



**INTERIM REPORT FOR THE PERIOD
ENDED JUNE 30, 2014**

A.S. CRÉATION TAPETEN AG

		2010	2011	2012	2013	2014
Sales	€ '000	93,764	99,084	103,552	104,756	99,501
EBIT	€ '000	8,046	7,520	9,194	9,498	6,516
Earnings before income taxes	€ '000	7,034	6,610	8,175	7,152	4,894
Net profit	€ '000	4,800	4,489	5,461	4,183	2,658
Earnings per share	€/share	1.74	1.63	1.98	1.52	0.96
Cash-flow	€ '000	9,434	9,105	10,061	10,415	8,507
Capital expenditures	€ '000	3,348	6,607	7,965	5,774	3,191
Depreciation	€ '000	4,892	5,076	4,800	4,630	4,728
Number of employees		769	786	809	833	825

A.S. Création Tapeten AG, Gummersbach

Management Report

on the business performance for the six-month period ended June 30, 2014

Sales performance

The economic recovery in the eurozone remains slow. Having increased by 0.9% in the first three months of 2014, growth in the gross domestic product slowed down to 0.7% in the second quarter of 2014, as declining global demand had an adverse impact on industrial output and, hence, on the economic situation in the eurozone. In addition, the overall picture is tainted by the economic situation in Italy and France where fundamental economic and structural reforms are still waiting to be implemented. But the economic situation has deteriorated markedly also in Germany. While the economy had grown by 2.5% in the first three months of 2014, GDP increased by only 1.0% in the second quarter, as industrial output declined in the course of the second quarter. Against the background of the developments in the first half of 2014, the economic forecasts for the full year 2014 have been downgraded in the meantime. Eurozone GDP is now expected to grow by only 1.0%. The only thing that is positive from A.S. Création's point of view is the fact that private consumer spending is projected to increase by 0.7%, compared to an 0.6% decline in 2013. The situation in Ukraine is giving increasing cause for concern, as the non-EU Eastern European countries are an important output market of A.S. Création. Russia's gross domestic product for the full year 2014 is currently expected to grow only marginally, while Ukraine's GDP is expected to decline sharply. In this uncertain environment, private households are reluctant to spend money, which is why, unlike in previous years, consumer spending will not provide any positive impulses in 2014.

These macroeconomic developments are reflected in A.S. Création's sales performance in the first half of 2014. While sales revenues remained more or less stable at the prior year level in the first quarter of 2014, A.S. Création reported a 10.1% drop in Group sales revenues in the second quarter of 2014. At € 99.5 million, total Group sales revenues in the first six months of 2014 were down by € 5.3 million or 5.0% on the previous year's € 104.8 million. Of this reduction, € 0.7 million is attributable to exchange rate changes, primarily of the Russian rouble against the euro. Adjusted for these exchange rate effects, first-half revenues were down by 4.4% on the first six months of the previous year. The Managing Board is not satisfied with this sales performance.

The effects of the Ukraine crisis have had a particularly adverse impact on A.S. Création's Group revenues. At € 17.4 million, gross sales in non-EU Eastern European countries were down by € 2.6 million or 13.3% on the previous year's € 20.0 million in the first six months of 2014. Wallpaper exports to Russia and Ukraine, the company's most important output markets in this region, declined sharply. Declining consumer spending combined with the depreciation of the local currencies against the euro led to a drop in demand for A.S. Création's German-made wallpapers. At the same time, sales of Russian-made wallpapers by the Russian distribution company, A.S. Création (RUS), increased strongly. Accordingly, the company was able to reduce the reduction in Group revenues in this region

to 4.9% in the second quarter of 2014, compared to a drop by 20.6% in the first quarter. However, the level of sales revenues generated by A.S. Création (RUS) is not yet sufficient to offset the decline in export sales. Total revenues in the first six months of 2014 in non-EU Eastern European countries were down by 13.3% on the previous year.

By contrast, gross EU sales for the first half of 2014, at € 86.5 million, were kept at the prior year level of € 86.7 million. This figures reflects two contrary developments, however. The sales performance in Germany was especially gratifying, as A.S. Création benefited from the takeover of former Praktiker and Max Bahr stores by other DIY store operators. As these stores were refitted, A.S. Création was able to increase its domestic gross sales by 4.3% in the first six months of 2014. The sales situation in the rest of the EU was quite different, with A.S. Création reporting a 4.3% decline in sales revenues in the first six months of 2014. One of the main reasons was the very poor state of the French (wallpaper) market, which is of great importance for A.S. Création, during the reporting period.

Earnings performance

The reduction in sales revenues in the course of the reporting period had an adverse impact on A.S. Création's bottom line. Earnings before interest and taxes (EBIT) declined by € 3.0 million or 31.4% from € 9.5 million in the first half of 2013 to € 6.5 million in the reporting period. As a result, the EBIT margin dropped to 6.5% (previous year: 9.1%).

Besides the reduction in sales revenues, the poorer earnings situation is also attributable to the reduced gross profit margin (gross profit in percent of total output), which amounted to 49.8% in the first half of 2014 (previous year: 50.6%). The main reason for the lower gross profit margin is attributable to the greater share of high-margin export sales to Eastern European countries in the previous year. On a positive note, the Managing Board points to the fact that the gross profit margin exceeded the prior year level in the second quarter of 2014, which means that the difference in the current fiscal year now amounts to only 0.8 percentage points. However, this difference in the gross profit margin is equivalent to a gross profit shortfall and, hence, to a reduction in earnings of about € 0.8 million compared to the first half of 2013.

The cost-cutting measures initiated in view of the poorer earnings situation have meanwhile begun to take effect and have led to a decline in personnel expenses and other operating expenses. Personnel expenses were reduced by € 0.9 million or 3.7% from € 23.3 million in the previous year to € 22.4 million in the first half of 2014. This reduction was insufficient, however, to keep pace with the decline in total output; as a result, personnel expenses as a percentage of total output deteriorated from 21.9% in the previous year to 22.9% in the first half of 2014.

Unlike personnel expenses, other operating expenses were reduced in sync with the decline in total output; accordingly, other operating expenses as a percentage of total output remained unchanged at 15.6% (previous year: 15.6%). Against the background of the high percentage of fixed costs of an industrial company like ours, the Managing Board considers this a success. Besides reduced marketing and selling expenses and general cost savings,

the decline in other operating expenses also reflected lower translation-related exchange losses than in the previous year. In the course of the first quarter of 2014, the Russian rouble had depreciated by over 8% against the euro in conjunction with the Ukraine crisis. The resulting translation-related exchange losses had clearly weighed on A.S. Création's bottom line in the first three months of 2014. As the rouble recovered in the course of the second quarter, it lost only about 2% in value in the first six months of 2014, leading to exchange losses of € 0.1 million (previous year: € 0.3 million), which are included in other operating expenses.

The financial result showed a positive trend in the first half of 2014 and improved by € 0.7 million from € -2.3 million in the previous year to € -1.6 million in the reporting period. Besides the reduced interest expenses resulting from the decline in net financial liabilities, this is mainly attributable to the improved earnings position of the Russian joint venture, A.S. & Palitra. A.S. Création's share in the start-up losses of the joint venture, which is recognised in the financial result in A.S. Création's income statement, declined from € -2.0 million in the previous year to € -1.5 million in the first half of 2014. The measures taken in the second half of 2013 with a view to stepping up the distribution activities have meanwhile taken effect, as the utilisation of the production capacity has increased and the production processes have been optimised. An even stronger reduction in the start-up losses in the first half of 2014 was prevented by the difficult situation in the Russian market as well as by write-downs of inventories of the first collections produced by the joint venture. The Managing Board is of the opinion that the Russian production company is on a good course.

Earnings before interest and taxes and the financial result led to earnings before taxes of € 4.9 million in the first half of 2014, down € 2.3 million or 31.6% on the previous year's € 7.2 million. In summary, it can be said that the improvements described above have been insufficient, in the financial year to date, to offset the decline in sales revenues resulting from the difficult macroeconomic environment, which led to a gross profit shortfall of € 5.1 million.

Net profit after taxes for the first half of 2014 amounted to € 2.7 million (previous year: € 4.2 million), while earnings per share came in at € 0.96 (previous year: € 1.52).

Net assets and financial position

At € 8.5 million, cash flow was down by € 1.9 million on the previous year's € 10.4 million in the first six months of 2014. This reduced cash flow was sufficient to cover the company's financing requirements, which were much lower than in the previous year due to the following developments:

- An additional € 5.3 million was tied up in inventories in the first half of 2013, compared to a € 0.2 million reduction in inventories in the current financial year. Due to the decline in sales revenues, the imputed inventory turnover remained almost unchanged at 4.2 (previous year: 4.4).
- At € 6.3 million, the typical seasonal increase in trade receivables in the first half of 2014 was much lower than the previous year's € 10.0 million, which was also attributable to the

reduced sales revenues. Days of sales outstanding remained more or less unchanged at 68 days (previous year: 67 days).

- Capital expenditures declined from € 5.8 million in the previous year to € 3.2 million in the first six months of 2014. Of this reduction by € 2.6 million, an amount of € 2.0 million was attributable to the financial requirements of the Russian production company, A.S. & Palitra. While an amount of € 2.6 million had been made available to the joint venture in the form of a shareholder loan in the first half of 2013, this was reduced to only € 0.6 million in the reporting period.
- The dividend of € 0.7 million paid out in May 2014 was € 2.6 million lower than the prior year dividend of € 3.3 million due to the much lower net profit for the year 2013.

On this basis, the company was able to clearly reduce its net financial liabilities in the course of the first half of 2014 by € 1.8 million from € 20.3 million on December 31, 2013 to € 18.5 million on June 30, 2014 although cash and cash equivalents in the amount of € 2.0 million (previous year: € 0.0 million) were used in the reporting period to pay part of the fine imposed on the company in conjunction with the anti-trust proceedings in Germany. The respective provision of € 2.0 million was established already in the context of the preparation of the financial statements for 2013 (for further details, please refer to the 2013 consolidated financial statements). The payment was made exclusively because of commercial considerations, as it avoids the obligation to pay interest on a potential fine up to this amount. As this payment was made voluntarily and is subject to repayment in the event of a successful appeal procedure, it does not constitute an admission of guilt. Right on the contrary, the Managing Board of A.S. Création remains determined to defend itself against the accusations made by the German Federal Cartel Office in court.

The overall financial situation of A.S. Création improved in the first half of 2014 in spite of the deterioration in earnings. As reported before, net financial liabilities were reduced and the equity ratio exceeded the high prior year level of 55.2% and stood at 58.6% on June 30, 2014. At 1.1 years (previous year: 1.1 years), the debt repayment period stands at the low level that is typical of A.S. Création. Overall, A.S. Création continues to be characterised by a sound financial position, which is all the more important under difficult circumstances.

The Managing Board also considers the net worth position of A.S. Création to be very sound. As of June 30, 2014, the Group's total assets amounted to € 161.9 million (previous year: € 174.0 million), of which 80.1% (previous year: 80.9%) 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 4.8% (previous year: 4.4%) of total assets and 8.2% (previous year: 8.1%) of the equity.

Forecast report

The sharp drop in Group sales revenues in the second quarter of 2014 was disappointing from the Managing Board's point of view. Most importantly, the lack of stimulation coming from the EU markets and the resulting decline in sales revenues had not been expected after

the successful first quarter of 2014. Accordingly, the Managing Board now assumes that the company will be unable to increase its sales revenues in the EU in the coming months and that revenues can, at best, be maintained at the prior year level. This assumption is also supported by the recent downgrading of the macroeconomic growth forecasts for the eurozone.

The strong sales growth achieved by the Russian distribution company, A.S. Création (RUS), with Russian-made wallpapers should continue until the end of the year. The recent escalation of the Ukraine crisis and the stricter sanctions imposed on Russia suggest that the conflict will not be resolved any time soon. Accordingly, the crisis will have increasingly adverse effects on consumer spending and the economic situation in the regions affected, which will also impact German wallpaper exports to Russia and Ukraine. The Managing Board currently expects the sales growth generated by A.S. Création (RUS) to be insufficient to offset the declining exports, which means that Group sales revenues in non-EU Eastern European countries will remain below the prior year levels in 2014 as a whole.

Under these premises, A.S. Création will be unable to realise its sales plans for the fiscal year 2014, which provide for Group revenues of between € 205 million and € 215 million. Instead, Group revenues will probably fall short of the prior year level of € 199.8 million. The actual decline in sales revenues will depend on the effects of the current crisis, especially the sanctions imposed on Russia, as well as on factors such as consumer spending, exchange rates and commodity prices. The future economic trend in France is also important for A.S. Création. From today's point of view, sales revenues of between € 180 million and € 190 million appear to be realistic for the full year 2014, although this forecast is subject to considerable uncertainty, as outlined above.

In spite of the anticipated decline in sales revenues, earnings for the full year 2014 should be better than in the previous year, provided that the Russian rouble does not depreciate markedly against the euro by the end of 2014, that wallpaper exports to Eastern Europe do not come to a complete standstill and that the anti-trust proceedings do not result in any significant burdens exceeding the € 2.0 million provision set aside for this purpose. In this case, the anticipated improvement in the operating performance of the Russian production company and the rationalisation and cost-cutting measures initiated would result in second-half earnings which clearly exceed those of the second half of 2013. In this context, it should be noted that increased start-up losses of the Russian operations, high exchange losses resulting from the exchange rate trend of the Russian rouble and the provision established for risks arising from the anti-trust proceedings in Germany had a strongly adverse impact on the result of the second half of 2013; accordingly a loss of € 2.9 million (after taxes) was incurred in the second half of 2013. The Managing Board therefore continues to assume that A.S. Création's net profit for the fiscal year 2014 will be much better than that for the fiscal year 2013.

The risk and opportunity profile of A.S. Création Tapeten AG has not changed materially as compared to the presentation in the 2013 Annual Report.

Statement pursuant to Article 315 paragraph 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 interim financial reporting, the interim consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the interim management report of the Group includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group for the remaining months of the financial year.

Gummersbach, August 1, 2014

A.S. Création Tapeten AG

The Managing Board

Kämper

Krämer

Suskas

A.S. Création Tapeten AG, Gummersbach

Consolidated balance sheet

as per June 30, 2014

Assets		
	30.06.2014	31.12.2013
	€ '000	€ '000
Tangible fixed assets	36,029	38,312
Intangible fixed assets	8,187	8,184
Investments accounted for at equity	0	0
Financial assets	13,077	13,946
Other assets	2,128	1,539
Income tax receivables	853	831
Deferred tax assets	1,229	1,149
Non-current assets	61,503	63,961
Inventories	47,352	47,606
Trade receivables	40,924	34,688
Other assets	6,465	5,371
Income tax receivables	261	797
Cash and cash equivalents	5,348	6,644
Current assets	100,350	95,106
Total assets	161,853	159,067
Equity and liabilities		
	30.06.2014	31.12.2013
	€ '000	€ '000
Capital stock	9,000	9,000
Capital reserves	13,757	13,757
Revenue reserves	71,133	67,043
Profit carried forward	2,075	6,111
Net profit	2,658	1,323
Adjustment for own shares	-4,021	-4,021
Currency translation differences	253	260
Equity	94,855	93,473
Financial liabilities (interest-bearing)	18,771	19,746
Other liabilities	1,040	978
Provisions	12,604	11,706
Deferred tax liabilities	4,079	4,754
Non-current liabilities	36,494	37,184
Financial liabilities (interest-bearing)	5,102	7,215
Other liabilities	14,723	11,543
Trade payables	10,247	9,026
Provisions	69	113
Tax liabilities	363	513
Current liabilities	30,504	28,410
Total equity and liabilities	161,853	159,067

A.S. Création Tapeten AG, Gummersbach

Consolidated income statement

for the six-month period ended June 30, 2014

	Notes No.	2014 € '000	2013 € '000
Sales	(2)	99,501	104,756
Increase or decrease in unfinished and finished goods		-1,526	1,674
Total output		97,975	106,430
Cost of materials		49,156	52,548
Gross profit		48,819	53,882
Other income		410	364
		49,229	54,246
Personnel expenses		22,404	23,269
Depreciation		4,728	4,630
Operating taxes		262	256
Other operating expenses		15,319	16,593
Operating expenses		42,713	44,748
Earnings before interest and taxes (EBIT)		6,516	9,498
Interest and similar income		458	376
Results from investments accounted for at equity		-1,501	-1,958
Interest and similar expenses		579	764
Financial result		-1,622	-2,346
Earnings before income taxes		4,894	7,152
Income taxes	(3)	2,236	2,969
Net profit		2,658	4,183
Earnings per share	(4)	0.96 €	1.52 €

A.S. Création Tapeten AG, Gummersbach

Consolidated statement of comprehensive income

for the six-month period ended June 30, 2014

	2014	2013
	€ '000	€ '000
Net profit	2,658	4,183
Items, that will not be reclassified to the profit and loss account in the future:		
Actuarial gains/losses from pension provisions	-754	290
Deferred taxes on other comprehensive income	235	-90
	-519	200
Items, that will be reclassified to the profit and loss account in the future:		
Foreign currency translation differences for fully consolidated companies	25	70
Foreign currency translation differences for investments accounted for at equity	-32	-25
Change in fair value of an interest rate hedge	-89	106
Deferred taxes on other comprehensive income	28	-33
	-68	118
Other comprehensive income (outside profit or loss)	-587	318
Total comprehensive income	2,071	4,501

A.S. Création Tapeten AG, Gummersbach

Consolidated income statement

for the three-month period ended June 30, 2014 (2nd quarter)

	Notes No.	2014 € '000	2013 € '000
Sales	(2)	45,173	50,227
Increase or decrease in unfinished and finished goods		-229	2,592
Total output		44,944	52,819
Cost of materials		22,719	26,830
Gross profit		22,225	25,989
Other income		214	166
		22,439	26,155
Personnel expenses		11,016	11,915
Depreciation		2,368	2,349
Operating taxes		140	131
Other operating expenses		6,060	7,510
Operating expenses		19,584	21,905
Earnings before interest and taxes (EBIT)		2,855	4,250
Interest and similar income		249	171
Results from investments accounted for at equity		-128	-1,448
Interest and similar expenses		290	388
Financial result		-169	-1,665
Earnings before income taxes		2,686	2,585
Income taxes	(3)	960	1,338
Net profit		1,726	1,247
Earnings per share	(4)	0.62 €	0.45 €

A.S. Création Tapeten AG, Gummersbach

Consolidated statement of comprehensive income

for the three-month period ended June 30, 2014 (2nd quarter)

	2014	2013
	€ '000	€ '000
Net profit	1,726	1,247
Items, that will not be reclassified to the profit and loss account in the future:		
Actuarial gains/losses from pension provisions	-151	290
Deferred taxes on other comprehensive income	48	-90
	-103	200
Items, that will be reclassified to the profit and loss account in the future:		
Foreign currency translation differences for fully consolidated companies	-215	102
Foreign currency translation differences for investments accounted for at equity	-247	-41
Change in fair value of an interest rate hedge	-48	196
Deferred taxes on other comprehensive income	15	-61
	-495	196
Other comprehensive income (outside profit or loss)	-598	396
Total comprehensive income	1,128	1,643

A.S. Création Tapeten AG, Gummersbach

Consolidated statement of changes in equity

for the six-month period ended June 30, 2014

	Capital stock	Capital reserves	Revenue reserves	Profit carried forward	Net profit	Adjust- ment for own shares	Currency trans- lation diffe- rences	Total
	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000
December 31, 2012	9,000	13,757	57,886	9,321	8,884	-4,021	12	94,839
Net profit 2012	0	0	0	8,884	-8,884	0	0	0
Dividend payments	0	0	0	-3,308	0	0	0	-3,308
Allocation to revenue reserves	0	0	7,785	-7,785	0	0	0	0
Total comprehensive income 2013	0	0	273	0	4,183	0	45	4,501
June 30, 2013	9,000	13,757	65,944	7,112	4,183	-4,021	57	96,032

	Capital stock	Capital reserves	Revenue reserves	Profit carried forward	Net profit	Adjust- ment for own shares	Currency trans- lation diffe- rences	Total
	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000
December 31, 2013	9,000	13,757	67,043	6,111	1,323	-4,021	260	93,473
Net profit 2013	0	0	0	1,323	-1,323	0	0	0
Dividend payments	0	0	0	-689	0	0	0	-689
Allocation to revenue reserves	0	0	4,670	-4,670	0	0	0	0
Total comprehensive income 2014	0	0	-580	0	2,658	0	-7	2,071
June 30, 2014	9,000	13,757	71,133	2,075	2,658	-4,021	253	94,855

A.S. Création Tapeten AG, Gummersbach

Consolidated cash flow statement

for the six-month period ended June 30, 2014

	2014 € '000	2013 € '000
Operating activities		
Net profit	2,658	4,183
+ Depreciation on tangible and intangible fixed assets	4,728	4,630
+/- Increase/decrease in long-term provisions	144	136
-/+ Income/expenses from investments accounted for at equity	1,501	1,958
-/+ Increase/decrease in present value of corporate income tax credit	-28	-28
-/+ Income/expenses from changes in deferred taxes	-496	-464
Cash-flow	8,507	10,415
-/+ Profit/losses from disposal of tangible and intangible fixed assets	1	-15
-/+ Increase/decrease in inventories	212	-5,319
-/+ Increase/decrease in trade receivables	-6,258	-10,048
+/- Increase/decrease in trade payables	1,245	7,579
-/+ Increase/decrease in other net working capital	1,866	4,264
Cash-flow from operating activities	5,573	6,876
Investing activities		
Capital expenditures on tangible and intangible fixed assets	-2,548	-3,214
- Cash outflows for credits and bonds granted	-643	-2,560
Capital expenditures	-3,191	-5,774
+ Proceeds from the disposal of tangible and intangible fixed assets	100	66
Cash-flow from investing activities	-3,091	-5,708
Financing activities		
Dividends paid to shareholders of A.S. Création Tapeten AG	-689	-3,308
+/- Raising/repayment of financial liabilities (interest-bearing)	-3,088	-83
Cash-flow from financing activities	-3,777	-3,391
Net change in cash and cash equivalents	-1,295	-2,223
+/- Change in cash and cash equivalents due to exchange rate fluctuations	-1	-37
+ Cash and cash equivalents at January 1	6,644	7,153
Cash and cash equivalents at June 30	5,348	4,893

Further information on the cash flow statement are presented in the notes to the consolidated financial statement (see No. 5).

A.S. Création Tapeten AG, Gummersbach

Notes to the consolidated financial statements

for the six-month period ended June 30, 2014

General

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

The present interim consolidated financial statements for the six-month period ended June 30, 2014 were prepared by A.S. Création Tapeten AG in condensed form in accordance with IAS 34 "Interim Financial Reporting". The accounting and valuation methods used are consistent with those used to prepare the consolidated financial statements for the year ended December 31, 2013. The latter were prepared on the basis of the International Financial Reporting Standards (IFRS) in force on the reporting date, such as they are applicable in the European Union, as well as the additional requirements pursuant to section 315a (1) of the German Commercial Code (Handelsgesetzbuch HGB). For a detailed description of the accounting and valuation methods, refer to the notes to the consolidated financial statements for the period ended December 31, 2013.

A.S. Création Tapeten AG has a policy of applying new IFRS as soon as they become effective. The newly published IFRS had no material effect on the assets, liabilities, financial position and earnings position of A.S. Création in the reporting 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 results achieved in the fiscal year 2014 to date do not necessarily provide an indication of the performance in the further course of the year.

The present interim report has neither been audited nor reviewed by a certified public accountant. This English translation of the interim report is merely a convenience translation. The German version is the prevailing one.

Notes on the basis of consolidation

Next to A.S. Création Tapeten AG, 10 subsidiaries are consolidated, thereof nine companies are fully consolidated and one company is accounted for using the equity method. The consolidated entity has remained unchanged from FY 2013.

Currency translation

A.S. Création Tapeten AG's reporting currency is the euro (€).

In accordance with IAS 21, foreign currencies of subsidiaries in non-EMU countries are translated according to the functional currency concept using the modified closing rate method.

An average annual rate of £ 0.82133/€ (2013: £ 0.85081/€) and a closing rate of £ 0.80120/€ (2013: £ 0.85790/€) were used for the pound sterling, while an average annual rate of RUB 48.11396/€ (2013: RUB 40.75900/€) and a closing rate of RUB 45.82510/€ (2013: RUB 42.71800/€) were applied for the Russian rouble.

Notes to the balance sheet

(1) Contingent liabilities

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. For further details, refer to the information provided in the 2013 consolidated financial statements.

Notes to the income statement

(2) Sales

A breakdown of Group sales by region is provided below:

	Wallpaper Division		Fabrics Division		Consolidation		Group	
	2014	2013	2014	2013	2014	2013	2014	2013
	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000
Germany	36,346	34,919	5,855	5,573	-99	-110	42,102	40,382
EU (excl. Germany)	43,256	45,366	1,152	1,074	-33	-73	44,375	46,367
European Union (EU)	79,602	80,285	7,007	6,647	-132	-183	86,477	86,749
Other Eastern Europe	17,055	19,502	301	508	0	0	17,356	20,010
Other countries	7,070	8,415	237	301	0	0	7,307	8,716
Sales (gross)	103,727	108,202	7,545	7,456	-132	-183	111,140	115,475
Reduction in revenues	-11,146	-10,292	-494	-427	1	0	-11,639	-10,719
Sales (net)	92,581	97,910	7,051	7,029	-131	-183	99,501	104,756

(3) Income taxes

Income taxes in the reporting period were calculated using country-specific tax rates anticipated for the full fiscal year. Income taxes break down as follows:

	2014	2013
	€ '000	€ '000
Current income tax expenses	2,732	3,433
Deferred taxes	-496	-464
	2,236	2,969

(4) Earnings per share

Earnings per share are calculated as follows:

		2014	2013
Number of shares outstanding (weighted average)	shares	2,756,351	2,756,351
Net profit	€	2,657,992	4,183,132
Earnings per share	€/share	0.96	1.52

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

(5) Cash flow statement

Cash flow from operating activities includes the following payments:

	2014	2013
	€ '000	€ '000
Interest received	7	8
Interest paid	360	478
Income tax paid	2,402	2,094
Dividends received	0	0

Interest paid primarily relates to investment financing.

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

	2014	2013
	€ '000	€ '000
Raising of financial liabilities (excl. financial lease)	1,576	1,632
Raising of liabilities under financial lease contracts	0	0
Repayment of financial liabilities (excl. financial lease)	-4,434	-1,490
Repayment of liabilities under financial lease contracts	-230	-225
	-3,088	-83

(6) Segment reporting

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

A breakdown of key figures by segments is provided below:

	Wallpaper Division		Fabrics Division		Consolidation		Group	
	2014	2013	2014	2013	2014	2013	2014	2013
	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000
External sales	92,509	97,810	6,992	6,946	0	0	99,501	104,756
Intra-Group sales	72	100	59	83	-131	-183	0	0
Total sales	92,581	97,910	7,051	7,029	-131	-183	99,501	104,756
EBITDA ¹	10,895	13,925	349	203	0	0	11,244	14,128
EBITDA-margin	11.8 %	14.2 %	5.0 %	2.9 %			11.3 %	13.5 %
EBIT ²	6,246	9,371	259	127	11	0	6,516	9,498
EBIT-margin	6.7 %	9.6 %	3.7 %	1.8 %			6.5 %	9.1 %
Interest income	520	442	1	0	-63	-66	458	376
Results from investments accounted for at equity	-1,501	-1,958	0	0	0	0	-1,501	-1,958
Interest expenses	554	741	88	89	-63	-66	579	764
Earnings before taxes	4,711	7,114	172	38	11	0	4,894	7,152
Return on sales (before taxes)	5.1 %	7.3 %	2.4 %	0.5 %			4.9 %	6.8 %
Income taxes	2,178	2,957	55	12	3	0	2,236	2,969
Capital expenditures ³	3,131	5,696	60	78	0	0	3,191	5,774
Depreciation	4,649	4,554	90	76	-11	0	4,728	4,630
Cash-flow ³	8,279	10,314	228	101	0	0	8,507	10,415
Segment assets 30.06 ⁴	147,112	158,981	7,452	7,585	-402	-277	154,162	166,289
thereof non-current assets	(58,199)	(62,294)	(1,295)	(1,264)	(-73)	(0)	(59,421)	(63,558)
Segment liabilities 30.06. ⁵	24,566	29,703	1,841	1,823	-329	-277	26,078	31,249
Employees (average)	752	761	73	72	0	0	825	833

A breakdown of Group sales by geographical regions is provided in the notes on sales (see No. 2).

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

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

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

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

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

Of the total non-current Group assets of € 59.421 million (previous year: € 63.558 million), an amount of € 33.683 million (previous year: € 36.588 million) relates to Germany, an amount of € 12.583 million (previous year: € 13.595 million) to other EU countries and an amount of € 13.155 million (previous year: € 13.375 million) to non-EU Eastern European countries.

(7) Managing Board

The Managing Board had the following members in the reporting period:

- Jörn Kämper, Chairman, Sales and Marketing
- Maik Holger Krämer, Finance and Controlling
- Antonios Suskas, Production and Logistics

(8) 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, which is accounted for using the equity method. Details of the business relationship are shown below:

	2014	2013
	€ '000	€ '000
Sales	129	465
Purchases	3,746	3,042
Interest income	450	369

	30.06.2014	30.06.2013
	€ '000	€ '000
Shareholder loans	16,892	13,300
Receivables	1,900	3,650
Liabilities	1,625	1,273

The relationship of the company with A.S. Création Tapeten Stiftung, a charitable foundation, as reported in the consolidated financial statements for 2013 continued to exist in the period under review.

(9) Post balance sheet events

No events that require reporting have occurred.

Gummersbach, August 01, 2014

A.S. Création Tapeten AG

The Managing Board

Kämper

Krämer

Suskas

Investor Relations

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