0
	26,961	28,209	7,215	4,636	17,517	18,534	2,229	5,039

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

Interest-bearing financial liabilities of € 26.961 million (previous year: € 28.209 million) include € 24.040 million (previous year: € 28.155 million) from credit agreements at fixed interest rates and € 2.921 million (previous year: € 0.054 million) from credit agreements at variable interest rates. An amount of € 13.299 million (previous year: € 7.485 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 2013 %	Book value 31.12.13 € '000	Average interest rate 2012 %	Book value 31.12.12 € '000
	of up to 1 year	3.0	4,294	3.8
of over 1 year up to 5 years	3.1	17,517	3.8	18,534
of over 5 years	2.8	2,229	3.8	5,039
		24,040		28,155

(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	
	31.12.13 € '000	31.12.12 adjusted € '000	31.12.13 € '000	31.12.12 adjusted € '000	31.12.13 € '000	31.12.12 adjusted € '000
Liabilities to employees	5,963	6,925	5,662	6,567	301	358
Liabilities due to social security charges	842	739	842	739	0	0
Liabilities due to other taxes	531	762	531	762	0	0
Liabilities due to bonuses/discounts	1,575	1,663	1,575	1,663	0	0
Miscellaneous other liabilities	3,610	3,904	2,933	3,011	677	893
	12,521	13,993	11,543	12,742	978	1,251

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(14) Long-term provisions

The breakdown of long-term provisions is shown below:

	31.12.13 € '000	31.12.12 adjusted € '000
Pension provisions	9,706	10,016
Other provisions	2,000	0
	11,706	10,016

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:

	31.12.13 %	31.12.12 %
Projected interest rate (discount rate)	3.10	3.10
Projected pension trend	2.00	2.00
Projected rate of fluctuation	5.00	5.00

For employees of German Group companies the assumptions for mortality and disability are based on the RICHTTAFELN 2005 G from Prof. Dr. Klaus Heubeck.

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

	Increase in the parameter %	Change in present value € '000	Reduction in the parameter %	Change in present value € '000
Projected interest rate (discount rate)	1.00	-1,508	1.00	1,916
Projected pension trend	0.25	282	0.25	-270

If the life of the persons entitled to pension were extended by one year, the pension obligation would increase by another € 0.347 million.

The duration of the pension obligation, i.e. the anticipated average capital tie-up period, is 15.8 years.

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

	2013 € '000	2012 adjusted € '000
As of January 1	10,200	7,802
Pension payments	-531	-342
Current service cost	258	181
Interest cost	312	353
Actuarial losses from changes in the discount rate	0	2,162
Other actuarial gains (-) or losses (+)	-351	44
As of December 31	9,888	10,200

Of the defined benefit obligations, an amount of € 0.312 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:

	2013 € '000	2012 adjusted € '000
As of January 1	184	189
Employer contributions	39	18
Benefit payments	-46	-30
Expected return on plan assets	6	9
Actuarial losses	-1	-2
As of December 31	182	184

Re-insurance contributions are expected to amount of € 0.018 million in the following fiscal year.

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

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The table below shows the changes in pension provisions:

	2013 € '000	2012 adjusted € '000
As of January 1	10,016	7,613
Pension payments and employer contributions	-524	-360
Allocation through profit/loss	564	555
Allocation/release through equity	-350	2,208
As of December 31	9,706	10,016

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	2013 € '000	2012 adjusted € '000
Current service cost and benefit payments	Personnel expenses	258	211
Interest cost	Financial result	306	344
		564	555

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

	2013 € '000	2012 adjusted € '000
Change in the discount factor	0	-2,162
Change in the biometric assumptions	9	0
Experience adjustment	341	-46
	350	-2,208

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

The other long-term provisions relate to potential claims from the anti-trust proceedings in Germany. Following on from the search of the offices in November 2010 and the opening of administrative offence proceedings in November 2011, the Federal Cartel Office issued penalty notices against the company and some of its directors and officers in February 2014. The Cartel Office claims that they violated anti-trust 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 certain other German wallpaper manufacturers. The penalty notices now issued relate to two of the originally five allegations. One allegation has been dropped by the Federal Cartel Office in the meantime. The Federal Cartel Office has not yet issued a final statement as to whether the two remaining allegations will continue to be pursued or whether they will be dropped as well. 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 intend to appeal against the penalty notices. A duty to pay the penalty will not arise before a legally enforceable penalty notice or a final verdict is issued. The Managing Board of A.S. Création Tapeten AG and its legal counsel are of the opinion that the Federal Cartel Office has not sufficiently taken into account the material arguments that speak against a violation of anti-trust law. But even if the allegations

raised by the Federal Cartel Office were correct, the amount of the penalties appears to be out of proportion. Due to the uncertainties generally arising from court proceedings, A.S. Création Tapeten AG has, as a precautionary measure, established a provision of € 2.000 million (previous year: € 0 million) in the 2013 financial statements.

(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:

	2013 € '000	2012 adjusted € '000
As of January 1	103	137
Use	103	124
Release	0	13
Allocation	113	103
As of December 31	113	103

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(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	
	31.12.13 € '000	31.12.12 adjusted € '000	31.12.13 € '000	31.12.12 adjusted € '000	31.12.13 € '000	31.12.12 adjusted € '000	31.12.13 € '000	31.12.12 adjusted € '000
from loan contracts	461	2,560	461	2,560	0	0	0	0
from building rents	1,104	1,475	417	466	613	860	74	149
from operating leases	673	830	292	314	381	516	0	0
from order commitments for investments in tangible fixed assets	187	351	187	351	0	0	0	0
	2,425	5,216	1,357	3,691	994	1,376	74	149

Contingent liabilities result from the current investigations by the French Competition Authority, which is conducting a proceeding to find out whether there have been agreements in restraint of competition in the wallpaper industry in France. In November 2010, the French Competition Authority searched the premises of eight wallpaper dealers in France, including two companies of the A.S. Création Group, namely SCE – Société de conception et d'édition SAS and MCF Investissement SAS. In July 2013, French Competition Authority notified the company that administrative offence proceedings have been opened and submitted a letter of accusation. In its statements of objections, the French Competition Authority has raised accusations of an information exchange in the period from 2006 to 2010 which it considers to constitute a violation of anti-trust law. No accusations of price fixing have been raised. Violations of anti-trust law generally pose a risk of significant fines as the French anti-trust law provides for a maximum fine of 10% of Group sales revenues per each violation. Also, there is a potential risk of claims for damages being raised by third parties in conjunction with anti-trust proceedings. No information is available with regard to the amount of the penalty that may be imposed by the French Cartel Office. The Managing Board is therefore unable to predict the outcome of these administrative offence proceedings. In view of the current state of the proceedings, no provision has been established, as in the previous year.

Notes to the income statement

(17) Sales

A breakdown of Group sales by region is provided below:

	Wallpaper Division		Fabrics Division		Consolidation		Group	
	2013 € '000	2012 adjusted € '000	2013 € '000	2012 adjusted € '000	2013 € '000	2012 adjusted € '000	2013 € '000	2012 adjusted € '000
Germany	66,209	71,458	10,735	10,720	-214	-313	76,730	81,865
EU (excl. Germany)	84,316	82,001	2,229	2,203	-117	-229	86,428	83,975
European Union (EU)	150,525	153,459	12,964	12,923	-331	-542	163,158	165,840
Other Eastern Europe	39,215	36,424	916	814	0	0	40,131	37,238
Other countries	16,434	15,902	527	563	0	0	16,961	16,465
Sales (gross)	206,174	205,785	14,407	14,300	-331	-542	220,250	219,543
Reduction in revenues	-19,642	-19,809	-790	-825	0	0	-20,432	-20,634
Sales (net)	186,532	185,976	13,617	13,475	-331	-542	199,818	198,909

(18) Cost of materials

The cost of materials includes:

	2013 € '000	2012 adjusted € '000
Cost of raw materials, consumables and supplies and purchased materials	99,573	95,413
Cost of purchased services	4,256	4,461
	103,829	99,874

(19) Other income

Other income includes, among other things, income from the release of allowances for doubtful receivables and income from the expiry of obligations. It also includes income from disposals of tangible and intangible fixed assets in an amount of € 0.044 million (previous year: € 0.068 million) as well as foreign exchange gains in an amount of € 0.061 million (previous year: € 0.128 million).

(20) Personnel expenses

Personnel expenses are comprised as follows:

	2013 € '000	2012 adjusted € '000
Wages and salaries	36,656	35,983
Social security contributions and pension expenses	8,451	8,035
	45,107	44,018

Social security contributions and pension expenses include contributions to state pension insurance institutions in an amount of € 2.977 million (previous year: € 2.895 million), allocations to pension provisions in an amount of € 0.258 million (previous year: € 0.211 million) as well as payments to external relief funds and similar pension organisations due to defined contribution plans in an amount of € 0.185 million (previous year: € 0.189 million).

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

	2013 Persons	2012 Persons
Blue-collar workers	403	402
White-collar workers	387	377
Trainees and apprentices	47	41
	837	820

(21) Depreciation

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

(22) Other operating expenses

Other operating expenses mainly include expenses on freight out, advertising, rental and operating leases, maintenance and insurance policies. Moreover, they include losses from disposals of tangible and intangible fixed assets in the amount of € 0.079 million (previous year: € 0.638 million), foreign exchange losses in the amount of € 0.660 million (previous year: € 0.128 million) as well as the allocation to provisions for potential claims from the anti-trust proceedings in Germany in the amount of € 2.000 million (previous year: € 0 million).

(23) Financial result

The financial result includes interest expenses of € 0.306 million (previous year: € 0.344 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:

	2013 € '000	2012 adjusted € '000
Current income tax expenses	4,903	5,522
Deferred taxes	-993	-853
	3,910	4,669

At € 3.910 million (previous year: € 4.669 million), tax expenses exceeded the expected tax expenses of € 1.625 million (previous year: € 4.162 million) that would have arisen based on the overall German tax rate of 31.06% (previous year: 30.71%) by € 2.285 million (previous year: € 507 million). The difference between expected and effective income tax expenses in the Group is due to the following:

	2013 € '000	2012 adjusted € '000
Expected income tax expenses	1,625	4,162
Tax rate differentials to the overall German tax rate	239	115
Income from reimbursement of corporate income tax credit	-56	-66
Taxes unrelated to the accounting period	32	-42
Expenses from change in deferred tax rate from 2013	0	44
Non-tax-deductible expenses	819	178
Non-taxable income	-91	-57
Results from investments accounted for at equity	1,339	308
Other tax effects	3	27
Effective income tax expenses	3,910	4,669
Effective income tax rate	74.72%	34.45%

The increase in the effective tax rate is attributable to the higher pro-rated losses resulting from the Russian joint venture as well as the non-deductible provision established for risks from the anti-trust proceedings in Germany.

(25) Earnings per share

Earnings per share are calculated as follows:

		2013	2012 adjusted
Number of shares outstanding (weighted average)	shares	2,756,351	2,756,351
Net profit	€	1,323,008	8,884,105
Earnings per share	€/share	0.48	3.22

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:

	2013 € '000	2012 adjusted € '000
Interest received	23	15
Interest paid	1,093	1,263
Income tax paid	6,533	3,214
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:

	2013 € '000	2012 adjusted € '000
Raising of financial liabilities (excl. financial lease)	7,388	31
Raising of liabilities under financial lease contracts	0	0
Repayment of financial liabilities (excl. financial lease)	-8,183	-3,177
Repayment of liabilities under financial lease contracts	-453	-445
	-1,248	-3,591

(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	
	2013 € '000	2012 adjusted € '000	2013 € '000	2012 adjusted € '000	2013 € '000	2012 adjusted € '000	2013 € '000	2012 adjusted € '000
External sales	186,342	185,698	13,476	13,211	0	0	199,818	198,909
Intra-Group sales	190	278	141	264	-331	-542	0	0
Total sales	186,532	185,976	13,617	13,475	-331	-542	199,818	198,909
EBITDA ¹	19,243	24,973	561	613	-97	0	19,707	25,586
EBITDA-margin	10.3%	13.4%	4.1%	4.5%			9.9%	12.9%
EBIT ²	9,927	15,310	396	463	-85	0	10,238	15,773
EBIT-margin	5.3%	8.2%	2.9%	3.4%			5.1%	7.9%
Interest income	974	678	1	2	-132	-195	843	485
Results from investments accounted for at equity	-4,310	-1,003	0	0	0	0	-4,310	-1,003
Interest expenses	1,492	1,646	178	251	-132	-195	1,538	1,702
Earnings before taxes	5,099	13,339	219	214	-85	0	5,233	13,553
Return on sales (before taxes)	2.7%	7.2%	1.6%	1.6%			2.6%	6.8%
Income taxes	3,862	4,605	72	64	-24	0	3,910	4,669
Capital expenditures ³	8,484	12,902	278	169	-95	0	8,667	13,071
Depreciation	9,316	9,663	165	150	-12	0	9,469	9,813
Cash-flow ³	16,157	18,940	331	336	-95	0	16,393	19,276
Segment assets ⁴	142,502	145,427	7,452	6,991	-307	-180	149,647	152,238
thereof non-current assets	(60,718)	(65,407)	(1,348)	(1,265)	(-85)	(0)	(61,981)	(66,672)
Segment liabilities ⁵	20,084	19,987	1,800	1,643	-224	-180	21,660	21,450
Employees (average)	765	749	72	71	0	0	837	820

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

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

³ Capital expenditures and cash flow correspond with the item which is shown in the consolidated cash flow statement.

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

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

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

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

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

	Total		Remaining term of up to 1 year		Remaining term of over 1 year	
	31.12.13 € '000	31.12.12 adjusted € '000	31.12.13 € '000	31.12.12 adjusted € '000	31.12.13 € '000	31.12.12 adjusted € '000
Germany	102,097	105,112	67,160	67,872	34,937	37,240
EU (excl. Germany)	28,104	30,253	15,077	16,108	13,027	14,145
Other Eastern Europe	19,446	16,873	5,429	1,586	14,017	15,287
	149,647	152,238	87,666	85,566	61,981	66,672

(28) Research and development expenses

In the past fiscal year, € 2.827 million (previous year: € 2.551 million) were spent on the development of new designs.

(29) Audit expenses

In the past fiscal year, € 0.224 million (previous year: € 0.187 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 € 0.136 million (previous year: € 0.111 million) as well as an additional € 0.058 million (previous year: € 0.060 million) for tax consulting services and € 0.024 million (previous year: € 0.086 million) for other services.

(30) Risks from financial instruments

Only € 2.921 million or 10.8% (previous year: € 0.054 million or 0.2%) of the total interest-bearing financial liabilities of € 26.961 million (previous year: € 28.209 million) represent variable-rate loans. Accordingly, a rise in interest rates by one percentage point would increase interest expenses by € 0.029 million and reduce net profit by € 0.020 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. This risk will increase as the activities in Russia are expanded. Currency risks resulting from the Group's financing activities, i.e. from foreign currency loans, exist at the Russian Group companies, which are primarily financed with euro-denominated shareholder loans. A depreciation of the Russian rouble against the euro would lead to translation-related, non-cash exchange losses. A depreciation of the rouble by one percent would reduce the Group's net profit by approximately € 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 € 0.409 million (previous year: € 0.540 million) was recognised in equity as at the balance sheet date. Of this total amount, € 0.131 million (previous year: € -0.038 million) is shown in other comprehensive income. Going forward, the interest rate swaps will have no impact on net profit.

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

The residual default risk is mitigated by allowances on trade receivables. The potential effects which a default could have on the net worth, financial and earnings position of A.S. Création can be assessed on the basis of the concentration of debtors. In this context, A.S. Création has identified no potential risk that could jeopardise its continued existence. Of the total trade receivables in an amount of € 34.689 million (previous year: € 34.231 million), € 6.890 million or 20.1% (previous year: € 7.961 million or 23.3%) were accounted for by the five largest debtors. At the financial level, default risks mainly relate to cash with banks and to the financing of the joint venture, OOO A.S. & Palitra. To minimise the default risk, A.S. Création only cooperates with banks that have excellent credit ratings and/or are connected to a deposit guarantee fund. The shareholder loans of € 16.228 million (previous year: € 13.240 million) granted to A.S. & Palitra constitute the first time in the history of A.S. Création that material assets are tied up in a country exposed to much higher economic and political risks than Germany. The Managing Board believes, however, that the company should take these additional risks in what is the world's largest wallpaper market as they are outweighed by the resulting opportunities and the size of the additional risk is not considered to jeopardise the company's continued existence.

The liquidity risk is the risk of the company being unable to meet existing or future payment obligations due to a lack of cash or cash equivalents. To ensure that A.S. Création is able to meet its payment obligations, sufficient credit lines and cash and cash equivalents are maintained on the basis of the financial planning and systematic liquidity monitoring. As of the balance sheet date, the company had cash and cash equivalents in the amount of € 6.644 million (previous year: € 7.153 million) and unused credit lines of € 13.390 million (previous year: € 18.256 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	
	31.12.13 € '000	31.12.12 adjusted € '000	31.12.13 € '000	31.12.12 adjusted € '000	31.12.13 € '000	31.12.12 adjusted € '000	31.12.13 € '000	31.12.12 adjusted € '000
Financial assets	13,946	13,240	0	0	13,946	13,240	13,946	13,240
Trade receivables	34,689	34,231	0	0	34,689	34,231	34,689	34,231
Other receivables	4,301	3,684	0	0	4,301	3,684	4,301	3,684
Cash and cash equivalents	6,644	7,153	0	0	6,644	7,153	6,644	7,153
Loans and receivables	59,580	58,308	0	0	59,580	58,308	59,580	58,308
Financial liabilities (without finance lease)	24,116	24,911	0	0	24,116	24,911	23,852	25,227
Other liabilities	1,763	1,876	0	0	1,763	1,876	1,763	1,876
Trade payables	9,026	7,352	0	0	9,026	7,352	9,026	7,352
Financial liabilities measured at amortised cost	34,905	34,139	0	0	34,905	34,139	34,641	34,455
Financial derivative	592	781	0	0	592	781	592	781
Liabilities from finance lease	0	0	2,845	3,298	2,845	3,298	3,014	3,378

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

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

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

The fair values of the financial liabilities and the liabilities from finance leases are equivalent to the present values of the payments under the underlying contracts. The current long-term capital market interest rate plus a company-specific surcharge is used as the discount factor.

Due to the short remaining maturities of most of the trade payables and the other liabilities, the carrying amounts on the closing date approximate the fair values.

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

In the past fiscal year, net losses of € 0.500 million (previous year: € 0.237 million) resulted from the changes in valuation allowances for loans and receivables.

Interest income totalling € 0.843 million (previous year: € 0.485 million) and interest expenses totalling € 1.232 million (previous year: € 1.357 million) resulted from the financial instruments in fiscal year.

(32) Disclosures on capital management

The financial policy of A.S. Création is aimed at securing the company's ability to meet its payment obligations at all times as well as at minimising financial risks. Accordingly, A.S. Création has a high equity ratio, which stood at 58.8% on December 31, 2013 (previous year: 58.6%). 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, 2013, the debt-to-equity ratio was 204.3% (previous year: 196.5%). 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 2013:

	Responsible for	Member of the supervisory body
Jörn Kämper Chairman	Sales and Marketing	Meffert AG Farbwerke, Bad Kreuznach
Maik Holger Krämer	Finance and Controlling	–
Antonios Suskas (since April 1, 2013)	Production and Logistics	–
Karl-Heinz Hallwig (until March 31, 2013)	Production and Logistics	–

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

(34) Supervisory Board

In FY 2013, the Supervisory Board was comprised as follows:

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

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

(35) Compensation of Supervisory Board and Managing Board

The annual salaries of the Managing Board members in fiscal 2013 totalled € 1.884 million (previous year: € 2.105 million). In addition, the payments to a relief fund and the reversal of pension provisions resulted in net expenses in an amount of € 0.006 million (previous year: € 0.116 million).

The compensation of the Supervisory Board members in fiscal 2013 totalled € 0.108 million (previous year: € 0.108 million).

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

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

Provisions for pensions for former members of the Managing Board and their descendants amounted to € 1.990 million (previous year: € 2.269 million) as of the balance sheet date. Pension payments to former members of the Managing Board amounted to € 0.110 million (previous year: € 0.097 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 OOO 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 June 30, 2014 are deferred until the end of the agreement. The resulting receivable has been discounted accordingly. Details of the business relationship are shown below:

	2013	2012 adjusted
	T€	T€
Sales	761	161
Purchases	6,537	134
Interest income	820	470

	31.12.13	31.12.12 adjusted
	T€	T€
Shareholder loans	16,228	13,240
Receivables	1,488	643
Liabilities	0	157

With the consent of the Supervisory Board, the company has signed an agreement on project consulting and implementation with Franz Jürgen Schneider, Supervisory Board Chairman, in order to use his long-standing experience and his achievements in the wallpaper industry for the company. The remuneration under this consulting agreement is based on market hourly rates against proof of hours actually worked. In the fiscal year 2013, the fee for these consulting services amounted to € 0.095 million (previous year: € 0.098 million). The consulting agreement expired on December 31, 2013.

Franz Jürgen Schneider is Chairman of the Managing Board of A.S. Création Tapeten-Stiftung, a charitable foundation established by him. In the past fiscal year, A.S. Création Tapeten-Stiftung received a donation of € 0.030 million (previous year: € 0.020 million) from A.S. Création Tapeten AG in support of its work.

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

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

On March 14, 2013, the Managing Board and the Supervisory Board issued the declaration of conformity for FY 2013 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 2014 will be discussed and adopted at the Supervisory Board meeting on March 13, 2014. This declaration will be published on the company's website and in the chapter "Corporate governance statement and report on corporate governance" of the 2013 Annual Report.

(38) Post balance sheet events

Following on from the search of the in November 2010 an the opening of administrative offence proceedings in November 2011, the Federal Cartel Office issued penalty notices against the

company and some of its directors and officers in February 2014. The penalty imposed on A.S. Création Tapeten AG amounts to € 10.0 million, while the penalties imposed on the responsible persons total € 0.5 million.

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

Gummersbach, February 28, 2014

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A.S. Création Tapeten AG
The Managing Board

Kämper

Krämer

Suskas

Auditor's report

We have audited the consolidated financial statements prepared by A.S. Création Tapeten AG, Gummersbach - comprising the balance sheet, the income statement, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows and the notes to the consolidated financial statements - together with the group management report for the financial year from January 1 to December 31, 2013. The preparation of the consolidated financial statements and the group management report in accordance with International Financial Reporting Standards (IFRSs), as adopted by the EU, and the additional requirements of German commercial law pursuant to § 315a, para. 1 HGB are the responsibility of the parent company's management. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit.

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

Our audit has not led to any reservations.

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

Cologne, March 7, 2014

KPMG AG
Wirtschaftsprüfungsgesellschaft

Pütz
Wirtschaftsprüfer
(German Public Auditor)

Eppink
Wirtschaftsprüfer
(German Public Auditor)

PROFIT APPROPRIATION PROPOSAL 125

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This English translation of the annual report 2013 is merely a convenience translation.
The German version is the prevailing one.

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

as per December 31, 2013

Assets	31.12.2013 €	31.12.2012 €
Fixed and financial assets		
Intangible fixed assets	168,934.58	89,851.99
Tangible fixed assets	14,409,031.50	15,449,872.70
Financial assets	43,617,135.61	37,923,073.36
	58,195,101.69	53,462,798.05
Current assets		
Inventories	33,040,689.85	32,278,358.57
Trade receivables	23,652,563.91	24,835,186.75
Receivables from affiliated companies	4,789,379.76	6,539,646.15
Receivables from investments	1,488,201.01	642,944.88
Other current assets	4,995,057.98	6,039,161.84
Cash and cash equivalents	2,759,437.86	3,585,883.76
	70,725,330.37	73,921,181.95
Prepaid expenses and deferred charges	663,599.33	793,695.09
Deferred taxes	898,281.46	897,578.18
Total assets	130,482,312.85	129,075,253.27

Equity and Liabilities		
	31.12.2013	31.12.2012
	€	€
Shareholders' equity		
Capital stock	9,000,000.00	9,000,000.00
Par value of own shares	-730,947.00	-730,947.00
	8,269,053.00	8,269,053.00
Capital reserve	13,752,488.72	13,752,488.72
Revenue reserves	63,153,581.04	55,274,232.23
Unappropriated retained earnings	5,458,064.65	11,186,970.01
	90,633,187.41	88,482,743.96
Provisions		
Provisions for pensions and similar obligations	6,241,128.00	6,096,336.00
Tax provisions	453,000.00	1,703,000.00
Other provisions	6,918,448.31	5,993,040.31
	13,612,576.31	13,792,376.31
Liabilities		
Loans from banks	20,560,927.85	21,137,784.30
Trade payable	3,362,292.41	3,320,367.86
Other liabilities	2,313,328.87	2,341,980.84
	26,236,549.13	26,800,133.00
Total equity and liabilities	130,482,312.85	129,075,253.27

Profit appropriation proposal

The financial statements of A.S. Création Tapeten AG for the year ended December 31, 2013 show unappropriated retained earnings of € 5,458,064.65.

The Managing Board and the Supervisory Board propose to the General Meeting of Shareholders that the unappropriated retained earnings should be used as follows: payment of a dividend of € 0.25 per dividend-bearing share and allocation of the remaining amount to the revenue reserves of A.S. Création Tapeten AG.

As of December 31, 2013, 2,756,351 of the 3,000,000 shares of A.S. Création Tapeten AG were entitled to dividend. 243,649 shares acquired in the context of the stock repurchase program are held by A.S. Création Tapeten AG. Based on the number of dividend-bearing shares as of December 31, 2013, the profit would be appropriated as follows:

Payment of a dividend	689,087.75 €
Allocation to revenue reserves	4,768,976.90 €
Unappropriated retained earnings	5,458,064.65 €

The General Meeting of Shareholders of A.S. Création Tapeten AG will be held in Gummersbach on May 15, 2014. The dividend will be payable on May 16, 2014.

Gummersbach, March 13, 2014

A.S. Création Tapeten AG

Jörn Kämper
Chairman of the Managing Board

Franz Jürgen Schneider
Chairman of the Supervisory Board

CORPORATE CALENDAR

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March 20, 2014	Analyst presentation
May 15, 2014	Interim report for the three-month period ended March 31, 2014
May 15, 2014	Annual General Meeting of Shareholders
May 16, 2014	Dividend Payment
August 11, 2014	Interim report for the six-month period ended June 30, 2014
November 10, 2014	Interim report for the nine-month period ended September 30, 2014

IMPRINT

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Cover photo: **Raffi**
Drawing his inspiration from Mother Nature herself, Dutch designer Maarten Vrolijk dresses his homely petal and droplet patterns in such unusual colour schemes as black, copper, slate grey and greige.

(Original sample item no. 94023-3)

