ANNUAL REPORT 2010 A.S. CRÉATION TAPETEN AG

A.S. CRÉATION: KEY FIGURES

		2006	2007	2008	2009	2010
Sales	€ '000	152,373	167,633	176,216	181,325	**184,603**
Earnings before interest and taxes (EBIT)	€ '000	13,747	15,005	13,502	13,428	**14,318**
Earnings before income taxes	€ '000	12,672	14,562	12,856	10,834	**12,352**
Net profit	€ '000	10,174	9,982	8,925	7,499	**8,395**
Cash-flow	€ '000	16,199	17,926	18,058	17,568	**19,027**
Capital expenditures	€ '000	7,443	11,232	23,893	5,771	**6,826**
Depreciation	€ '000	7,985	8,397	8,215	9,864	**10,504**
Non-current assets	€ '000	51,860	54,007	73,247	68,866	**64,460**
Shareholders' equity	€ '000	71,485	76,901	80,288	83,774	**88,789**
Non-current liabilities	€ '000	24,385	27,922	54,336	51,688	**39,689**
Total assets	€ '000	116,298	124,557	171,730	161,835	**161,625**
Earnings per share	€/share	3.65	3.59	3.22	2.72	**3.05**
Dividend	€/share	1.65	1.60	1.40	1.20	**1.35**
Number of employees (average)		653	675	719	787	**772**

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This English translation of the annual report 2010 is merely a convenience translation.

The German version is the prevailing one.

FOREWORD

Dear readers, dear shareholders,

Overall, 2010 was a positive fiscal year for A.S. Création. Group sales increased by 1.8% from € 181.3 million in the previous year to € 184.6 million, while earnings before interest and taxes improved by 6.6% from € 13.4 million in 2009 to € 14.3 million. A.S. Création has mastered the financial and economic crisis very well and is well positioned for the planned future growth.

In spite of the positive overall sentiment, the financial and economic crisis is not over from the point of view of A.S. Création. Its effects can still be felt. 2010 sales revenues in non-EU Eastern European markets (especially in the important Russian and Ukrainian markets) was still 46.5% below the level of the year 2008. Consumers in some major EU markets continue to show restraint. This also affects our business segments, Wallpapers and Furnishing Fabrics. A pleasant exception is Germany, where consumer behaviour is positive thanks to strong economic growth and declining unemployment. On the downside, we saw a sharp increase in commodity and energy prices, which weighed on A.S. Création's earnings in 2010. Given that these cost increases could not be offset by higher sales prices in the fiercely competitive environment, the gross profit margin declined from 49.1% to 48.5% in the fiscal year 2010.

The launch of an investigation in the wallpaper industry by the Federal Cartel Office therefore came all the more surprising to us. On November 30, 2010, the premises of A.S. Création Tapeten AG in Gummersbach-Derschlag and of four other German wallpaper manufacturers were searched. The Federal Cartel Office wants to find out whether there have been agreements in restraint of competition in the wallpaper industry. In this context, eight wallpaper dealers in France were examined by the French anti-trust offices, including two companies of the A.S. Création Group. At this stage, we do not know exactly the concrete reproaches and can therefore not assess the implications of the ongoing proceedings for our company. This uncertainty also weighed on the price of our share. After the searches became known, the share price dropped by approx. 19% within five days from € 33.30 per share to € 27.00 per share. This means that A.S. Création lost € 17.4 million of its market value, of which about half has been regained in the meantime. In spite of the negative share price performance towards the end of the year, our shareholders gained € 3.40 per share as well as a dividend of € 1.20 per share in the course of 2010 for a total value gain of € 4.60 per share. Based on the price of € 25.36 at the beginning of the year, this represents a yield of 18.1%. A.S. Création intends to continue its dividend policy, which aims for a high payout ratio, also in the current fiscal year. The company will therefore propose to the General Meeting of Shareholders, which is scheduled for May 5, 2011, to pay out a dividend of € 1.35 per share from the net profit for the year 2010. This would be equivalent to a payout ratio of 44.3% based on earnings per share of € 3.05 in the fiscal year 2010. A.S. Création thus stays true to its philosophy of giving its shareholders a share in the company's performance.

Product development is an important element of our success. Against the background of the major uncertainties about the future economic trend that were still felt at the beginning of 2010, we decided at the time to set the course for a good business performance by launching an unprecedented new product drive. While A.S. Création's creative team used to develop and produce about 1,800 to 1,950 new articles per year in the past, this number rose to approx. 2,300 new wallpapers and borders in 2010. The fact that there continues to be high demand for large-scale, attractive designs and patterns, as compared to the discreet plain-colour textures that were en vogue a few years ago, is positive for our company. Designs and colours are back, whetting people's appetite for wallpapers. Our new product ranges cater to the tastes of our customers and final consumers. Our ESPRIT home and SCHÖNER WOHNEN brand concepts have shown a positive trend. Our courage to experiment is also paying off, as the successful cooperation with the young German designer Lars Contzen shows. We believe that the breadth and high quality of the product ranges we have developed and launched in the past 12 months form a good basis for 2011. Other interesting concepts and brands are under preparation.

The results of various surveys carried out by trade magazines show that our customers appreciate our investments in new product ranges and concepts. At the end of 2010, for instance, EURODECOR magazine singled out A.S. Création for the "best sellable product". BTH magazine found out that A.S. Création leads the industry in categories such as "best sales reps" and "future perspective of the company" in the eyes of our German customers.

A.S. Création also continued to invest in new media in the fiscal year 2010:

- Revenues generated via the "tapetenshop.de" website increased once again, which shows that it is, in fact, possible to sell wallpapers via the Internet. In the meantime, our online shop has been granted the "Trusted Shops" seal.

- We continued to refine the "tapetenbestellshop" touch screen module, which is used in retail stores to advise customers. It is designed to give consumers access to our products in a playful manner.

- Finally, A.S. Création presented the first wallpaper application for the Apple iPad at the Heimtextil exhibition in January. The new app offers final consumers an innovative possibility to obtain free information on the latest wallpaper trends. At the same time, it provides answers to all important questions relating to "wallpapering" in the form of training films or the "Wallpapers 1x1" book published by A.S. Création Tapetenstiftung. The app is available at Apple's App-Store under the name "tapetenshop".

In November 2009, A.S. Création acquired its first digital printing press, which marked the company's entry into this new printing technology. Due to the successful sales of the new products in 2010, we have already ordered the second digital printing press. Going forward, this business segment will therefore gain importance for A.S. Création.

Overall, we feel that A.S. Création is well positioned for the future. We were able to win new customers and to expand the business with existing customers in the specialist retail and DIY store sectors in 2010. We therefore see ourselves in an excellent position for the coming years.

In our key foreign markets, we also set the course for improving our competitiveness and our market position in the coming years. In France, for instance, we will focus on the integration and ongoing development of our two new distribution subsidiaries, SCE SAS and MCF Investissement SAS. Besides our subsidiary A.S. Création (France) SAS, which specialises in supplying relatively small DIY stores, SCE has been able to secure important sales potentials in the "large DIY store" segment and MCF Investissement in the "specialist retail" segment, respectively, which we want to expand in the coming years.

In Russia, the distribution company OOO A.S. Création (RUS) was established last year. In the coming months, this company will build up the infrastructure that is required for the distribution of the products of our planned Russian wallpaper production facility. The start-up of our joint venture with the leading Russian wallpaper manufacturer, Kof Palitra, is proceeding according to plan. Before the start of winter, the facility in Dzerzhinsk was equipped with the necessary energy supply lines. Actual construction of the building is scheduled to start in spring 2011, which means that the first wallpaper rolls should be produced in the course of the first half-year of 2012. In the joint venture, our Russian partner, Kof Palitra, will be responsible for building up and operating the production unit while

A.S. Création will be in charge of product development and distribution. The start-up of a new production facility naturally entails start-up losses. Our projections for 2011 are therefore based on the assumption that net profit for the year, at € 6.5 – 7.5 million will be below the level of 2010 in spite of an anticipated increase in sales to € 195.0 – 205.0 million. The joint venture is expected to generate its first positive operating results already in 2012.

The subsidiaries of A.S. Création meanwhile form a good distribution network in all important markets. Moreover, the production facility in Russia will significantly increase the company's presence in the world's largest wallpaper market. We assume that consumer sentiment in our foreign markets will be more positive again in 2011 and that demand for our wallpapers will pick up. This expectation is supported by incoming orders received in the year to date.

The Heimtextil exhibition in January 2011 gave A.S. Création a good start to the new fiscal year. Our redesigned booth, which was used for a joint presentation by A.S. Création, SCE and Indes Fuggerhaus Textil GmbH, underlined the high demands we make on product diversity, product quality and marketing concepts. The feedback from our wallpaper and furnishing fabrics customers was good throughout and makes us optimistic for the further course of 2011.

I would like to take this opportunity to thank all employees of the A.S. Création Group for their commitment in the past fiscal year. We aim to further expand the leading market position of A.S. Création in the coming years. In view of the quality and dedication of our workforce, we are confident that this will be achieved.

I would like to thank you, dear shareholders, for your confidence and support. I would be pleased to see you sharing our challenging and exciting journey going forward.

Gummersbach, February 2011

Jörn Kämper
Chairman of the Managing Board

MANAGING BOARD AND SUPERVISORY BOARD

Managing Board

Jörn Kämper
Chairman
Sales and Marketing

Maik Holger Krämer
Finance and Controlling

Bernhard Wagner (until March 31, 2011)
Production

Karl-Heinz Hallwig (from April 1, 2011)
Production

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

HIGHLIGHTS 2010

January The A.S. Création share starts the year 2010 at € 25.36 and hits an annual low of € 24.68 on January 12.

Since January 1, A.S. Création has used exclusively FSC®-certified paper and non-wovens for production. Accordingly, all wallpapers produced after this date bear the FSC® label.

A.S. Création presents the new products for 2010 at the "Heimtextil" exhibition in Frankfurt am Main. These include the first digitally printed products, which are marketed under the "XXLwallpaper®" brand.

June OOO A.S. & Palitra, Dzerzhinsk/Russia takes the first preparatory measures to set up the planned wallpaper factory.

August The two operating companies of the Furnishing Fabrics Division are merged to form Indes Fuggerhaus Textil GmbH, which results in improved customer service.

The revised and improved "tapetenshop.de" online shop goes live. Apart from providing easy access to the wallpaper range of A.S. Création, the online shop offers the possibility to have customised wallpapers digitally printed.

November The A.S. Création share hits an annual high of € 34.00 on November 10.

On November 30, the Federal Cartel Office searches the premises of A.S. Création Tapeten AG in Gummersbach. In France, the French anti-trust authorities search the premises of SCE SAS and MCF Investissement SAS.

December The A.S. Création share closes the year 2010 at € 28.27 on December 30.

REPORT OF THE SUPERVISORY BOARD

In the fiscal year 2010, the Supervisory Board held four ordinary meetings on March 9, May 7, September 10 and December 9. All meetings were attended by all members of the Supervisory Board. The composition of the Supervisory Board remained unchanged in fiscal 2010.

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 personal matters, met on March 9, 2010 and on December 9, 2010. The consultations focused on the review of the appropriateness of the Managing Board compensation (particularly with regard to horizontal and vertical comparability) as well as the preparation of the new contracts of the Managing Board members, which will become effective on April 1, 2011. The main emphasis was on the adjustment of the variable compensation with a view to sustainable corporate development. The Committee for Managing Board Members 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 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 2 and on September 9, 2010. The meetings were attended by the representatives of the auditors and by the CFO. The chairman of the Audit Committee is the Vice Chairman of the Supervisory Board.

In the fiscal year, the Audit Committee focused on the audit of the financial statements and the consolidated financial statements for the year 2009, the supervision of the accounting process, the effectiveness of the internal control system, the changes in the field of accounting and on planning the audit for the fiscal year 2010. At the meeting on September 9, 2010, the Managing Board additionally informed the Audit Committee about the measures taken by A.S. Création Tapeten AG to ensure compliance with legal standards and requirements. 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 its constituent meeting on September 10, 2010 with a view to the upcoming election of new shareholder representatives at this year's General Meeting of Shareholders. The Chairman of the Supervisory Board was elected Chairman of the Nomination Committee, which is exclusively composed of shareholder representatives. At its meeting, the Nomination Committee decided to propose to the Supervisory Board the shareholder representatives currently sitting on the Supervisory Board as candidates for the upcoming elections.

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, 2009,

- discussion of the future strategic development of the company's two divisions against the background of the difficult competitive environment in some foreign output markets,

- discussion and resolution on the renewal of the appointment of Mr Kämper and Mr Krämer as members of the Managing Board for the period from April 1, 2011 to March 31, 2016 and the respective redrafting of their contracts,

- consultation and resolution on the successor to Chief Production Officer Mr Wagner, who will resign from the Managing Board at his own request on March 31, 2011,

- consultation and resolution on the amount of the investments for the start-up of a wallpaper production facility in Russia by the joint venture OOO A.S. & Palitra,

- consultation on the approach to the anti-trust proceedings initiated in Germany and France and their potential effects on the balance sheet as well as their financial effects,

- approval of the corporate plan and the capital expenditure budget for fiscal year 2011 and

- discussion about the recommendations and proposals of the German Corporate Governance Code including the efficiency audit provided for under the Code.

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

As early as in fiscal 2007, the Supervisory Board decided to successively subject the internal controlling systems of all Group companies to an external review. This is not a review for a specific reason but an internal review in the context of the Group-wide risk management efforts. In the context of the consolidated financial statements for the year 2010, A.S. Création (France) SAS was subjected to such a review. As in the previous years, this review was performed by a (local) 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. KPMG's overall opinion of the companies' internal controlling system was positive.

The financial statements of A.S. Création Tapeten AG and the consolidated financial statements for 2010 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 2010 was awarded by the Audit Committee on the basis of the resolution adopted at its meeting on September 9, 2010. In accordance with the recommendations made by the German Corporate Governance Code, the Supervisory Board, which was represented by the Chairman of the Audit Committee, obtained a statement from the auditor stating which professional, financial and other relations between the auditors and the company exist that might raise doubts about their independence before awarding the audit assignment. The statement also covers other services provided to the company in the past fiscal year. The statement issued by the auditors to the Supervisory Board raised no doubts about their independence.

The Audit Committee asked the auditors to place one focus of their audit of the 2010 financial statements on the valuation of inventories including sufficient valuation allowances of inventory risks due to reduced usability.

The auditors' reports were submitted to the Supervisory Board members in good time. They were discussed in detail at the meeting of the Audit Committee on March 9, 2011 and at the Supervisory Board's annual accounts meeting on March 18, 2011. The Chairman of the Audit Committee reported to the full Supervisory Board on the treatment of the financial statements and the consolidated financial statements by the Audit Committee. Both the Audit Committee meeting and the Supervisory Board's annual accounts meeting were attended by representatives of the auditors, who reported on the key results of their audit. In the context of their audit, the auditors noted, among other things, that potential developments that may jeopardise the continued existence of the company and the Group are identified and recorded by the risk management system implemented in accordance with Article 91 (2) of the German Stock Corporation Act (Aktiengesetz AktG) and are properly presented in the management report of A.S. Création Tapeten AG and the Group management report. The results of the audit were approved by the Audit Committee and the Supervisory Board.

No objections were raised following the Supervisory Board's own review of the financial statements, the consolidated financial statements, the two management reports and the profit appropriation proposal.

The Supervisory Board therefore approves the financial statements of A.S. Création Tapeten AG and the consolidated financial statements prepared by the Managing Board for the year ended December 31, 2010. The financial statements are therefore adopted. The Supervisory Board also supports the Managing Board's profit appropriation proposal.

The Supervisory Board would like to thank the members of the Managing Board and all employees for their successful commitment to the company, its customers and its shareholders.

The Supervisory Board would like to thank Mr Wagner, whose term of office as Chief Production Officer will end on March 31, 2011. Mr Wagner chose to resign from the Managing Board with effect from this date and hand over his responsibility to a younger Managing Board member. During the more than 30 years he spent with the company, Mr Wagner was instrumental in the positive development of A.S. Création and has made a considerable contribution to its success. We all would like to thank him cordially for his great personal commitment.

The Supervisory Board has appointed Mr Karl Heinz Hallwig as successor to Mr Wagner. The Supervisory Board is pleased that a successor from within the company has been found and wishes Mr Hallwig every success for his future task and the challenges which lie ahead.

Gummersbach, March 18, 2011

Franz Jürgen Schneider
Chairman of the Supervisory Board

CORPORATE GOVERNANCE REPORT

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 26, 2010. 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 No. 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 Managing Board and the Supervisory Board of A.S. Création Tapeten AG welcome the intention of the Government Commission to strengthen both national and international investors' confidence in the management of German companies. A.S. Création Tapeten AG therefore complies with most of the recommendations of the Code, albeit not with all of them. In these few cases, the Managing Board and the Supervisory Board are of the opinion that either general considerations such as doubts about whether certain recommendations make sense or company-specific reasons make it advisable not to seek compliance with the general recommendations.

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

On March 18, 2011, the Managing Board and the Supervisory Board of A.S. Création Tapeten AG declared that the company complied with the Code as amended on June 18, 2009 in the period from March 9, 2010 to May 26, 2010 subject to the exceptions stated in last year's declaration of conformity dated March 9, 2010 and that, thereafter, the company has complied and will continue to comply with the German Corporate Governance Code as amended on May 26, 2010 subject to the following exceptions:

- Agreement of a severance payment cap (pursuant to Section 4.2.3 of the Code)
  The Code recommends fixing a cap for severance payments in Managing Board contracts in the event of premature termination of a contract without serious cause. The Managing Board contracts of A.S. Création Tapeten AG signed before the coming into force of this recommendation do not include such a cap. These contracts will expire on March 31, 2011. In the new contracts, which will come into effect on April 1, 2011, the recommendation of the Code has been taken into account.

- Specification of concrete objectives for the composition of the Supervisory Board
  (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. This suitability does not depend on formal criteria such as age and gender.

- Introduction of a performance-related compensation for the Supervisory Board
  (pursuant to Section 5.4.6 of the Code)
  The current statutes of A.S. Création Tapeten AG stipulate fixed compensation and no performance-related compensation. In the opinion of the Managing Board and the Supervisory Board it is not clear if and to what extent performance-related compensation would have a positive effect on the work of a Supervisory Board and the company's economic success. According to recent press reports, this is also the result of discussions within the Corporate Governance Commission, which has come to the conclusion that the Corporate Governance Code should be amended accordingly. A.S. Création Tapeten AG does therefore not intend to introduce performance-related compensation for the Supervisory Board.

Managing Board and Supervisory 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. A list of the Managing Board members is provided in the "Managing Board and Supervisory Board" chapter on page 12 of this Annual Report. The members of the Managing Board are appointed by the Supervisory Board. The tenure of the current Board members will end on March 31, 2011.

The Chairman of the Managing Board, Mr Kämper, and the Chief Financial Officer, Mr Krämer, have been appointed for another term of office until March 31, 2016. The Chief Production Officer, Mr Wagner, was no longer available for another term of office for reasons of age. On April 1, 2011, the Supervisory Board appointed Mr Karl-Heinz Hallwig as his successor. To ensure that the contracts of the Managing Board members do not end on the same day, which was the case in the past, Mr Hallwig's contract will end on March 31, 2013.

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 has formed three committees:

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

A list of the Supervisory Board and committee members is provided in the "Managing Board and Supervisory Board" chapter on page 12 of this Annual Report. The tenure of all Supervisory Board members will expire at the end of the General Meeting of Shareholders that will ratify their acts for fiscal 2010, which is scheduled for May 5, 2011.

As of December 31, 2010, members of the Managing Board and members of the Supervisory Board held 9,434 shares (previous year: 8,664 shares) and 890,546 shares (previous year: 890,546 shares), respectively. The Managing Board and the Supervisory Board thus hold a combined 30.0% (previous year: 30.0%) of the A.S. Création shares.

Compensation report

The total compensation of the Managing Board is defined by the Supervisory Board and its amount and structure are reviewed by the same body once a year. The respective decisions are prepared by the Committee for Managing Board Matters. The Managing Board compensation was last reviewed at the committee meeting on March 18, 2011 and the Supervisory Board meeting of the same day.

The compensation earned by the Managing Board members comprises a performance-linked and a non-performance-linked component. The latter consists 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 actual amounts differ depending on the member's personal circumstances. The performance-linked component of the compensation exclusively consists of a management bonus, which is determined mainly on the basis of the Group's net profit for the year, of which each Board member receives a defined percentage. No other variable components, e.g. stock options, have been agreed.

The German Act on the Appropriateness of Executive Remuneration (Gesetz zur Angemessenheit der Vorstandsvergütung VorstAG) provides for the compensation structure to be geared to sustainable corporate development. This has been implemented in the context of the new contracts of the Managing Board members, which will become effective on April 1, 2011. From this time, the Group's weighted average cash flow from three fiscal years will form the basis of assessment for the calculation of the bonus. Each member of the Managing Board will receive a fixed percentage of this basis of assessment. The adjustment of the basis of assessment will lead to two major improvements. First, the cash flow, unlike the consolidated net profit, reflects the company's liquidity situation. In future, purely accounting-induced but non-cash changes in the earnings position, such as changed depreciation standards or the effects of changes in the tax rates on deferred taxes, will have no impact on the amount of the Managing Board bonus. Second, the focus is no longer placed on the (short-term) economic performance of only one year but on a longer three-year period. Due to these fundamental adjustments, the compensation scheme for the Manaing Board will be submitted for approval to the next General Meeting of Shareholders, which is scheduled for May 5, 2011.

In accordance with the recommendation to provide incentives for responsible management, the performance-linked, variable component has traditionally represented the major portion of the Managing Board compensation paid by A.S. Création Tapeten AG. In fiscal 2010, the performance-linked component accounted for 75.3% or € 1.672 million (previous year: 73.2% or € 1.493 million) of the Managing Board's total compensation of € 2.219 million (previous year: € 2.040 million), while the non-performance-linked component represented only 24.7% or € 0.547 million (previous year: 26.8% or € 0.547 million). The compensation of the Managing Board members is not reported individually, as a clear majority of 97.85% of the shareholders attending the General Meeting of Shareholders on May 17, 2006 voted against this form of disclosure.

The increase in the Managing Board compensation in the year 2010 is attributable to the

Group's higher net profit for the year. At € 8.395 million, the latter was up 11.9% on the previous year's € 7.499 million. As the bonus is calculated as a percentage of the Group's net profit, the Managing Board's performance-linked compensation was 12.0% or € 0.179 million higher than in the previous year.

In addition, the members of the Managing Board benefit from pension commitments. These are guaranteed fixed amounts that will be payable by the company when the pension entitlements arise. As of the balance sheet date, provisions in an amount of € 0.299 million (previous year: € 0.299 million) had been established for these pension obligations. 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. As a result, A.S. Création Tapeten AG's liabilities under the performance-based commitments will decline in the coming years, i.e. the respective pension provisions can be reduced gradually.

In fiscal 2010, the payments to the relief fund led to expenses of € 0.072 million. Apart from payments to the relief fund in the same amount, there were expenses from the allocation to pension provisions in an amount of € 0.039 million in the previous year. This allocation resulted from the adjustment of the discounting factor applied in calculating the pension provisions to the capital market developments at the time; as a result total pension expenses in 2009 amounted to € 0.111 million.

The compensation of the Supervisory Board is defined by the General Meeting of Shareholders and in the statutes of A.S. Création Tapeten AG. According to Article 14 of the current statutes (as amended on May 7, 2010) 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 (previous year: € 94,500). 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 2010, the fee for these advisory services amounted to € 0.119 million (previous year: € 0.123 million).

This compensation report has been audited by the auditors and is part of the Management Report.

Directors' dealings

According to Article 15a of the German Securities Trading Act (Wertpapierhandelsgesetz WpHG), the members of the Managing Board and of the Supervisory Board of A.S. Création Tapeten AG as well as other persons who have regular access to insider information and who are authorised to take significant corporate decisions are obliged to report their own dealings in A.S. Création shares or related financial instruments (i.e. so-called directors' dealings) if these dealings exceed a total of € 5,000 in a calendar year. This obligation also applies to persons and legal entities that are closely related to one of the aforementioned persons. A.S. Création Tapeten AG must immediately publish such reports. In fiscal 2010, the following transactions were reported to A.S. Création Tapeten AG, which are also published on the company's website:

Date / Place	Name	Function	Financial instrument	Transaction type	Number	Unit price	Total volume
Jan. 26, 2010 Frankfurt a. M.	B. Wagner	Managing Board member	A.S. Création share	Purchase	150	€ 26.00	€ 3,900.00
Jan. 27, 2010 Frankfurt a. M.	B. Wagner	Managing Board member	A.S. Création share	Purchase	195	€ 26.00	€ 5,070.00
Jan. 28, 2010 Frankfurt a. M.	B. Wagner	Managing Board member	A.S. Création share	Purchase	425	€ 25.80	€ 10,965.00

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. The Managing Board 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.

MANAGEMENT REPORT

Introduction

The A.S. Création Group comprises two Divisions, 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 2010 Group sales, it is the larger of the two Divisions. The Furnishing Fabrics Division markets curtains and furnishing fabrics and has no manufacturing resources of its own. The legal structure of the A.S. Création Group mirrors the management structure, i.e. the two Divisions are legally independent units.

In the past fiscal year, the macroeconomic environment was more benign than in 2009. Although the economic trend differed greatly between the individual countries and some economies are still struggling with the recession, 2010 was a growth year from a global perspective. In this environment A.S. Création showed a good performance:

- Group sales grew by 1.8% from € 181.3 million in the previous year to € 184.6 million in the fiscal year 2010, which was the highest level in the history of A.S. Création.

- Net profit for the year increased at a disproportionate rate of 11.9% from € 7.5 million in 2009 to € 8.4 million in the past fiscal year. Accordingly, the profit margin after taxes climbed to 4.5% (2009: 4.1%).

- Net financial liabilities were reduced by € 4.3 million from € 20.6 million on December 31, 2009 to € 16.3 million on the balance sheet date, which means that the good financial structure of A.S. Création improved even further.

Not all of the Managing Board's expectations for the past fiscal year were fulfilled, though. Sales and earnings were at the lower end of the Group's projections, according to which sales would have reached between € 185 million and € 190 million and earnings would have come in at between € 8.5 million and € 9.0 million. The negative impacts of the crisis year 2009 were not fully offset, all the less so as the increased commodity and energy prices had a materially adverse impact on the earnings position of A.S. Création. The return to higher growth rates in sales and earnings remains one of the key objectives for the next fiscal years.

An important step for the future of A.S. Création will be taken in the fiscal year 2011, as the company begins to set up a wallpaper production facility in Dzerzhinsk/Russia. Plans for 2011 also include the acquisition of the remaining shares in the two French wholesale companies, SCE – Société de conception et d'édition SAS and MCF Investissement SAS. This will mark the completion of the acquisition, which began in December 2008, when A.S. Création acquired the majority share. The financing requirements resulting from these (growth) investments will increase the net financial liabilities of A.S. Création. The anticipated start-up losses in Russia and higher interest expenses will weigh on the bottom line in 2011. Nevertheless, the Managing Board sees A.S. Création in a very solid position to continue to pursue its growth strategy even in the prevailing uncertain environment.

Macroeconomic environment

While the euro-zone – the most important output market of A.S. Création – suffered a 4.0% decline in GDP in 2009 as a result of the financial and economic crisis, the region's economy expanded by only 1.7% in 2010. This shows that the financial and economic crisis is far from over yet. Right on the contrary – the excessive government debt in many euro-zone countries shifted into the focus of the capital markets in the course of 2010. As a result, there have been growing doubts about the general stability of the euro-zone. As the year progressed, this led to a euro crisis, in which some smaller, highly indebted countries such as Greece and Ireland, were no longer able to raise capital in the capital markets but were dependent on support from other EMU countries. As it was uncertain whether some of the larger countries would have to be rescued as well finally led to a depreciation of the euro. The exchange rate dropped from USD/€ 1.4375 at the end of 2009 by 17.3% to an annual low of USD/€ 1.18890 in June 2010. While the exchange rate climbed to USD/€ 1.3350 towards the end of 2010, the external value of the euro was 5% below the prior year average in 2010. This benefited the export-oriented EMU countries such as Germany, as growth was not driven by domestic demand within the euro-zone but by global demand for industrial products, especially from Asia (and increasingly from the USA). Accordingly, the euro-zone is deeply divided in economic terms. On the one hand, there are countries like Greece, Ireland, Portugal and Spain, whose public debt forces them to take strict consolidation measures, which make growth virtually impossible; on the other hand, there are countries such as Germany, which post high growth rates. Germany's gross domestic product rose by 3.6% in 2010; in this context, it should be noted, however, that the 4.7% decline in German GDP in 2009 was clearly above the euro-zone average. The euro-zone jobless rate continued to increase, namely from 9.5% in the previous year to 10.0% in 2010. It is therefore not surprising that consumer spending was up by only 0.7% on the previous year in 2010.

Russia, A.S. Création's most important Eastern European output market, was hit harder by the financial and economic crisis of the year 2009 than any other industrialised country, which was reflected in a 7.9% slump in GDP. In 2010, Russia benefited from the pick-up in global demand for commodities and energy and the consequent increase in prices. These effects led to a higher trade surplus. Other positive effects came from consumer spending, which picked up as a result of strong pension increases, higher real wages and a declining jobless rate. Nevertheless, the Russian economy expanded by only approx. 4%, which means that it has not fully recovered from the slump of the year 2009. Moreover, the economic recovery was much weaker than in the other BRIC countries (Brazil, Russia, India, China). One of the reasons is the slow reorganisation of the economy, which continues to be dominated by commodity-based industries (oil, gas, minerals and metals). Companies capital spending in 2010 was up by only 2.5% on the (low) level of the previous year and was far from the 7% to 8% that are considered necessary for a structural reorganisation of the Russian economy. Instead of making long-term investments, the available liquid funds were spent on short-term investments: Russia's turnover of short-term financial instruments doubled in 2010. In addition, the Russian economy suffered from the large forest fires, which led to production disruptions in the industrial sector and to crop failures in the agricultural sector. It is estimated that these damages reduced the gross domestic product by about one percent in 2010. Moreover, substantial funds will be needed in the coming years to rebuild the towns and enterprises and restore the agricultural spaces that were destroyed.

As mentioned before, the prices of commodities and energy increased sharply in 2010. According to the Hamburg Institute of International Economics (HWWI), global commodity prices (excluding energy) increased by 41.5%, while global energy prices rose by 36.4% (on a euro basis). This means that the price declines that occurred in 2009 in the context of the global financial and economic crisis have been more than offset. The price increases affected several important raw materials used by A.S. Création, such as PVC and paint as well as paper and non-wovens.

Conclusion: The economic situation improved in 2010 as compared to 2009. Given that wallpapers and furnishing fabrics are consumer goods, the rise in consumer spending, which was evident in nearly all output markets, was a positive factor. In the euro-zone, however, this increase was too weak to provide a material stimulus. Also, the increase in commodity and energy prices, which was much stronger than expected at the beginning of the year, had an adverse impact. Overall, the Managing Board is of the opinion that the macroeconomic environment in 2010 tended to be negative for A.S. Création.

Industry-specific environment

The members of the Association of German Wallpaper Manufacturers (VDT) reported a 5% increase in sales revenues in 2010.

In Germany the VDT members expanded their sales revenues by approx. 4%, which means that, as in the previous years, wallpaper sales increased at a higher rate than consumer spending, which picked up by only 0.5% in Germany in 2010. This comparison shows that wallpaper is a product that enjoys great popularity and is very much en vogue. In the management report for the year 2009, the Managing Board already reported that trend researchers have identified a trend towards homing or cocooning, which they see as a response to an environment that is increasingly being perceived as uncertain and fast-lived. This trend is no doubt positive for wallpaper products.

German wallpaper manufacturers did not benefit from this trend outside Germany. While VDT members' export sales increased by approx. 6% in 2010, i.e. at a higher rate than consumer spending, this growth rate must be seen against the background of the 25.7% drop in sales suffered by the wallpaper industry in 2009. Accordingly, the trend in export sales in 2010 was not satisfactory. The large wallpaper markets in Eastern Europe such as Russia and Ukraine play an important role for the export-oriented German wallpaper industry. In these markets, the depreciation of the local currencies in 2009 led to a shift in demand to locally produced products and a commensurate decline in the VDT members' sales revenues. In spite of an improved exchange rate trend (and the resulting better export conditions), German wallpaper manufacturers were unable to regain the market shares lost to local manufacturers in these countries.

To the knowledge of the Managing Board of A.S. Création, the large Western European wallpaper manufacturers were not able to fully utilise their production capacity in 2010. This also affected A.S. Création, although further parts of the product ranges of MCF Investissement SAS und SCE SAS, the two French wholesale companies acquired at the end of 2008, have been revised and are now produced by A.S. Création Tapeten AG. From the Group's point of view, this change has led to improved capacity utilisation but not to incremental (external) sales. The Managing Board believes that the unused production capacity has increased the intensity of competition in the international wallpaper industry.

The Wallpaper Division of A.S. Création generated sales revenues of € 172.7 million in 2010, up 1.6% on the previous year's € 169.9 million. While A.S. Création remains the largest wallpaper manufacturer in the European Union, the growth rate was below the VDT average in 2010.

The Furnishing Fabrics Division again faced difficult sector-specific conditions in the year 2010. Sales declined across all product groups. According to the Association of the German Home Textile Industry, sales in the furnishing fabrics and curtains segments - the two segments served by A.S. Création – declined by 6.5% and 0.8%, respectively. The Furnishing Fabrics Division of A.S. Création was able to isolate itself from the general market trend and reported a 3.8% increase in sales from € 12.1 million in the previous year to € 12.6 million in 2010.

Sales

At € 184.6 million (2009: € 181.3 million), A.S. Création's sales revenues reached the highest level in the history of the company in the fiscal year 2010. This 1.8% increase in sales is attributable to both divisions of A.S. Création, which posted growth rates of 1.6% (Wallpapers) and 3.8% (Furnishing Fabrics).

The analysis of the regional sales performance shows the following positive aspects:

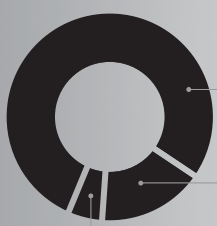
- The German market was an important growth driver in the past fiscal year. A.S. Création increased its gross sales revenues by 6.3% and was able to win additional market shares in Germany. This success is primarily attributable to business with existing customers being expanded through a successful product range policy.

- The sales trend in non-EU Eastern European countries was also positive. While gross revenues were down by 9.7% on the low level of the previous year in the first six months of 2010, the situation improved markedly in the second half of the year. As a result of intensified product development efforts for customers in this region and a generally improved economic situation, A.S. Création was able to increase sales revenues by 22.9% in the second half of 2010. Gross sales revenues 2010 in non-EU Eastern European countries were thus up by 7.3% on the previous year. In spite of this positive trend in the course of 2010, the current level of sales revenues generated in this region is still unsatisfactory, as it is as much as 46.5% below the level of the year 2008, i.e. prior to the financial and economic crisis.

- Sales revenues also benefited from positive stimulation from some Asian countries, e.g. China. Due to the dynamic growth in these countries, sales revenues in the regions outside the EU and Eastern Europe advanced by 32.7% in 2010. Contributing only 5.9% to total Group sales, these markets currently have only little importance for A.S. Création but it is safe to assume that their contribution will increase in future.

By contrast, the sales trend in the other EU markets (excluding Germany) was unsatisfactory. While sales revenues were still on a par with the previous year in the first half of 2010, A.S. Création reported an 11.3% drop in sales in the second half of the year. At € 88.9 million, total gross sales in 2010 were down by 5.9% on the previous year's € 94.5 million. This was mainly attributable to the situation in France, the largest wallpaper market in the EU, where demand was very weak in the second half of the year. A.S. Création was unable to isolate itself from this trend. While further parts of the product ranges of SCE – Société de conception et d'édition SAS and MCF Investissement SAS,

Gross-Sales 2010 by regions



in %	€ m	
34.0	68.1	Germany
44.4	89.0	EU (excl. Germany)
78.4	157.1	European Union (EU)
15.7	31.5	Other Eastern Europe
5.9	11.9	Other countries
100.0	200.5	Sales (gross)

the two French wallpaper wholesalers acquired at the end of 2008, were replaced with products from the production of A.S. Création Tapeten AG, which led to improved capacity utilisation, the decline in external sales prevented this from being reflected in increased Group sales in France. By contrast, A.S. Création was able to expand its sales revenues in other large wallpaper markets such as the UK and the Benelux countries.

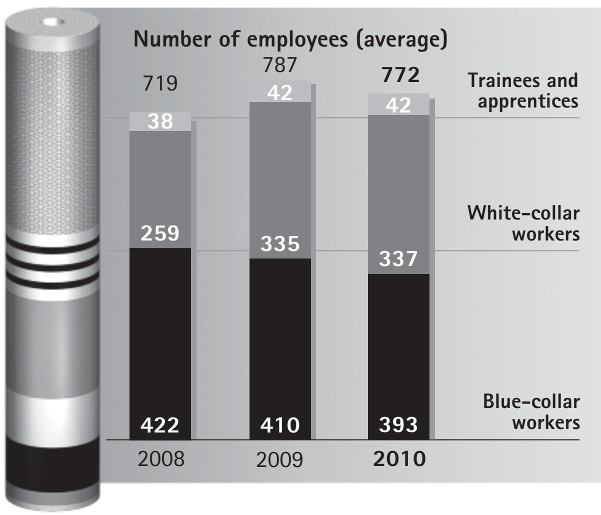
The above factors did not lead to material shifts in the regional breakdown of Group sales. Accounting for 78.4% (2009: 80.5%) of Group sales, the European Union remains the largest output market of A.S. Création. Non-EU Eastern European countries contributed 15.7% to Group sales in 2010 (2009: 14.9%).

At € 184.6 million, Group sales were at the lower end of the € 185 million to € 195 million range anticipated for 2010. As full capacity utilisation was not achieved in the past fiscal year, the Managing Board has defined the expansion of sales revenues as one of the main objectives for the next fiscal years.

Employees

The average number of employees of A.S. Création decreased by 15 people or 1.9% from 787 in 2009 to 772 in 2010. 706 employees (2009: 719) worked in the Wallpaper Division and 66 (2009: 68) in the Furnishing Fabrics Division. As a result, staff productivity improved moderately in the fiscal year 2010, with sales per employee climbing 3.9% from € 0.230 million in 2009 to € 0.239 million in 2010. While this means that the decline of the year 2009 has partially been offset, this figure is still far below the € 0.248 million achieved in the year 2007.

In line with the long-term corporate strategy, the Managing Board attaches great importance to retaining well-trained and motivated employees in the A.S. Création Group. As in the previous year, the Managing Board did not respond to the unfavourable environment by making massive headcount adjustments, although sales fell short of expectations in the past fiscal year and failed to make up for the decline of the year 2009. The Managing Board remains convinced that the slow sales growth is not the result of a structural demand problem for wallpapers and furnishing fabrics but is



rather an after-effect of the financial and economic crisis.

A.S. Création's long tradition of training young people should also be seen against the background of the long-term development of the company. The Managing Board of A.S. Création is convinced that the training and further education of its workforce are important factors for the future of the company. Accordingly, the company decided to expand its training activities already back in 2007. This decision was not questioned even under the difficult economic conditions prevailing in the past two years. As a result, A.S. Création employed an average of 42 trainees and apprentices in 2010. Trainees and apprentices thus represented 6.6% of the domestic workforce. A comparison with the year 2007, when the company's 34 trainees and apprentices represented 5.5% of the workforce, underlines the efforts taken.

Last year saw an intensive public debate about the fact that the German labour market coped much better with the financial and economic crisis than the labour markets in other countries. Germany's jobless rate declined from 8.2% in 2009 to 7.7% in 2010, while the euro-zone jobless rate climbed from 9.5% to 10.0%. The reasons cited for this positive trend include the labour market reforms that have been implemented, the moderate pay rises as well as employers' cautious approach to job cuts. The Managing Board is of the opinion that the good cooperation between the management and the workforce has proven its worth also at A.S. Création. The Managing Board would like to take this opportunity to thank the workforce for the confidence placed in us in these difficult times. The cooperation with the members of the Staff Council and the employee representatives in the Supervisory Board was also marked by trust and the will to contribute to both the well-being of the staff and the successful and secure future of A.S. Création. Our thanks go to all employees whose commitment enabled both Divisions to close the fiscal year 2010 with what was a satisfactory result overall.

Capital expenditures

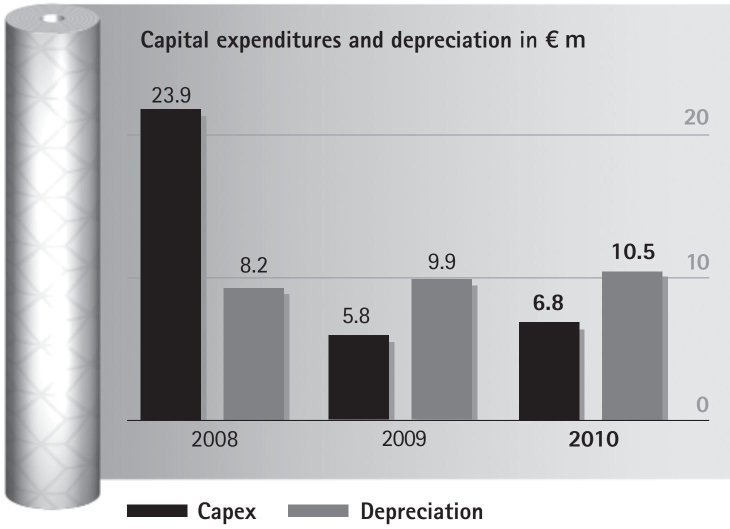
Capital expenditures in 2010 totalled € 6.8 million (2009: € 5.8 million) and primarily comprised replacement investments as well as investments in printing tools for the new wallpaper collections. As in the previous year, no major investments in new capacity were required, as the expansion of production capacity at the German locations was completed as planned in 2008 and – as mentioned before – existing production capacities were not fully utilised in 2010.

The growth in capital expenditures over the previous year is primarily attributable to the following factors:

- While A.S. Création developed some 1,950 new articles in 2009, this number rose to roughly 2,300 in the past fiscal year. This product drive, which has laid the foundation for the planned sales growth in 2011, led to increased investments in printing tools.

- A thermal post-combustion unit was exchanged and related peripheral equipment and pipe systems were renewed at the production facility in Wiehl-Bomig. This investment totalled € 0.8 million, which is included in the capital expenditures volume of the year 2010.

- 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 planning process for the building was completed in 2010 and the first construction measures were taken; these included the planning and fencing of the site and the connections to the electricity, water and sewage networks. The capital of OOO A.S. & Palitra has been increased to finance these measures. The share of € 0.9 million (2009: € 0.5 million) that is attributable to A.S. Création Tapeten AG is stated as a capital expenditure in the consolidated financial statements for the year 2010.



In the past ten years, A.S. Création invested € 9.4 million per year on average. Compared to this long-term average, the capital expenditures of the years 2009 and 2010 were low. This is no indication that the restrictive spending policy will jeopardise the future viability of the company. Right on the contrary - all investments which the Managing Board considers necessary to ensure the continued positive performance of the A.S. Création Group were implemented in 2010. A.S. Création has thus strengthened its position as the largest and most efficient wallpaper manufacturer in the European Union.

Product safety and environmental protection

All A.S. Création wallpapers are produced to applicable EN or DIN standards and thus comply with legal provisions. But we offer our customers even greater safety, as our products meet the stricter requirements of "Gütegemeinschaft Tapete e.V.", which are documented in RAL-GZ-479. Compliance with this standard is regularly examined by the internationally renowned Fraunhofer Society on a random sample basis.

Pursuant to EN 15102, which implements EU Directive 89/106/EWG, all wallpapers, which are now regarded as construction products, must bear a CE mark starting January 1, 2011. In case of products, which comply with the requirements concerning reaction to fire verifiably, the CE mark is extended by the respective fire protection class and the code number verifying the testing institute. In the course of 2010, A.S. Création had its own product groups tested by an accredited and independent testing institute, so that all wallpapers produced by A.S. Création since January 1, 2011 bear a certified CE mark.

To promote environmental protection and sustainability, A.S. Création exclusively uses water-based paints on its heliogravure printing machines. Moreover, the company has used only FSC®-certified papers and non-wovens since January 1, 2010, which means that all wallpapers produced since this date carry the FSC® label. 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. For this purpose, the FSC® has defined minimum standards for forest management. Every forest owner is checked for compliance with the FSC® standards by an independent auditor on an annual basis. Only after having passed the test may forest owners market their products using the FSC® label. Further tests down the process chain ensure that FSC® wood is not illegally mixed with non-certified wood and marked with the FSC® label. The latter tells consumers that wood from responsible and sustainable forest management was used for the product in question.

Our capital expenditures also reflect our commitment to a sparing use of resources. While all capital expenditures required to meet the increasingly stringent legal and regulatory requirements count as direct capital expenditures in environmental protection, capital expenditures in modernisation also contribute to environmental protection given that the use of advanced technologies usually also entails a higher degree of efficiency with regard to the resources used. The high level of capital expenditures aimed at ensuring growth as well as the company's future viability mean that A.S. Création is in a good position also in this respect.

Important events in FY 2010

In 2010, the Supervisory Board of A.S. Création Tapeten AG decided on the composition of the Managing Board from April 1, 2011. The Chairman of the Managing Board, Mr Kämper, and the Chief Financial Officer, Mr Krämer, were appointed for another term of office. Karl-Heinz Hallwig was appointed Chief Production Officer; he will succeed Mr Wagner, who will resign from the Managing Board for reasons of age with effect from March 31, 2011.

The two operating companies of the Furnishing Fabrics Division, Indes Wohntextil GmbH and FUGGERHAUS Stoffe GmbH, were merged in August 2010. The merged company has since operated under the name of "Indes Fuggerhaus Textil GmbH". The merger has helped to reduce administrative tasks and facilitate the order handling process. In addition, the external sales force has been restructured, so that customers now benefit from improved services.

On November 30, 2010, the Federal Cartel Office searched the premises of A.S. Création Tapeten AG in Gummersbach-Derschlag as well as those of four other German wallpaper manufacturers. The Cartel Office wants to find out whether there have been agreements in restraint of competition in the wallpaper industry. In this context, eight wallpaper distributors in France were examined by the French anti-trust offices on the same day, including SCE – Société de conception et d'édition SAS and MCF Investissement SAS, two companies of the A.S. Création Group. So far, neither the Federal Cartel Office nor its French counterpart have submitted an official list of the offences allegedly committed by the companies.

Earnings position

Based on the before mentioned 1.8% increase in sales to the record level of € 184.6 million (2009: € 181.3 million), the earnings position of A.S. Création improved in the past fiscal year. Earnings before interest and taxes climbed 6.6% from € 13.4 million to € 14.3 million. As a result, the EBIT margin rose to 7.8% (2009: 7.4%).

An analysis of the result shows that the following factors had a positive impact on the earnings position in the past fiscal year:

- **Increased staff productivity**
  Personnel expenses as a percentage of total output improved moderately from

21.3% in the previous year to 21.1% in 2010. This reflects the increased staff productivity described in the chapter "Employees".

- **Improved utilisation of production capacity**
  Other operating expenses improved as well, declining from 15.0% of total output in 2009 to 14.6% in 2010. This improved relation reflects the increased utilisation of the company's own production capacity in the fiscal year. Although full capacity utilisation has not been reached yet, the higher output has led to a decline in unit costs, as the fixed costs were spread over a higher total output.

- **Consequences of the purchase price allocation**
  Besides the above-mentioned factors resulting from the business operations, accounting-related factors also had a positive impact on the income statement of the year 2010. In the context of the December 2008 acquisitions in France, the purchase price was allocated to the acquired assets and liabilities (for details of this purchase price allocation, refer to No. 31 in the Notes to the consolidated financial statements for the year 2009). This purchase price allocation has an adverse impact on the operating result in subsequent years. At € 1.4 million, this impact was € 0.7 million lower in 2010 than the previous year's € 2.1 million.

These positive factors were offset by factors that had a negative effect on the bottom line and prevented a stronger improvement in the earnings position of A.S. Création:

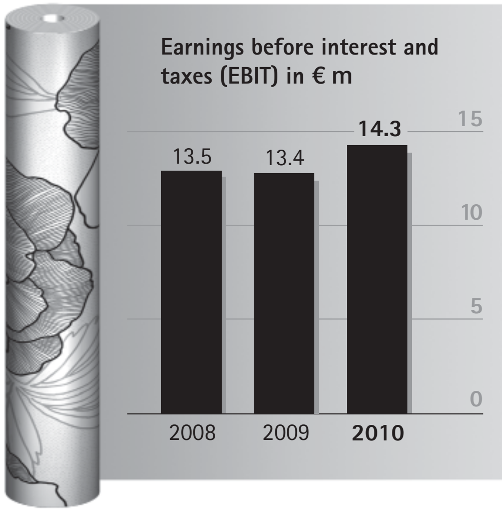
- **Increased procurement costs**
  As described under "Macroeconomic environment", global commodity prices (excluding energy) increased by 41.5% and energy prices by 36.4% in 2010. These price increases also affected important raw materials used by A.S. Création such as paper, non-wovens, PVC and paint, which led to a rise in production costs. A.S. Creation pursues a product policy of compensating these price increases on the procurement side by successively expanding the percentage of higher-quality products in the wallpaper range. Due to the existing overcapacity in the wallpaper industry and the resulting fierce competition, this goal was not fully achieved in 2010. This is reflected in the gross profit margin (quotient of gross profit and total output), which declined by 0.6 percentage points from the previous year's 49.1% to 48.5% in the past fiscal year. In relation to the increased total output of € 186.6 million, the decline in the margin means that € 1.1 million less

in earnings was available to cover other expenses.

- **Increase in inventories**
  Inventories increased by € 2.0 million in 2010, compared to a € 4.1 million reduction in inventories in the previous year. This increase in inventories also had an adverse impact on the gross profit margin in the year 2010, as profits will be realised only when the products are sold in future.

- **Increased spending on the product range**
  To lay the foundation for higher future sales growth, the development of new products was expanded significantly in the past fiscal year. While the Wallpaper Division used to develop between 1,800 and 1,950 new articles per year in the past, this number rose to roughly 2,300 in 2010. This expansion is reflected, among other things, in higher investments in printing tools and higher depreciation and is one of the main reasons for the € 0.6 million increase in depreciation from € 9.9 million in 2009 to € 10.5 million in 2010.

Both divisions contributed to the above-mentioned improvement in the earnings position of A.S. Création in the fiscal year 2010. Earnings before interest and taxes in the Wallpaper Division rose from € 13.0 million in 2009 to



€ 13.7 million in 2010, while the EBIT margin reached 8.0% (2009: 7.6%). At € 0.590 million (2009: € 0.452 million), EBIT in the Furnishing Fabrics Division reached the highest level in the past ten years. Accordingly, the division's EBIT margin reached a record 4.7% (2009: 3.7%).

Besides the two divisions' improved earnings, the financial result of the A.S. Création Group improved as well and climbed from € -2.6 million in 2009 to € -1.9 million in 2010. This increase reflects the lower interest expenses resulting from the reduction in net financial liabilities as well as the effects from the adjustment of the discount factor used for the actuarial calculation of the pension provisions to developments in the capital market. In 2009, the discount factor was lowered from 5.75% to 5.00%; the consequent actuarial increase in pension provisions by € 0.7 million was recognised under interest expenses. In the fiscal year 2010, the adjustment of the discount factor from 5.00% to 4.90% led to interest expenses of € 0.1 million.

The fiscal year's EBIT and financial result translated into pre-tax earnings of € 12.4 million, which was 14.0% above the previous year's € 10.8 million. Net profit for the year reached € 8.4 million (2009: € 7.5 million), which is equivalent to a profit margin after taxes of 4.5% (2009: 4.1%). Based on the number of shares outstanding, which remained unchanged at 2,756,351 in 2010, earnings per share amounted to € 3.05 (2009: € 2.72).

Financial position

Based on the improved earnings position, cash flow reached the highest level in the history of A.S. Création at € 19.0 million (2009: € 17.6 million), once again reflecting the Group's high internal financing capability. Accordingly, net financial liabilities (difference between interest-bearing financial liabilities and cash and cash equivalents) were reduced by € 4.3 million from € 20.6 million on December 31, 2009 to € 16.3 million on December 31, 2010.

Unlike the previous year, when capital tied up in current assets was released due to the decline in inventories and the reduction in receivables, current assets and, in particular, inventories increased in 2010. This prevented a further reduction in net financial liabilities. Given that a major portion of the assets of A.S. Création is tied up in inventories and trade receivables, the company has traditionally kept a close eye on these items. The analysis of the underlying key figures shows that the additional capital tied-up in current assets is not unusual and that the capital tied-up in relation to sales revenues even improved in 2010. The imputed receivables collection period declined from 76 days in the previous year to 70 days in fiscal 2010, while the imputed inventory turnover increased from 4.1 to 4.3 times per year.

A.S. Création's conservative financing policy, which is characterised by long-term debt at fixed interest rates, has proven its worth especially in the financial crisis. Unlike other companies, A.S. Création did not face a reduction in credit lines or had to renegotiate the conditions of its existing loans. The Group has a very robust and sound financial structure, which is reflected in the following balance sheet figures:

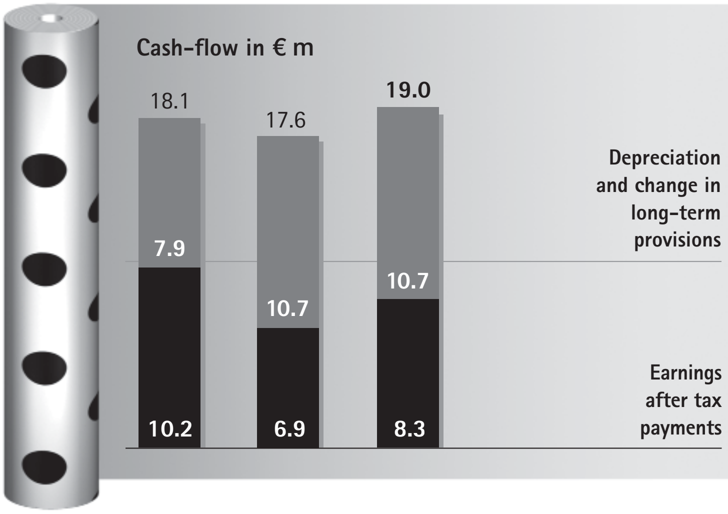
- Based on equity of € 88.8 million as of December 31, 2010 (2009: € 83.8 million), the equity ratio reached a high level of 54.9% (2009: 51.8%).

- Equity and non-current liabilities are more than sufficient to finance non-current assets. As of December 31, 2010, the respective ratio stood at 199.3% (2009: 196.7%), which means that the "golden rule" was more than fulfilled.

- The debt to equity ratio (net financial liabilities divided by equity) declined as a result of the debt reduction and stood at a low 18.3% on December 31, 2010 (2009: 24.6%).

- The debt repayment period (the quotient of net financial liabilities and cash flow) was 0.9 years in 2010 (2009: 1.2 years).

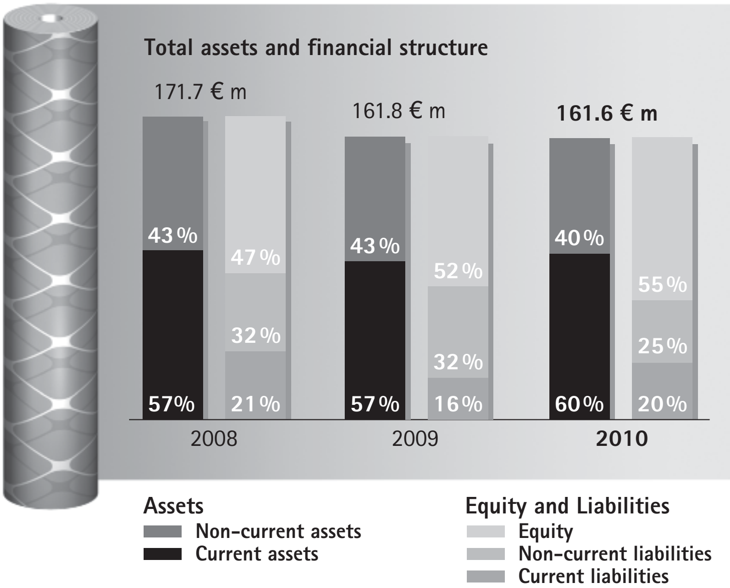
The Managing Board of A.S. Création believes that this robust and sound financial structure puts the company in a position to realise the planned expansion investments, especially the start-up of a wall-paper production facility in Russia in spite of uncertain business environment.



Further the Managing Board of A.S. Création believes, that the net asset position as well is very sound. From total groups' assets, which amounted to € 161.1 million on December 31, 2010 (2009: € 161.8 million), the major part, i.e. 87.8% (2009: 87.9%) is attributable to fixed assets, inventories, trade receivables and cash and cash equivalents. The goodwill, included in the consolidated balance sheet as per December 31, 2010, stood at 4.8% (2009: 4.8%) of total assets, respectively 8.7% (2009: 9.2%) of equity.

Profit appropriation

The Managing Board of A.S Création Tapeten AG has always pursued a dividend policy that provides for a high payout ratio as long as this is permitted by the company's financial



situation. In the past years, the payout ratio of A.S. Création settled at a level of 40% to 45%.

In spite of the uncertain environment prevailing in 2011 and the financing requirements resulting from the acquisition of the remaining shares in the French companies, SCE - Société de conception et d'édition SAS and MCF Investissement SAS, as well as the start-up of a wallpaper production facility in Russia, the Managing Board and the Supervisory Board support a continuation of the existing dividend policy. This step is to ensure the consistency and the reliability of the company's dividend policy for the shareholders of A.S. Création.

As explained under "Earnings position", the net profit for the year increased from € 7.5 million (or € 2.72 per share) in the previous year to € 8.4 million (or € 3.05 per share) in fiscal 2010. In accordance with the traditional dividend policy, the improved profit will be reflected in a higher dividend. Accordingly, the Managing Board will propose payment of a dividend of € 1.35 (2009: € 1.20) per share to the General Meeting of Shareholders, which is scheduled for May 5, 2011. This represents a payout ratio of 44.3% (2009: 44.1%). Based on the number of 2.756 million shares outstanding as of December 31, 2010, this will result in a total dividend volume of € 3.7 million (2009: € 3.3 million).

Compensation report

The compensation report is provided on page 22 to 25 of the "Corporate Governance Report" chapter. This audited compensation report is part of the Management Report.

Information to section 315 para. 4 of the German Commercial Code (HGB) and explanatory report

According to Article 4 paragraph 1 and Article 18 paragraph 1 of the current statutes of A.S. Création Tapeten AG (as amended on May 7, 2010), the share capital of A.S. Création Tapeten AG amounts to € 9,000,000 and is divided into 3,000,000 no par value shares. Each share has one vote at the General Meeting of Shareholders. This does not apply to own shares held by the company, from which no rights arise to the company.

According to the notifications received in accordance with sections 15 a, 21 and 41 of the German Securities Trading Act (WpHG), more than 10% of the voting rights in A.S. Création Tapeten AG are held by Mr Franz Jürgen Schneider, who holds 29.60%, and Ms Karin Schneider, who holds 10.09%.

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

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

According to a resolution of the Shareholders' Meeting dated May 7, 2010, the Managing Board is authorised to acquire own shares up to a par value of € 900,000 (which represents a maximum of 10% of the share capital) until May 6, 2015. The Managing Board is also authorised to call in the shares acquired, to resell them, in which case shareholders' subscription rights may be excluded under certain circumstances, or to use the shares acquired for company acquisitions or equity investments. As of December 31, 2010 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 April 30, 2012, 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, 2010.

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.

Information to section 315 para. 2 No. 5 of the German Commercial Code (HGB)

The A.S. Création Group is characterised by a clear and manageable corporate structure. Besides A.S. Création Tapeten AG, the basis of consolidation comprises only nine companies, which are fully consolidated, and one company that is accounted for using the at 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 separate 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 nine of the eleven Group companies were audited or reviewed by KPMG in 2010. 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 up-dating the processes. The Supervisory Board of

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

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

At Group level, the internal control systems used to ensure proper Group accounting primarily comprise plausibility and completeness checks of the reporting packages received. Whenever required, representatives of A.S. Création Tapeten AG attend the final meetings with the auditors of the Group companies. In addition, controls of the main consolidation processes – e.g. debt, income and expenses, capital - are integrated in the software used. Finally, the consolidated financial statements (and the separate financial statements of A.S. Création Tapeten AG) are audited by the Supervisory Board and the 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 reviews 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 separate financial statements or the consolidated financial statements. However, they cannot provide 100% certainty that the financial statements or the consolidated financial statements are free of errors.

Opportunities and risks to the future development

Any business activity inevitably entails certain risks. Throughout its company history, however, A.S. Création Tapeten AG has demonstrated its responsible approach to such risks. In the opinion of the Managing Board, the high quality of our risk management system is an important basis for the successful development of A.S. Création.

A risk management system analyses potential risks by their "likelihood" and their "effect on the company". The Managing Board pays special attention to those factors that may have a strong negative effect on the company.

The future development of the economy may lead to risks for A.S. Création. The company's product portfolio is clearly positioned in the consumer goods sector - over 90% of the wallpapers are used for renovation purposes, while less than 10% are used for new buildings. Because of their use, furnishing fabrics also qualify as consumer goods. A decline in consumer spending in the context of a recession may have a negative effect on A.S. Création's sales revenues. According to current projections for the year 2011, consumer spending in nearly all countries served by A.S. Création will stagnate or increase moderately. Consumer spending in the euro-zone, for instance, is expected to rise by 1.0%. The Managing Board cannot identify a structural decline in demand for wallpapers and does therefore see no potential risks that could jeopardise the continued existence of the company.

Industry-specific risks result from existing 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 Western European wallpaper manufacturers are currently no longer able to fully utilise their own production capacities. This situation also affects 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. The probability of this scenario materialising will rise the longer this situation lasts. In view of its financial strength, A.S. Création considers itself well positioned to emerge from a renewed consolidation process as a winner.

Another potential risk for the wallpaper industry results from the more stringent legal provisions regarding the use of chemicals in the production of wallpapers. Just like other industries, the wallpaper industry uses additives such as plasticisers, e.g. in the production of flat and expanded vinyl wallpapers. Should these substances be banned in general, these types of wallpaper could no longer be produced with current technology. There are two reasons, however, why the Managing Board considers this potential risk to be relatively low:

- There have been frequent discussions about the potential health hazards posed by additives such as plasticisers in the past. The theoretical hazard depends on the use of the finished product. If used properly, 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.

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 2010. 2007 and 2008 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) and 44.9% (2008), the gross profit margin stood at a very low level. Following a phase of declining commodity and energy prices in 2009, these have meanwhile picked up markedly again. Nevertheless, 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 or intermediate products of adequate quality. Due to the sharp rise in global demand for raw materials, in conjunction with the concentration among the suppliers providing the raw materials and intermediate products required by A.S. Création, the procurement risk increased in the past years. Should A.S. Création be unable to obtain the required quantities of a raw material or an intermediate product due to a general increase in demand or the loss of a major supplier, this may lead to a temporary production outage. With a view to mitigating this risk, A.S. Création analyses and tests the quality and efficiency of new suppliers. This process has already made the supplier structure more international - a trend which the Managing Board expects to continue. In view of the higher demand for raw materials as a result of the increased global output, the Managing Board considers the risk of insufficient availability to be higher than in the previous year.

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

As outlined in the analysis of the financial situation, the traditionally strong cash flow and the robust financial structure mean that no finance and liquidity bottlenecks are expected. Due to the specific structure of the A.S. Création Group, interest rate or currency hedges and financial derivatives play only a minor role. Such hedges are generally taken out only for specific underlying transactions. For details, please refer to No. 29 in the Notes to the consolidated financial statements.

A new potential risk for A.S. Création arises from the current investigation by the German and French anti-trust authorities, which are seeking to find out whether there have been agreements in restraint of competition in the wallpaper industry. As outlined in the chapter "Important events in FY 2010", A.S. Création Tapeten AG, SCE – Société de conception et d'édition SAS and MCF Investissement SAS are affected by the investigations. Both the Federal Cartel Office and its French counterpart provide for a maximum fine of 10% of Group sales revenues for each violation of anti-trust law. Accordingly, there is a risk of significant fines being imposed, which would have an adverse impact on the financial position of A.S. Création. At this stage, the Managing Board of A.S. Création is unable to make a well-founded assessment of the possible outcome of these proceedings, as so far neither the Federal Cartel Office nor its French counterpart have submitted an official list of the offences allegedly committed by the companies.

The measures taken to build up a wallpaper production facility in Russia have been addressed in the chapter "Capital expenditures". According to these plans, A.S. Création Tapeten AG will invest about € 13.0 million in the project by mid-2012. The project will increase the risk potential for A.S. Création in several respects. On the one hand, additional production capacities will be built up, which must be utilised. It is planned that the wallpapers produced in Russia will be used to tap market segments that have not been served at all or only to a limited extent by exports from Germany. On the other hand, this will be the first time in the history of A.S. Création that material assets will be tied up in a country exposed to 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. Moreover, the size of the additional risk is not considered to jeopardise the company's continued existence.

In the past years, the risk management issue attracted great attention in the public. As mentioned before, however, any corporate activity necessarily entails certain risks. Against the background of the large number of potential individual risks, it is therefore important not to neglect the overall risk. The Managing Board of A.S. Création Tapeten AG considers the overall risk to be relatively low. The likelihood of risks materialising that would jeopardise the company's continued existence is also relatively low. In the Managing Board's opinion, the scope of the risk management system, which is an integral element of A.S. Création's reporting system, is sufficient.

KPMG AG Wirtschaftsprüfungsgesellschaft, Cologne, has reviewed the risk management system of A.S. Création Tapeten AG on basis of legal requirements in the course of the last years' audit and confirmed that the risks to the future development may be identified and documented by the early risk identification system established in accordance with section 91 of the German Stock Corporation Law (AktG) and that they have been properly presented in the management report. This year, the risk management system again has been reviewed by KPMG in the context of the annual audit.

Important events after the end of the fiscal year

The Managing Board is of the opinion that no reportable events occurred after the end of the fiscal year.

Outlook

Nearly all economic researchers expect the recovery in the world economy to continue in 2011. The anticipated growth in the world economy should not conceal the fact that the projections differ considerably between the individual countries and regions. In particular, the tensions within the euro-zone, which are caused by the divergent economic trends in the member countries, are likely to increase in 2011. This uncertain situation is made even worse by the question if the large economies are willing to reduce their public debt and how they are going to do this. The answers to this question will have a material impact on the future macroeconomic environment, as they give rise to a wide variety of different scenarios for the coming years. The figures below therefore reflect only one possible scenario.

As in the previous year, euro-zone GDP is likely to grow by 1.7% in 2011. This moderate growth will be supported primarily by the manufacturing sector, which will benefit from the pick-up in global demand for capital goods. Consumer spending in the euro-zone is projected to grow by only 1.0% in 2011. A somewhat better trend is expected for Germany and France, which are the most important output markets of A.S. Création in the euro-zone. Consumer spending in these countries is expected to increase by 1.7% and 1.4%, respectively.

The projections for the Eastern European markets that are relevant for A.S. Création, especially Russia and Ukraine, are subject to greater uncertainty. The economic trend in these countries will be influenced materially by the oil price trend, exchange rate parity, the amounts of non-performing loans on banks' balance sheets and the rate of inflation. GDP growth rates of between 2% and 4% are projected for Russia and Ukraine for the year 2011.

Commodity and energy prices will probably continue to rise in 2011. The increased global demand for raw materials, growing speculation about rising commodity prices and the politically motivated increase in electricity prices in Germany (which is used to finance the huge subsidies for renewable energies) suggest that there is no end to the upward trend in procurement prices. The rising commodity and energy costs will weigh on A.S. Création's margins.

Conclusion: The projected 2011 increase in consumer spending in the euro-zone, especially in Germany and France, is positive for A.S. Création. It remains to be seen whether demand for wallpapers and furnishing fabrics will benefit from this trend. From today's point of view, it is equally impossible to predict the effects of the anticipated continued rise in commodity and energy prices on the earnings position of A.S. Création. While the company has responded to this trend by announcing an increase in sales prices as of March 1, 2011, it is by no means certain whether this will be sufficient. Overall, the Managing Board expects a difficult macroeconomic environment for A.S. Création in 2011.

For the Wallpaper Division, the market environment in 2011 will not differ materially from that of the year 2010. German wallpaper manufacturers will again be unable to fully utilise their production capacities, as the 17.2% drop in sales of the year 2009 will not be offset in 2011. The Managing Board of A.S. Création believes that the situation for the other Western European wallpaper manufacturers is not materially different. Accordingly, price competition is expected to intensify, which means that it will become a more challenging task for manufacturers to build their respective images through their products and marketing concepts. Given that A.S. Création clearly expanded its product development activities in 2010, the Managing Board is confident that the basis for strong sales growth in 2011 has been laid. The Managing Board is upbeat about the future sales trend in the German market. As far as foreign markets are concerned, the company will have to further increase its exports to Eastern European countries. As reported above, the targeted product development efforts for this region were reflected in a 22.9% increase in sales already in the second half of 2010. While it is not likely that wallpaper exports to Eastern Europe will return to pre-crisis levels, exports to this region still offer sufficient potential for growth. Special attention will be paid to the French market, where the trend in the second half of 2010 was unsatisfactory. The three French companies, A.S. Création (France) SAS, SCE – Société de conception et d'édition SAS and MCF Investissement SAS, must strengthen their market positions and win market shares. Overall, the Managing Board expects the Wallpaper Division to achieve significant sales growth in 2011.

The market environment for the Furnishing Fabrics Division will not change materially in 2011, either. Accordingly, demand for curtains and furnishing fabrics is expected to decline or to stagnate at best. At the same time, rising prices for cotton, polyester and silk will weigh on margins in 2011. Given that the German home textiles sector is highly fragmented, the Managing Board considers the likelihood of company failures to be much higher than in the wallpaper industry. In this uncertain environment, the Furnishing Fabrics Division of A.S. Création can present itself as a solid and reliable partner to its customers, who has generated profits for the past seven years and is therefore able to make continuous investments in new products. Indes Fuggerhaus Textil GmbH 2011 will take advantage of this strength to offer retailers not only attractive products in 2011 but, to a growing extent, also marketing concepts such as shop-in-shop solutions. The Managing Board projects moderately higher sales revenues for the Furnishing Fabrics Division in 2011.

According to the plans for the fiscal year 2011, the increase in sales will be reflected in Group sales of between € 195 million and € 205 million. The acquisition of the remaining shares in SCE – Société de conception et d'édition SAS and MCF Investissement SAS and the start-up of the wallpaper production facility in Russia will send capital expenditures of A.S. Création rising to a historical high in 2011. The planned capital expenditures in an amount of approx. € 26 million will lead to an increase in net financial liabilities in 2011. Accordingly, rising interest expenses will weigh on the result of the year 2011. Other factors weighing on the bottom line include the start-up losses incurred by the Russian joint venture, OOO A.S. & Palitra. To ensure that production can start as planned in the first half of 2012, employees will be hired and trained and the development of the collections will begin already in the course of 2011. Accordingly, the Managing Board of A.S. Création expects Group profit for the year to remain below the prior year level at between € 6.5 million and € 7.5 million in spite of the increase in sales. For the year 2012 the Managing Board projects a further rise in sales up to a new historical high and a result exceeding the level of 2010.

The implementation of these plans will be a major challenge for A.S. Création. The Managing Board nevertheless sees the company in a good position to master this challenge:

- Both Divisions are profitable and have demonstrated their ability to adapt to changing conditions.

- The underlying business model, which focuses on wallpapers and furnishing fabrics, has proven its worth also in the years of the financial and economic crisis, meaning that no structural weaknesses can be identified at this time.

- The financial situation of A.S. Création is sound and robust, which means that no liquidity bottlenecks are expected. Due to the strong reduction in net financial liabilities over the past two years (from € 37.8 million on December 31, 2008 to € 16.3 million on December 31, 2010), there is sufficient scope for financing the planned investments.

Statement pursuant to section 315 paragraph 1 sentence 6 of the German Commercial Code (HGB)

To the best of our knowledge, and in accordance with the applicable reporting principles for financial reporting, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the management report of the Group includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group for the remaining months of the financial year.

Gummersbach, February 25, 2011

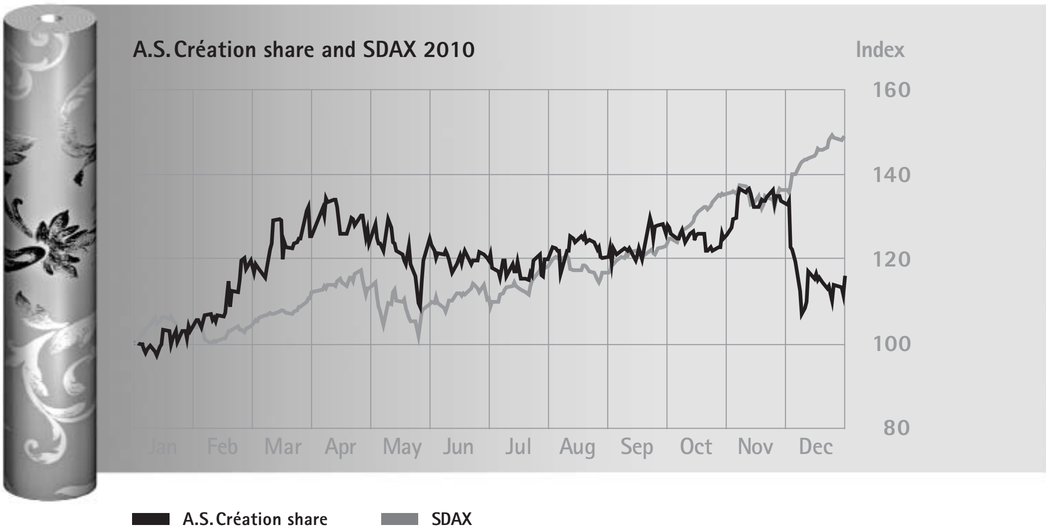
A.S. Création Tapeten AG
The Managing Board

Kämper Krämer Wagner

THE SHARE AND OUR SHAREHOLDERS

An eventful stock market year

2010 was an exciting year at the stock exchanges. The euro crisis, concern about the world economy sliding back into recession and the potential effects of the expansionary monetary policy, especially in the US Federal Reserve, were some of the topics that drove (and unnerved) the capital markets. The Euro-Stoxx 50, which covers the 50 largest listed companies in the euro-zone, lost 5.8% in the course of 2010. The situation in Germany was entirely different. Germany's export-oriented manufacturing sector benefited from the improving world economy and the growing demand for capital goods in 2010. Against the background of a surprisingly high growth rate of 3.6% for the German economy in 2010 and mostly positive corporate news, Germany's DAX gained 13.4% in the course of the year. Small and medium-sized companies benefited disproportionately from the increased interest in German shares. Accordingly, the SDAX and the MDAX climbed by 45.8% and 34.9%, i.e. at much higher rates than the standard stocks. As a result, the SDAX and the MDAX were almost back to the late 2007 level at the end of 2010, which means that both indices have meanwhile made up for the dramatic losses of the year 2008. By contrast, the DAX was still 14.3% below the level of December 31, 2007 on December 31, 2010.



Price gains for A.S. Création share in spite of December price slump

The chart above shows that the A.S. Création share had a much better start to the year 2010 than the SDAX. This was primarily attributable to the low market capitalisation of A.S. Création – as of December 31, 2009, the market value was 16.6% below the balance sheet equity – in conjunction with capital market participants' mostly positive assessment of the company's future outlook. The positive price trend accelerated when the company presented its consolidated financial statements for the year 2009 on March 17, 2010, which confirmed the assessments of A.S. Création's stability and profitability. By mid-April, the price of the A.S. Création share had risen to € 33.40, which means that the share had gained 31.7% since the beginning of the year, compared to a growth rate of 12.6% for the SDAX during the same period.

After the Annual General Meeting on May 7, 2010 and the subsequent dividend payout of € 1.20 per share, the price of the A.S. Création share moved sideways until early September, mostly within a range of € 29 to € 31. The publication of the half year interim report on August 2, 2010 provided the share with fresh stimulation and sent it rising to a high of € 34.00 per share on November 10, 2010. The A.S. Création share had thus gained an impressive 34.1% since the beginning of the year, which was equivalent to the gain of the SDAX at that time. This positive share price performance came to a sudden end on November 30, 2010, when A.S. Création announced that an investigation against the wallpaper industry on the grounds of suspected anti-competitive business practice had been launched. In this context, companies of the A.S. Création Group, as well as other companies, were searched. Due to the uncertainties that arise from potentially lengthy anti-trust proceedings, investors sold their A.S. Création shares. During the five trading days following the announcement, the average daily trading volume reached 12,229 shares, compared to an average of 2,635 for the full year 2010. This selling pressure sent the price of the A.S. Création share falling to € 27.00 on December 7, 2010, which means that the company lost about € 17.4 million or approx. 19% of its market value. This sharp reaction was partly offset by the end of the year and the A.S. Création share closed the year 2010 at a price of € 28.76, up € 3.40 or 13.4% on the year's opening price of € 25.36. Together with the dividend of € 1.20 per share, this represents a value gain of € 4.60 or 18.1% in the year 2010. Due to the price slump at the end of the year, the A.S. Création underperformed the SDAX, which gained 45.4% in the course of 2010. The yield of the A.S. Création share nevertheless remains at a good level.

Market valuation remains unsatisfactory

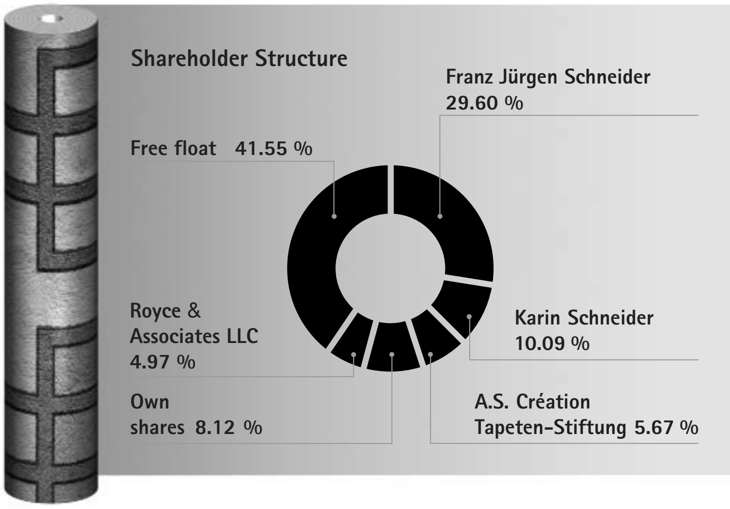
Due to the share price performance described above, the market valuation of A.S. Création has not yet reached a level that aptly reflects the economic strength and the future outlook of the company. Based on the year's closing price of € 28.76 and the number of shares outstanding (2,756,351) as of December 31, 2010, A.S. Création's market capitalisation stood at € 79.3 million (previous year: € 69.9 million). Compared to the balance sheet equity, which amounted to € 88.8 million as

of December 31, 2010, this market capitalisation was still € 9.5 million or 10.7% below the company's net asset value. Even a valuation at the net asset value, i.e. excluding any positive goodwill, would be equivalent to a price of € 32.21 per share.

The analysis of the longer-term performance of the A.S. Création share in the chart on the opposite side also shows that, notwithstanding the price gains of the year 2009 and 2010, the share price has not reached a satisfactory level yet. On December 31, 2010, the share price was 36.8% below the € 45.50 reported at the end of 2007 and as much as 46.1% below the 2007 high of € 53.40.

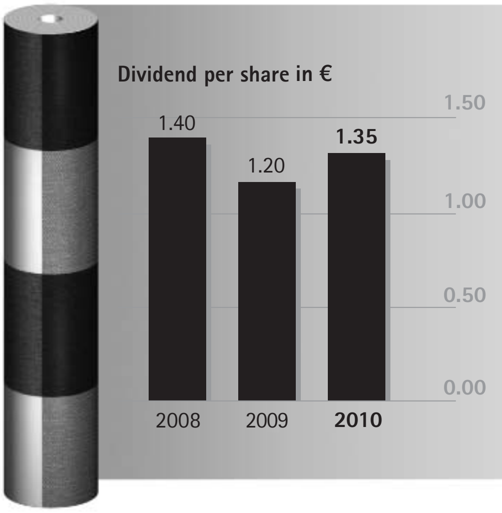
Stable shareholder structure

To the knowledge of the Managing Board, the shareholder structure of A.S. Création did not change materially in the course of 2010. Merely the US investment company Royce & Associates LLC, New York, reduced its share in A.S. Création from 6.38% to 4.97%. Overall to the knowledge of the Managing Board, on balance sheet date the company had the shareholder structure as presented as follows:



Consistent dividend policy

A.S. Creation has always aimed for a high dividend payout ratio as long as this is permitted by the company's financial situation. In recent years, dividend payouts have consistently been in the 40% to 45% of EPS range. In 2011, the company's capital expenditures will reach a very high level due to the start-up of wallpaper production in Russia and the acquisition of the remaining shares in the two French wallpaper wholesalers, SCE SAS and MCF Investissement SAS. Irrespective of the resulting financing requirements, the Managing Board and the Supervisory Board advocate maintaining the company's dividend policy, all the more so as the company's financial situation has improved as discussed in the management report. This decision underlines the consistency and reliability of the company's dividend policy. Accordingly, a dividend of € 1.35 per share (previous year: € 1.20) will be proposed to the Annual General Meeting of Shareholders. At 44.3% (previous year: 44.6%), the payout ratio stays at a high level. Compared to the previous year, this dividend proposal represents a 12.5%. increase in the profit distribution:



Key figures of the A.S. Création share		2006	2007	2008	2009	2010
Earnings per share	€/share	3.65	3.59	3.22	2.72	**3.05**
Dividend	€/share	1.65	1.60	1.40	1.20	**1.35**
Payout ratio	%	45.2	44.6	43.5	44.1	**44.3**
Year-closing-price	€/share	36.00	45.50	17.93	25.36	**28.76**
High	€/share	39.00	53.40	45.50	27.10	**34.00**
Low	€/share	28.05	35.10	13.91	10.40	**24.68**
Shares outstanding (year end)	million	2.784	2.784	2.756	2.756	**2.756**
Average trading volume*	pieces	2,738	2,429	2,086	3,167	**2,635**
Market value (year-end)	€ '000	100,239	126,691	49,421	69,901	**79,273**
Equity (book value)	€ '000	71,485	76,901	80,288	83,774	**88,789**
Market value/Equity	%	140.2	164.7	61.6	83.4	**89.3**
Price-earnings-ratio		9.9	12.7	5.6	9.3	**9.4**
Dividend yield	%	4.6	3.5	7.8	4.7	**4.7**

* 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

This English translation of the annual report 2010 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, 2010

Assets			
	Notes No.	**31.12.2010 €**	**31.12.2009 €**
Tangible fixed assets	(1)	50,770,131.52	54,682,594.26
Intangible fixed assets	(2)	9,802,703.35	10,597,725.12
Investments accounted for at equity	(3)	1,342,895.36	529,475.00
Other assets	(4)	423,474.28	800,495.10
Income tax receivables	(5)	1,563,499.20	1,788,189.17
Deferred tax assets	(6)	557,273.41	467,906.87
Non-current assets		**64,459,977.12**	**68,866,385.52**
Inventories	(7)	44,706,348.68	41,009,357.39
Trade receivables	(8)	35,715,417.52	35,620,136.18
Other assets	(4)	5,403,738.17	4,329,287.34
Income tax receivables	(5)	547.475.64	1,002,125.66
Cash and cash equivalents	(9)	10,792,065.78	11,007,903.51
Current assets		**97,165,045.79**	**92,968,810.08**
Total assets		**161,625,022.91**	**161,835,195.60**

Equity and Liabilities

	Notes No.	31.12.2010 €	31.12.2009 €
Capital stock		9,000,000.00	9,000,000.00
Capital reserves		13,756,740.32	13,756,740.32
Revenue reserves		48,120,041.27	44,566,640.68
Profit carried forward		13,481,797.61	12,936,896.24
Net profit		8,394,855.58	7,499,078.03
Adjustment for own shares		–4,020,836.57	–4,020,836.57
Currency translation differences		55,933.50	35,977.82
Equity	(10)	**88,788,531.71**	**83,774,496.52**
Financial liabilities (interest-bearing)	(11)	23,498,719.51	28,501,713.67
Other liabilities	(12)	1,357,922.46	8,221,990.21
Provisions for pensions	(13)	7,051,118.07	6,871,322.31
Deferred tax liabilities	(6)	7,781,722.33	8,092,673.69
Non-current liabilities		**39,689,482.37**	**51,687,699.88**
Financial liabilities (interest-bearing)	(11)	3,545,082.77	3,125,651.12
Other liabilities	(12)	18,211,033.58	11,355,818.13
Trade payables		9,352,149.05	10,178,862.00
Other provisions	(14)	134,700.00	96,900.00
Tax liabilities		1,904,043.43	1,615,767.95
Current liabilities		**33,147,008.83**	**26,372,999.20**
Total equity and liabilities		**161,625,022.91**	**161,835,195.60**

A.S. Création Tapeten AG, Gummersbach
Consolidated income statement

for the period from January 1, 2010 to December 31, 2010

	Notes No.	2010 €	2009 €
Sales	(16)	**184,603,379.32**	**181,325,232.61**
Increase or decrease in unfinished and finished goods		1,983,635.39	–4,111,330.99
Other own work capitalised		2,175.00	5,225.00
Total output		**186,589,189.71**	**177,219,126.62**
Cost of materials	(17)	96,064,012.85	90,216,262.90
Gross profit		**90,525,176.86**	**87,002,863.72**
Other income	(18)	**1,313,025.00**	**1,153,267.89**
		91,838,201.86	**88,156,131.61**
Personnel expenses	(19)	39,335,859.68	37,714,495.25
Depreciation	(20)	10,504,180.96	9,863,837.47
Operating taxes		513,112.74	526,910.14
Other operating expenses	(21)	27,166,808.15	26,622,696.71
Operating expenses		**77,519,961.53**	**74,727,939.57**
Earnings before interest and taxes (EBIT)		**14,318,240.33**	**13,428,192.04**
Interest and similar income		77,016.42	63,699.09
Results from investments accounted for at equity		–88,970.47	–33,608.21
Interest and similar expenses		1,954,703.90	2,624,208.53
Financial result	(22)	**–1,966,657.95**	**–2,594,117.65**
Earnings before income taxes		**12,351,582.38**	**10,834,074.39**
Income taxes	(23)	3,956,726.80	3,334,996.36
Net profit		**8,394,855.58**	**7,499,078.03**
Earnings per share	(24)	**3.05**	**2.72**

A.S. Création Tapeten AG, Gummersbach
Consolidation statement of comprehensive income

for the period from January 1, 2010 to December 31, 2010

	2010 € '000	2009 € '000
Net profit	**8,395**	**7,499**
Foreign currency translation differences for subsidiaries in non-EMU countries	21	-25
Change in fair value of an interest rate hedge	-134	-187
Deferred taxes on other comprehensive income	41	58
Other comprehensive income	**-72**	**-154**
Total comprehensive income	**8,323**	**7,345**

Consolidated statement of changes in equity

for the period from January 1, 2010 to December 31, 2010

	Capital Stock € '000	Capital reserve € '000	Revenue reserves € '000	Profit carried forward € '000	Net Profit € '000	Adjust-ment for own shares € '000	Currency translation differences € '000	Total € '000
December 31, 2008	**9,000**	**13,757**	**41,496**	**11,071**	**8,925**	**-4,021**	**60**	**80,288**
Net profit 2008	0	0	0	8,925	-8,925	0	0	0
Dividend payments	0	0	0	-3,859	0	0	0	-3,859
Allocation to revenue reserves	0	0	3,200	-3,200	0	0	0	0
Net profit 2009	0	0	0	0	7,499	0	0	7,499
Changes recognized directly in equity	0	0	-129	0	0	0	-25	-154
December 31, 2009	**9,000**	**13,757**	**44,567**	**12,937**	**7,499**	**-4,021**	**35**	**83,774**
Net profit 2009	0	0	0	7,499	-7,499	0	0	0
Dividend payments	0	0	0	-3,308	0	0	0	-3,308
Allocation to revenue reserves	0	0	3,646	-3,646	0	0	0	0
Net profit 2010	0	0	0	0	8,395	0	0	8,395
Changes recognized directly in equity	0	0	-93	0	0	0	21	-72
December 31, 2010	**9,000**	**13,757**	**48,120**	**13,482**	**8,395**	**-4,021**	**56**	**88,789**

A.S. Création Tapeten AG, Gummersbach
Consolidated cash flow statement
for the period from January 1, 2010 to December 31, 2010

	2010 € '000	2009 € '000
Operating activities		
Net profit	8,395	7,499
+ Depreciation on tangible and intangible fixed asset	10,504	9,864
+/- Increase/decrease in long-term provisions	180	858
-/+ Income/expenses from investments accounted for at equity	89	34
-/+ Increase/decrease in present value of corporate income tax credit	216	207
-/+ Income/expenses from changes in deferred taxes	–357	-894
Cash-flow	**19,027**	**17,568**
-/+ Profit/losses from disposal of tangible and intangible fixed assets	–55	-63
–/+ Increase/decrease in inventories	–3,701	6,270
–/+ Increase/decrease in trade receivables	–87	4,800
+/– Increase/decrease in trade payables	-828	-572
–/+ Increase/decrease in other net working capital	432	866
Cash-flow from operating activities	**14,788**	**28,869**
Investing activities		
Capital expenditures on tangible and intangible fixed assets	–5,844	–5,296
- Cash outflows for acquisitions of consolidated companies (less acquired cash and cash equivalents)	–85	0
- Cash outflows for at equity investments	-897	-475
+ Proceeds from the disposal of tangible and intangible fixed assets	107	123
Cash-flow from investing activities	**–6,719**	**-5,648**
Financing activities		
Dividends paid to shareholders of A.S. Création Tapeten AG	–3,308	-3,859
- Repayment of liabilities from anticipation of the future acquisition of remaining shares	–407	-2,200
+/- Raising/repayment of financial liabilities (interest-bearing)	-4,584	-9,807
Cash-flow from financing activities	**–8,299**	**–15,866**
Net change in cash and cash equivalents	**–230**	**7,355**
+/- Change in cash and cash equivalents due to exchange rate fluctuations	14	12
+ Cash and cash equivalents at January 1	11,008	3,641
Cash and cash equivalents at December 31	**10,792**	**11,008**

Further information on the cash flow statement are presented in the notes (see No. 25).

A.S. Création Tapeten AG, Gummersbach
Notes to the consolidated financial statements
for fiscal year 2010

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 2010:

- IFRS 1 (rev. 2008) "First-time Adoption of IFRS"
- IFRS 3 (rev. 2008) "Business Combinations"
- IAS 27 (amended 2008) "Consolidated and Separate Financial Statements "
- Amendment of IFRS 1 "Additional Exemptions for First-time Adopters"
- Amendment of IFRS 2 "Group Cash-settled Share-based Payment-Transactions"
- Amendment of IAS 39 "Eligible Hedged Items "
- IFRIC 12 "Service Concession Arrangements"
- IFRIC 15 "Agreements for the Construction of Real Estate "
- IFRIC 16 "Hedges of a Net Investment in a Foreign Operation "
- IFRIC 18 "Transfers of Assets from Customers "

The above provisions had no material impact on the consolidated financial statements of A.S. Création.

The following standards and interpretations have been published and endorsed by the EU Commission but are mandatory only for annual periods beginning after January 1, 2010:

- IFRS 9 "Financial Instruments"
- IAS 24 (rev. 2009) "Related Party Disclosures"
- Amendment of IFRS 1 "Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters "

- Amendment of IFRS 1 "Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters "
- Amendment of IFRS 7 "Disclosure Requirements for Transfer Transactions of Financial Assets"
- Amendment of IAS 12 "Deferred Tax on Investment Property"
- Amendment of IAS 32 "Classification of Rights Issues"
- IFRIC 19 "Extinguishing Financial Liabilities with Equity Instruments "
- Amendment of IFRIC 14 "Prepayments of a Minimum Funding Requirement"

From today's point of view, the new or revised standards and interpretations to be applied in later 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 and the Furnishing Fabrics Division.

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 subsidiaries 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 higher of the present value of the future cash flows that will be derived from the division (so-called value in use) or the sales price (less costs to sell) that could be obtained for this division. 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 adjustment is required.

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

Where 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 subsidiaries are consolidated. Due to the merger of Indes Wohntextil GmbH and FUGGERHAUS Stoffe GmbH, the basis of consolidation has been reduced by one company. FUGGERHAUS Stoffe GmbH was renamed Indes Fuggerhaus Textil GmbH in the past fiscal year.

The table below shows the fully consolidated companies:

No.	Company, location	held by	Share in %	Nominal capital Dec. 31, 2010	
Wallpaper Division					
1	A.S. Création Tapeten AG, Gummersbach/Germany			9,000,000	€
2	AS Creation (UK) Limited, Formby/UK	No. 1	100.00	100,000	£
3	A.S. Création (NL) B.V., Werkendam/Netherlands	No. 1	100.00	20,000	€
4	A.S. Création (France) SAS, Lyon/France	No. 1	100.00	340,000	€
5	MCF Investissement SAS, Ballancourt/France	No. 4	70.01	460,350	€
6	SCE-Société de conception et d'édition SAS, Boves/France	No. 4	75.03	2,000,000	€
7	SCE Investissements SC, Boves/France	No. 6	100.00	1,000	€
8	OOO A.S. Création (RUS), Moscow/Russia	No. 1	100.00	25,000,000	RUB
Furnishing Fabrics Division					
9	A.S. Création Textil GmbH, Marienheide/Germany	No. 1	100.00	500,000	€
10	Indes Fuggerhaus Textil GmbH, Marienheide/Germany	No. 9	100.00	550,000	€

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

All financial statements included in the consolidated financial statements were established as of December 31, 2010 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 liabilities 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 of subsidiaries in non-EMU countries are translated according to the functional currency concept using the modified closing rate method. Under this method, changes in non-current assets are translated at average annual rates, equity is translated at historical rates and all other balance sheet items are translated at closing rates. Differences referring to non-current assets are shown in the development of the Group's tangible and intangible fixed assets schedule in the "Currency translation" line. All items in the income statement are translated at the average annual rate. Currency differences are not recognised in the income statement but are allocated to the currency translation differences within the equity.

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

An average annual rate of £ 0.85796/€ (2009: £ 0.89124/€) and a closing rate of £ 0.86250/€ (2009: £ 0.89000/€) were used for the pound sterling, while an average annual rate of RUB 40.14295/€ (2009: RUB 44.15981/€) and a closing rate of RUB 40.47460/€ (2009: RUB 43.34980/€) 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. In accordance with IAS 17, 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.

With the exception of printing rollers and rotary screens, 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	10 to 15 years
Other machines	3 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.

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 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.

In accordance with IAS 38, development costs for new designs are not capitalised because of the short product cycles and uncertain future financial returns.

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 equity and through profit/loss, provided that these changes relate to the shares of A.S. Création Tapeten AG.

Financial assets are accounted for as of the settlement date.

Raw materials and supplies as well as merchandise are shown at the weighted average cost of acquisition or the lower net sales value on the balance sheet date. Finished and unfinished products are reported at the cost of acquisition or production or the lower net sales value on the balance sheet date. 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. Inventory risks due to reduced usability are adequately taken into account.

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 (allowances for individual impairments). Thereafter, receivables are grouped on the basis of identical risk features and the risk of default of the respective groups is analysed (allowances for collective impairments).

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

Provisions are established for contingent liabilities from pension obligations. These are determined in accordance with IAS 19 by using the actuarial projected unit credit method. Actuarial gains and losses are recognised in full in the income statement in the year in which they occur. Interest costs included in the pension expenses as well as any actuarial gain or loss resulting from a change in the interest rate for discounting purposes are shown in the financial result. All other provisions are reported at the amount likely to be required to cover discernible risks and contingent liabilities.

Liabilities under finance leases are reported at the present value using the interest rates on which the individual leasing agreements are based.

Other liabilities are initially recognised at the fair value and subsequently amortised at cost using the effective interest method.

In accordance with IAS 12, deferred taxes are recognised for different valuations of assets and liabilities to IFRS and in the tax balance sheet, for consolidation processes and for tax losses carried forward, which can be realised within the next five fiscal years. Country-specific tax rates are used. The tax rate in Germany, which comprises trade tax, corporate income tax and the solidarity surcharge, is 30.71%, unchanged to the previous year.

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

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

In the case of business acquisitions, all acquired assets and liabilities are measured at the fair value at the time of initial consolidation ("purchase price allocation"). Material assumptions must be made especially for the measurement of intangible assets, e.g. trademark rights and customer relationships, as the fair value is determined through the present value of the anticipated future cash flows. Insofar, the estimates of the future development of the asset and its useful 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 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 therefore lead to material changes in future obligations and future expenses.

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

Notes to the balance sheet

(1) Tangible fixed assets

The individual tangible fixed asset items and their development are shown below:

	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, 2008	**32,822**	**77,560**	**15,377**	**407**	**126,166**
Addition	1,105	446	3,531	58	5,140
Reclassifications	6	-53	122	–75	0
Disposals	119	123	2,418	0	2,660
Currency translation differences	0	0	9	0	9
Dec 31, 2009	**33,814**	**77,830**	**16,621**	**390**	**128,655**
Addition	190	1,009	4,300	90	5,589
Reclassifications	–84	0	89	–5	0
Disposals	0	155	2,281	0	2,436
Currency translation differences	0	0	6	0	6
Dec 31, 2010	**33,920**	**78,684**	**18,735**	**475**	**131,814**
Depreciation					
Dec 31, 2008	**9,955**	**47,184**	**10,579**	**0**	**67,718**
Addition	1,618	4,082	3,149	0	8,849
Reclassifications	0	-41	41	0	0
Disposals	118	110	2,372	0	2,600
Currency translation differences	0	0	5	0	5
Dec 31, 2009	**11,455**	**51,115**	**11,402**	**0**	**73,972**
Addition	1,557	3,903	3,994	0	9,454
Reclassifications	–69	0	69	0	0
Disposals	0	150	2,233	0	2,383
Currency translation differences	0	0	1	0	1
Dec 31, 2010	**12,943**	**54,868**	**13,233**	**0**	**81,044**
Net book value					
Dec 31, 2009	**22,359**	**26,715**	**5,219**	**390**	**54,683**
Dec 31, 2010	**20,977**	**23,816**	**5,502**	**475**	**50,770**

Tangible fixed assets include assets on the basis of finance leases in an amount of € 9.434 million (2009: € 12.600 million). The finance leases refer to production and warehouse buildings.

Revaluations of fixed assets to IAS 16 were not effected.

(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, 2008	**4,825**	**9,276**	**14,101**
Addition	156	0	156
Disposals	30	0	30
Dec 31, 2009	**4,951**	**9,276**	**14,227**
Addition	256	0	256
Disposals	0	0	0
Dec 31, 2010	**5,207**	**9,276**	**14,483**
Depreciation			
Dec 31, 2008	**1,101**	**1,543**	**2,644**
Addition	1,015	0	1,015
Disposals	30	0	30
Dec 31, 2009	**2,086**	**1,543**	**3,629**
Addition	1,051	0	1,051
Disposals	0	0	0
Dec 31, 2010	**3,137**	**1,543**	**4,680**
Net book value			
Dec 31, 2009	**2,865**	**7,733**	**10,598**
Dec 31, 2010	**2,070**	**7,733**	**9,803**

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 recoverable amount for the respective operation, i.e. 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 2011 and 2012. The cash flow used is the cash flow before interest and taxes less total capital expenditures of the respective year. For the years from 2013, the budgeted cash flow before interest and taxes of the year 2012 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 9.3% and 7.8% 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. In case of a discounting factor surplus 14.5% (Wallpaper Division) and surplus 10.4% (Furnishing Fabrics Division) an impairment loss would result.

(3) Investments accounted for at equity

The table below shows the changes in investments accounted for at equity:

	2010	2009
	€ '000	€ '000
January 1	529	105
Addition	897	475
Pro-rata changes in equity		
Changes affecting income	-89	-34
Changes not affecting income	6	-17
December 31	**1,343**	**529**

This item comprises the investment in OOO A.S. & Palitra. The company was established in August 2008 and has not taken up operations yet. The company's assets mainly consist of tangible fixed assets in an amount of € 1.248 million (2009: € 0.152 million) , other assets in an amount of € 1.027 million (2009: € 0.506 million) as well as cash and cash equivalents in an amount of € 0.684 million (2009: € 0.352 million).

(4) 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	
	31.12.10 € '000	31.12.09 € '000	31.12.10 € '000	31.12.09 € '000	31.12.10 € '000	31.12.09 € '000
Miscellaneous other assets	5,188	4,408	4,765	3,867	423	541
Deferred charges	639	721	639	462	0	259
	5,827	**5,129**	**5,404**	**4,329**	**423**	**800**

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

(5) Tax refund claims

The non-current tax refund claims in an amount of € 1.563 million (2009: € 1.788 million) refer to that portion of the capitalised corporate income tax benefit that will not be refunded in the following year.

(6) Deferred taxes

Deferred tax assets break down as follows:

	31.12.10 € '000	31.12.09 € '000
Realisable future reductions in tax payments resulting from losses carried forward	337	305
Differences between the tax balance sheet and the commercial balance sheet	15	19
Consolidation processes	22	2
Items directly recognized in equity	183	142
	557	**468**

Losses carried forward for corporate income tax and solidarity surcharge in an amount of € 1.070 million (2009: € 1.130 million) as well as for trade tax in an amount of € 0.338 million (2009: € 0.368 million) exist in Germany. In addition, tax loss a carryforwards in an amount of € 0.864 million (2009: € 0.411 million) exist abroad. Deferred tax assets have been recognised for all these losses carried forward. In the previous year, no deferred tax assets were recognised for losses carried forward of € 0.258 million.

Deferred tax liabilities break down as follows:

	31.12.10 € '000	31.12.09 € '000
Differences between the tax balance sheet and the commercial balance sheet	–1,290	–1,359
Adjustments of individual financial statements to IFRS	6,081	5,976
Consolidation processes	2,991	3,476
	7,782	**8,093**

Deferred taxes refer to the following balance sheet items:

	31.12.10		31.12.09	
	Deferred tax assets € '000	Deferred tax liabilities € '000	Deferred tax assets € '000	Deferred tax liabilities € '000
Tangible fixed assets	0	9,129	0	9,941
Intangible fixed assets	0	585	0	834
Inventories	106	0	74	0
Trade receivables and other assets	0	305	0	41
Provisions for pensions	784	0	738	0
Other provisions	18	0	7	0
Other liabilities	1,549	0	2,067	0
Tax losses carried forward	337	0	305	0
	2,794	**10,019**	**3,191**	**10,816**
Set-off*	–2,237	–2,237	–2,723	–2,723
	557	**7,782**	**468**	**8,093**

* 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.

(7) Inventories

Inventories comprise the following:

	31.12.10 € `000	31.12.09 € `000
Raw materials and supplies	3,971	3,220
Unfinished products	251	339
Finished goods and merchandise	40,484	37,450
	44,706	**41,009**

Inventories in an amount of € 5.143 million (2009: € 4.358 million) are recognised at the net realisable value. Impairments of inventories in an amount of € 0.449 million (2009: € 0.417 million) were recognised as an expense.

(8) Trade receivables

€ 0.028 million (2009: € 0.028 million) of the trade receivables have a remaining term of more than one year.

The table below shows the allowances on trade receivables:

	2010 **€ `000**	**2009** **€ `000**
As of January 1	2,779	2,871
Allocation	427	317
Use	273	250
Release	512	159
As of December 31	**2,421**	**2,779**

Of the total allowances, an amount of € 0.711 million (2009: € 0.656 million) refers to allowances for individual impairments and an amount of € 1.710 million (2009: € 2.123 million) refers to allowances for collective impairments.

The table below shows the maturity structure of the receivables for which no allowances for individual impairments were established as of the balance sheet date:

	Trade receivables	thereof without allowances for individual impairments 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, 2010	35,715	29,599	4,633	368	151	109
As of Dec 31, 2009	35,620	31,669	3,839	15	39	2

(9) Cash and cash equivalents

Cash and cash equivalents include cash on hand and credit balances at domestic and foreign banks, as well as cheques and bills of exchange.

(10) Equity

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

As of December 31, 2010, the share capital amounted to € 9,000,000, divided into 3,000,000 no par value shares.

According to Article 4 paragraph 3 of the current statutes of A.S. Création Tapeten AG (as amended on May 7, 2010) 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 April 30, 2012 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 the balance sheet day.

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 inappropriate profits of the Group companies as well as changes in equity from consolidation processes to IFRS 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 day. An offsetting item in the amount of the cost of acquisition of own shares was established, which amounted to € 4.021 million (2009: € 4.021 million).

A dividend of € 1.35 per share, which translates into a total profit distribution of € 3.721 million, will be proposed for the fiscal year 2010. A dividend of € 1.20 per share was paid out for the past fiscal year, resulting in a total distribution of € 3.308 million.

(11) 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	
	31.12.10 € '000	**31.12.09 € '000**	**31.12.10 € '000**	**31.12.09 € '000**	**31.12.10 € '000**	**31.12.09 € '000**	**31.12.10 € '000**	**31.12.09 € '000**
Financial liabilities (without finance lease)	22,862	25,786	3,106	2,666	12,364	12,545	7,392	10,575
Liabilities from finance lease								
Gross value	4,952	7,972	605	769	2,345	3,007	2,002	4,196
Discounting	–770	–2,131	–167	–309	–519	–1,031	-84	-791
Present value	4,182	5,841	438	460	1,826	1,976	1,918	3,405
	27,044	**31,627**	**3,544**	**3,126**	**14,190**	**14,521**	**9,310**	**13,980**

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 minimum lease obligations.

Interest-bearing financial liabilities are secured by land charges of € 26.418 million (2009: € 26.418 million) as well as assignments of machines with gross acquisition costs of € 11.711 million (previous year: € 11.711 million). 125,000 own shares were also used as collateral.

Interest-bearing financial liabilities of € 27.044 million (2009: € 31.627 million) include € 27.043 million (2009: € 31.626 million) from credit agreements at fixed interest rates and € 0.001 million (2009: € 0.001 million) from credit agreements at variable interest rates. An amount of € 9.980 million (2009: € 9.980 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 2010 %**	**Book value 31.12.10 € '000**	**Average Interest rate 2009 %**	**Book value 31.12.09 € '000**
of up to 1 year	3.9	3,545	4.5	3,125
of over 1 year up to 5 years	3.8	15,108	4.2	17,127
of over 5 years	4.1	8,390	4.1	11,374
		27,043		**31,626**

(12) 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	
	31.12.10 € '000	31.12.09 € '000	31.12.10 € '000	31.12.09 € '000	31.12.10 € '000	31.12.09 € '000
Liabilities to employees	6,210	5,576	5,613	4,964	597	612
Liabilities due to social-securities	716	656	716	656	0	0
Liabilities due to other taxes	741	532	741	532	0	0
Liabilities due to bonuses/discounts	1,894	2,196	1,894	2,196	0	0
Miscellaneous other liabilities	10,008	10,618	9,247	3,008	761	7,610
	19,569	**19,578**	**18,211**	**11,356**	**1,358**	**8,222**

(13) Provisions for pensions

Pension provisions are recognised for current pension obligations as well as future old age, disability and survivors' pension commitments. Commitments vary from Group company to Group company depending on the legal and economic situation. The majority of Group employees are granted a service-life-linked defined benefit pension plan related to a fixed monetary amount. These performance-linked commitments are not financed via a pension fund or a similar institution.

The amount of pension provisions is determined using actuarial methods in accordance with IAS 19 and equals the present value of future pension payments. For the majority of the pension provisions it is determined based on the following parameters:

	2010 %	2009 %
Projected interest rate (discount rate)	4.90	5.00
Projected pension trend	2.00	2.00
Projected rate of fluctuation	5.00	5.00

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

The table below shows the changes in pension provisions:

	2010 € '000	2009 € '000
As of January 1	6,871	6,014
Use	332	299
Allocation/Reversal	512	1,156
As of December 31	**7,051**	**6,871**

Pension provisions include € 0.316 million that will probably be paid out in the next fiscal year (2009: € 0.290 million).

Allocations to and reversals of pension provisions were comprised as follows and are included in the respective items of the income statement:

	Income statement	2010 € '000	2009 € '000
Current service cost	Personnel expenses	160	138
Interest cost	Financial result	337	341
Actuarial losses from changes in the discount rate	Financial result	143	716
Other actuarial gains	Personnel expenses	–128	–39
		512	**1,156**

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

	2010 € `000	2009 € `000	2008 € `000	2007 € `000	2006 € `000
Pension provision as of December 31	7,051	6,871	6,014	5,800	6,152
Actuarial gains (–)/losses (+) from experience adjustments	–129	–24	112	–94	–68

(14) Other provisions

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

	2010 € '000	2009 € '000
As of January 1	97	120
Use	88	111
Allocation	126	88
As of December 31	**135**	**97**

(15) Other financial liabilities

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

	Total		Remaining term of up to 1 year		Remaining term of over 1 year up to 5 years		Remaining term of over 5 years	
	31.12.10 € '000	31.12.09 € '000	31.12.10 € '000	31.12.09 € '000	31.12.10 € '000	31.12.09 € '000	31.12.10 € '000	31.12.09 € '000
from building rents	1,032	1,117	564	467	468	650	0	0
from operating leases	696	587	305	249	391	338	0	0
from order commitments for investments in tangible fixed assets	503	30	503	30	0	0	0	0
	2,231	**1,734**	**1,372**	**746**	**859**	**988**	**0**	**0**

Notes to the income statement

(16) Sales

A breakdown of Group sales by region is provided below:

	Wallpaper Division		Fabrics Division		Consolidation		Group	
	2010 € '000	2009 € '000	2010 € '000	2009 € '000	2010 € '000	2009 € '000	2010 € '000	2009 € '000
Germany	59,141	55,752	9,091	8,407	−132	−123	68,100	64,036
EU (excl. Germany)	86,888	92,372	2,550	2,695	−493	−554	88,945	94,513
European Union (EU)	146,029	148,124	11,641	11,102	−625	−677	157,045	158,549
Other Eastern Europe	30,429	28,355	1,089	1,030	0	0	31,518	29,385
Other countries	11,450	8,528	457	446	0	0	11,907	8,974
Sales (gross)	**187,908**	**185,007**	**13,187**	**12,578**	**−625**	**−677**	**200,470**	**196,908**
Reduction in revenues	−15,255	−15,125	−612	−460	0	2	−15,867	−15,583
Sales (net)	**172,653**	**169,882**	**12,575**	**12,118**	**−625**	**−675**	**184,603**	**181,325**

(17) Cost of materials

The cost of materials includes:

	2010 € '000	2009 € '000
Cost of raw materials, consumables and supplies and purchased materials	93,360	87,508
Cost of purchased services	2,704	2,708
	96,064	**90,216**

(18) 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 € 0.064 million (2009: € 0.077 million) as well as foreign exchange gains in an amount of € 0.194 million (2009: € 0.174 million).

(19) Personnel expenses

Personnel expenses are comprised as follows:

	2010 € '000	2009 € '000
Wages and salaries	32,381	30,809
Social security contributions and pension expenses	6,955	6,905
	39,336	**37,714**

Social security contributions and pension expenses include contributions to state pension insurance institutions in an amount of € 2.831 million (2009: € 2.775 million), allocations to pension provisions in an amount of € 0.032 million (2009: € 0.099 million) as well as payments to external relief funds and similar pension organisations due to contribution-based pension plans in an amount of € 0.202 million (2009: € 0.199 million).

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

	2010 Persons	2009 Persons
Blue-collar workers	393	410
White-collar workers	337	335
Trainees and apprentices	42	42
	772	**787**

(20) Depreciation

A breakdown of depreciation is provided in the notes to tangible and intangible fixed assets (see No. 1 and No. 2 above). As in the previous year, total depreciation of € 10.504 million (2009: € 9.864 million) does not include any unscheduled depreciation.

(21) Other operating expenses

Other operating expenses mainly include expenses on freight out, advertising, rental and operating leases, maintenance and insurance policies. Moreover, they include losses from disposals of tangible and intangible fixed assets in an amount of € 0.009 million (2009: € 0.014 million) as well as foreign exchange losses of € 0.140 million (2009: 0.039 million).

(22) Financial result

The financial result includes interest expenses in an amount of € 0.143 million (2009: € 0.716 million), which results from the adjustment of the discounting factor for the calculation of pension provisions. For details, please refer to No. 13 of the Notes.

(23) 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:

	2010 € '000	2009 € '000
Current tax expenses	4,314	4,229
Deferred taxes	–357	–894
	3,957	**3,335**

At € 3.957 million (2009: € 3.335 million), tax expenses exceeded the expected tax expenses of € 3.793 million (2009: € 3.327 million) that would have arisen based on the relevant German tax rate of 30.71% (2009: 30.71%) by € 0.164 million (2009: € 0.008 million). The difference between expected and effective tax expenses in the Group is due to the following:

	2010 € '000	2009 € '000
Earnings before income taxes	12,352	10,834
Relevant tax rate	30.71%	30.71%
Expected income tax expenses	**3,793**	**3,327**
Income from reimbursement of corporate income tax credit	–85	–94
Taxes unrelated to the accounting period	–43	–24
Difference against foreign tax rates	71	26
Non-deductible expenses	181	140
Non-taxable income	–86	–45
Other tax effects	126	5
Effective income tax expenses	**3,957**	**3,335**
Effective tax rate	32.03%	30.78%

(24) Earnings per share

Earnings per share are calculated as follows:

		2010	2009
Number of shares outstanding (weighted average)	shares	2,756,351	2,756,351
Net profit	€	8,394,856	7,499,078
Earnings per share	**€/share**	**3.05**	**2.72**

The average number of shares outstanding did not change in the past fiscal year as compared to the previous year.

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

(25) Cash flow statement

Cash flow from operating activities includes the following payments:

	2010 € '000	2009 € '000
Interest received	77	64
Interest paid	1,433	1,525
Income tax paid	3,347	2,179
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:

	2010 € '000	2009 € '000
Raising of financial liabilities (excl. financial lease)	0	152
Raising of liabilities under financial lease contracts	0	0
Repayment of financial liabilities (excl. financial lease)	–2,925	–9,506
Repayment of liabilities under financial lease contracts	–1,659	–453
	–4,584	**–9,807**

(26) 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	
	2010 € '000	2009 € '000	2010 € '000	2009 € '000	2010 € '000	2009 € '000	2010 € '000	2009 € '000
External sales	172,572	169,809	12,031	11,516	0	0	184,603	181,325
Intra-Group sales	81	73	544	602	–625	–675	0	0
Total sales	172,653	169,882	12,575	12,118	–625	–675	184,603	181,325
EBITDA[1]	24,092	22,706	730	585	0	1	24,822	23,292
EBITDA-margin	14.0%	13.4%	5.8%	4.8%			13.4%	12.8%
EBIT[2]	13,728	12,975	590	452	0	1	14,318	13,428
EBIT-margin	8.0%	7.6%	4.7%	3.7%			7.8%	7.4%
Interest income	281	280	3	4	–207	–220	77	64
Results from investments accounted for at equity	–89	–34	0	0	0	0	–89	–34
Interest expenses	1,878	2,496	284	384	–207	–220	1,955	2,624
Earnings before taxes	12,043	10,725	309	108	0	1	12,352	10,834
Return on sales (before taxes)	7.0%	6.3%	2.5%	0.9%			6.7%	6.0%
Income taxes	3,897	3,307	60	28	0	0	3,957	3,335
Capital expenditures	6,636	5,682	190	89	0	0	6,826	5,771
Depreciation	10,364	9,731	140	133	0	0	10,504	9,864
Cash-flow	18,601	17,309	426	257	0	2	19,027	17,568
Segment assets[3]	141,417	141,013	7,009	6,951	–261	–395	148,165	147,569
thereof current assets	(80,310)	(75,615)	(5,776)	(5,738)	(–261)	(–395)	(85,825)	(80,958)
Segment liabilities[4]	28,043	28,796	1,272	1,449	–260	–392	29,055	29,853
Employees (average)	706	719	66	68	0	0	772	787

A breakdown of Group sales by geographical regions is provided in the notes on sales (see No. 16 above).

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

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

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

4 **Segment liabilities** are the total liabilities less shareholders' equity, pension provisions, tax liabilities, deferred tax liabilities and financial liabilities.

Of the total Group assets of € 148.165 million (2009: € 147.569 million), an amount of € 110.729 million (2009: € 107.488 million) relates to Germany, an amount of € 35.305 million (2009: € 39.462 million) to other EU countries and an amount of € 2.131 million (2009: € 619 million) to non-EU Eastern European countries.

(27) Research and development expenses

In the past fiscal year, € 2.545 million (2009: € 2.253 million) were spent on the development of new designs.

(28) Audit expenses

In the past fiscal year, € 0.186 million (2009: € 0.193 million) were spent on the audit of the financial statements of the companies included in the consolidated financial statements as well as on the audit of the consolidated financial statements. The Group auditor received € 0.146 million (2009: 0.148 million) as well as an additional € 0.035 million (2009: € 0.031 million) for tax consulting services and € 0.001 million (2009: € 0.038 million) for other services.

(29) Risks from financial instruments

Only € 0.001 million or 0.0% (2009: € 0.001 million or 0.0%) of the total interest-bearing financial liabilities of € 27.044 million (2009: € 31.627 million) represent variable-rate loans. Most of the fixed-interest loans are medium-term or long-term loans (see No. 11 above). This means that A.S. Création's interest rate risk is manageable.

At the operating level, currency risks may occur whenever procurement and/or sales activities are not financed in euros but in foreign currencies. Such foreign currency transactions are negligible in the A.S. Création Group, so that operations are not exposed to a material currency risk. Due to the fact that A.S. Création is largely funded in euros, currency risks resulting from the Group's financing activities are also negligible.

Due to the specific structure of A.S. Création, interest rate or currency hedges as well as financial derivatives play only a minor role. Such hedges are generally taken out only for specific underlying transactions. One interest rate hedge (interest rate swap) 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 variable-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 measurement of the interest rate swap at market value (hedge accounting). Accordingly, a negative market value (after deferred taxes) in an amount of € 0.413 million (2009: € 0.320 million) was recognised in equity as at the balance sheet date. This interest rate swap will not have an effect on future results.

Trade receivables are exposed to default risks, which relate to the creditworthiness of the individual debtors. 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 € 35.715 million (2009: € 35.620 million), € 8.850 million or 24.8% (2009: € 7.191 million or 20.2%) were accounted for by the five largest debtors.

In view of the high cash flow and the sound financial structure, financing and liquidity bottlenecks are not expected. Unused credit lines amounted to € 18.859 million (2009: € 19.160 million) as of the balance sheet date.

(30) 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 recognized according to IAS 39		Amount recognized according to IAS 17		Carrying amount		Fair value	
	31.12.10 € `000	**31.12.09 € `000**	**31.12.10 € `000**	**31.12.09 € `000**	**31.12.10 € `000**	**31.12.09 € `000**	**31.12.10 € `000**	**31.12.09 € `000**
Trade receivables	35,715	35,620	0	0	35,715	35,620	35,715	35,620
Other receivables	2,407	1,582	0	0	2,407	1,582	2,407	1,582
Cash and cash equivalents	10,792	11,008	0	0	10,792	11,008	10,792	11,008
Loans and receivables	**48,914**	**48,210**	**0**	**0**	**48,914**	**48,210**	**48,914**	**48,210**
Financial liabilities (without finance lease)	22,862	25,786	0	0	22,862	25,786	22,344	25,247
Other liabilities	8,913	9,667	0	0	8,913	9,667	8,913	9,667
Trade payables	9,352	10,179	0	0	9,352	10,179	9,352	10,179
Financial liabilities measured at amortized cost	**41,127**	**45,632**	**0**	**0**	**41,127**	**45,632**	**40,609**	**45,093**
Financial derivative	**597**	**462**	**0**	**0**	**597**	**462**	**597**	**462**
Liabilities from finance lease	**0**	**0**	**4,182**	**5,841**	**4,182**	**5,841**	**4,100**	**6,285**

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 liabilities to banks 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 are equivalent to the fair values.

The financial derivative is an interest rate swap (see Notes No. 29), which is measured according to level 2 as defined in IFRS 7.27A(b), i.e. at a derived fair value.

(31) Company acquisitions from previous years

On December 18, 2008, A.S. Création's Wallpaper Division acquired majority interests in the following companies:

- 70% of the shares in MCF Investissement SAS
- 75% of the shares in SCE – Sociéte de conception et d'édition SAS
- 86% of the shares in SCE Investissements SC, which is a non-operating company

Given that the acquisition of the remaining shares by 2011 has been firmly agreed already in 2008, this acquisition must be anticipated pursuant to IAS 32. The payments expected to be made to the minority shareholders to acquire their shares in equity had a fair value of € 7.415 million as of December 31, 2009. Accordingly, a liability in the same amount was recognised in anticipation of the future acquisition of the remaining shares.

In the course of 2010, the remaining shares in SCE Investissements SC were acquired and dividends resulting from earnings 2009 paid to the minority shareholders of MCF Investissement SAS and SCE – Société de conception et d'édition SAS. These payments in a total amount of € 0.429 million led to a corresponding reduction in the liability from the anticipation of the remaining shares. Accordingly, other current liabilities as of December 31, 2010 included an amount of € 6.923 million for the acquisition of the remaining shares.

(32) Managing Board

The Managing Board had the following members in FY 2010:

- Jörn Kämper, Chairman, Sales and Marketing
- Maik Holger Krämer, Finance and Controlling
- Bernhard Wagner, Production

As of the balance sheet date, members of the Managing Board held 9,434 shares (2009: 8,664 shares) in the company.

(33) Supervisory Board

In FY 2010, 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 Vermögenstreuhand AG (DIVAG), Düsseldorf (Chairman) Dierig Holding AG, Augsburg
Jella Susanne Benner-Heinacher	Lawyer and Managing Director of the DSW e. V., Düsseldorf (a German Shareholder's Association)	TUI AG, Hannover K+S AG, Kassel
Peter Mourschinetz Employee representative	Works council member released from productive working duties	–
Dr. Dieter Schadt	Businessman	Lufthansa Service Holding AG, Kriftel
Rolf Schmuck Employee representative	Works council member released from productive working duties	–

As of the balance sheet date, members of the Supervisory Board held 890,546 shares (2009: 890,546 shares) in the company.

(34) Compensation of Supervisory Board and Managing Board

The compensation of the Managing Board members in fiscal 2010 totalled € 2.219 million (2009: € 2.040 million). In addition, the payments to a relief fund and the allocation to pension provisions resulted in expenses in an amount of € 0.072 million (2009: € 0.111 million).

The compensation of the Supervisory Board totalled € 0.108 million (2009: 0.095 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 € 1.523 million (2009: € 1.544 million) as of the balance sheet date. Pension payments to former members of the Managing Board amounted to € 0.094 million (2009: € 0.092 million).

(35) Related party transactions
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 2010, the fee for these consulting services amounted to € 0.119 million (2009: € 0.123 million).

Franz Jürgen Schneider is Chairman of the Managing Board of A.S. Création Tapeten-Stiftung, a charitable foundation established by him. In the past fiscal year, A.S. Création Tapeten-Stiftung received a donation of € 0.030 million (2009: € 0.030 million) from A.S. Création Tapeten AG in support of its work.

(36) Declaration of conformity with the German Corporate Governance Code
On March 9, 2010, the Managing Board and the Supervisory Board issued the declaration of conformity for FY 2010 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 2011 will be discussed and adopted at the Supervisory Board meeting on March 18, 2011. This declaration will be published on the company's website and in the corporate governance chapter of the 2010 Annual Report.

(37) Post balance sheet events
No events that require reporting have occurred.

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

Gummersbach, February 25, 2011

A.S. Création Tapeten AG
The Managing Board

Kämper Krämer Wagner

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, 2010. 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, February 25, 2011

KPMG AG
Wirtschaftsprüfungsgesellschaft

Clauss	Eppink
Wirtschaftsprüfer	Wirtschaftsprüfer
(Certified Public	(Certified Public
Accountant)	Accountant)

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PROFIT APPROPRIATION PROPOSAL

This English translation of the annual report 2010 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, 2010

Assets	31.12.2010 €	31.12.2009 €
Fixed and financial assets		
Intangible fixed assets	104,158.75	137,700.12
Tangible fixed assets	19,875,590.51	21,240,530.15
Financial assets	20,630,033.47	20,401,198.46
	40,609,782.73	**41,779,428.73**
Current assets		
Inventories	31,250,431.28	28,407,728.23
Receivables and other assets		
Trade receivable	24,702,103.88	22,257,650.30
Receivables from affiliated companies	2,923,915.34	2,580,658.98
Other current assets	6,119,965.20	5,093,698.09
	33,745,984.42	29,932,007.37
Securities	0.00	4,020,836.57
Cash and cash equivalents	5,599,125.31	6,201,662.99
	70,595,541.01	**68,562,235.16**
Prepaid expenses and deferred charges	**598,079.42**	**469,321.99**
Deferred taxes	**906,531.98**	**0.00**
Total assets	**112,709,935.14**	**110,810,985.88**

Equity and Liabilities

	31.12.2010 €	31.12.2009 €
Shareholders' equity		
Capital stock	9,000,000.00	9,000,000.00
Par value of own shares	–730,947.00	0.00
	8,269,053.00	9,000,000.00
Capital reserve	13,752,488.72	13,752,488.72
Revenue reserves	46,032,741.46	44,750,000.00
Unappropriated retained earnings	7,751,866.25	6,626,589.20
thereof: profit carried forward	(0.00)	(89,827.19)
net profit	(7,751,866.25)	(6,536,762.01)
	75,806,149.43	**74,129,077.92**
Provisions		
Provisions for pensions and similar obligations	5,532,663.00	5,616,333.00
Tax provisions	1,746,000.00	1,166,000.00
Other provisions	5,343,628.00	4,444,997.87
	12,622,291.00	**11,227,330.87**
Liabilities		
Financial liabilities (interest-bearing)	17,617,473.00	20,131,153.85
Trade payable	4,423,596.27	3,219,058.14
Other liabilities	2,240,425.44	2,104,365.10
	24,281,494.71	**25,454,577.09**
Total equity and liabilities	**112,709,935.14**	**110,810,985.88**

Profit appropriation proposal

The financial statements of A.S. Création Tapeten AG for the year ended December 31, 2010 show unappropriated retained earnings of € 7,751,866.25.

The Managing Board and the Supervisory Board propose to the General Meeting of Shareholders that the unappropriated retained earnings should be used as follows: payment of a dividend of € 1.35 per dividend-bearing share and allocation of the remaining amount to the revenue reserves of A.S. Création Tapeten AG.

As of December 31, 2010, 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, 2010, the profit would be appropriated as follows:

Payment of a dividend	3,721,073.85 €
Allocation to revenue reserves	4,030,792.40 €
Unappropriated retained earnings	**7,751,866.25** €

The General Meeting of Shareholders of A.S. Création Tapeten AG will be held in Gummersbach on May 5, 2011. The dividend will be payable on May 6, 2011.

Gummersbach, March 18, 2011

A.S. Création Tapeten AG

Jörn Kämper
Chairman of the Managing Board

Franz Jürgen Schneider
Chairman of the Supervisory Board

CORPORATE CALENDAR

March 25, 2011	Analyst presentation
May 5, 2011	Interim report for the three-month period ended March 31, 2011
May 5, 2011	Annual General Meeting of Shareholders
May 6, 2011	Dividend Payment
August 4, 2011	Interim report for the six-month period ended June 30, 2011
November 3, 2011	Interim report for the nine-month period ended September 30, 2011

IMPRINT

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Cover photo:
Photo of a non-woven wallpaper with the appearance of stone (article no.: 7071-23) from the „Murano" collection.