



**INTERIM REPORT FOR THE PERIOD  
ENDED SEPTEMBER 30, 2011**

**A.S. CRÉATION TAPETEN AG**

		2007	2008	2009	2010	2011
<b>Sales</b>	€ '000	126,703	136,974	135,067	138,540	146,602
<b>EBIT</b>	€ '000	11,640	12,165	9,935	11,247	8,474
<b>Earnings before income taxes</b>	€ '000	10,840	11,243	8,222	9,859	6,989
<b>Net profit</b>	€ '000	7,412	7,743	5,775	6,748	4,581
<b>Earnings per share</b>	€/share	2.66	2.79	2.10	2.45	1.66
<b>Cash-flow</b>	€ '000	13,566	14,689	12,707	14,034	11,667
<b>Capital expenditures</b>	€ '000	9,740	7,670	4,118	5,106	16,735
<b>Depreciation</b>	€ '000	6,500	6,112	7,071	7,577	7,558
<b>Number of employees</b>		670	711	793	772	792

# A.S. Création Tapeten AG, Gummersbach

## Interim Management Report

for the nine-month period ended September 30, 2011

### **Sales performance**

The A.S. Création Group increased its sales revenues by 6.1% in the third quarter of 2011. The company thus continued the good performance of the first half of 2011, when sales rose by 5.7%. All told, the A.S. Création Group realised sales of € 146.6 million in the first nine months of 2011, up 5.8% on the prior-year's figure of € 138.5 million and marking a new record in the company's history. Both divisions of A.S. Création contributed to this growth, with the Wallpaper Division reporting a 6.2% increase and the Furnishing Fabrics Division achieving a growth rate of 1.7%. The Managing Board regards the good sales performance as a vindication of its own strategy of continuing to develop the product range and the marketing concepts even when faced with a challenging economic environment.

In the current fiscal year, growth has primarily been driven by Germany and non-EU Eastern European countries. In the German market, A.S. Création managed to expand gross sales revenues by 16.9% in the first nine months of 2011 particularly by winning new customers, thereby defying the general trend in the market.

In the Eastern European countries outside the EU, gross revenues were up by 12.5% on the previous year at the nine-month stage. While sales in this region dropped sharply between mid-2008 and mid-2010, the situation has turned around in the meantime. Nevertheless, the Managing Board is not yet satisfied with the growth rates currently achieved by A.S. Création in this region, as they are insufficient to offset the previous drop in sales. Accordingly, the sales revenues generated by A.S. Création in non-EU Eastern European countries are unsatisfactory, as they are still about 50.0% below the level seen prior to the start of the financial and economic crisis in 2008.

In the other EU countries (excl. Germany), gross sales revenues in the third quarter of 2011 were 0.3% below the respective prior-year figure. Following the declines by 11.3% in the second half of 2010, by 5.8% in Q1 2011 and by 0.9% in Q2 2011, this is at least a small ray of hope. The Managing Board believes, however, that it is still too early to speak of a turnaround, as the signals coming from France, in particular, which is the largest wallpaper market in the EU, are still not really optimistic. The uncertain macroeconomic environment appears to be having an adverse impact on wallpaper. Total gross sales for the first nine months of the current fiscal year were down by 2.6% on the previous year in the EU countries outside Germany, which makes them unsatisfactory from the point of view of the Managing Board.

As the German sales growth more than outweighed the sales decline in other EU countries, the above developments did not lead to a major shift in the regional breakdown of Group sales revenues. Accounting for 78.5% (2010: 79.5%) of total sales, the EU remains the most

important output market of A.S. Création. The Group generated 15.1% (2010: 14.4%) of its sales revenues in non-EU Eastern European countries in the first nine months of 2011.

The Group targets for the full year 2011 provide for sales between € 195 million and € 205 million, which is equivalent to between 5.5% and 11% sales growth. With Group sales having grown by 5.8% during the first three quarters of the year, the Group is on track towards meeting its targets.

## **Employees**

In the first nine months of 2011, the A.S. Création Group employed an average of 792 people (2010: 772). 723 employees (2010: 707) worked in the Wallpaper Division and 69 (2010: 65) in the Furnishing Fabrics Division.

The sales growth in the current financial year has resulted in the expected improvement of staff productivity. At € 0.185 million, sales per employee in the first nine months were up by 3.4% on the previous year's € 0.179 million. The Managing Board expects this positive trend to continue through the further course of the year.

## **Earnings position**

The earnings position of A.S. Création deteriorated markedly in the current fiscal year. In spite of the 5.8% increase in sales revenues, earnings before interest and taxes declined by € 2.7 million or 24.7% from € 11.2 million to € 8.5million in the reporting period. Accordingly, the EBIT margin fell from 8.1% to 5.8%.

This is primarily attributable to the sharp rise in commodity and energy costs. These general price increases also affected important commodities used by A.S. Création such as non-wovens, paper, PVC and paint as well as gas and electricity, which led to a marked increase in production costs in the Wallpaper Division. These increased procurement costs shaved about € 5.3 million off the result of the Wallpaper Division in the first nine months of 2011. The Furnishing Fabrics Division is also facing higher purchasing prices in the current fiscal year, especially for cotton, polyester fibres and silk.

The adverse effects on margins arising from the greatly increased commodity and energy prices could not be offset by higher sales prices. From today's point of view, the price increases implemented for parts of the product range effective March 1, 2011 were insufficient against the background of trends in commodity prices. At 46.0%, A.S. Création's gross profit margin is therefore 2.7 percentage points below the prior year level of 48.7%. Based on the total output of € 148.5 million in the first nine months of the current year, this translates into a gross profit shortfall of € 4.0 million. The comparison with EBIT of € 8.4 million generated in this period illustrates the strong impact of the reduced gross profit margin on the earnings position of A.S. Création.

Increased marketing expenses, e.g. for exhibitions, advertising and sales promotion, also weighed on the bottom line. As a result, other operating expenses as a percentage of total output deteriorated slightly from 14.8% in the previous year to 14.9% in the first nine months of 2011. As the Managing Board considers the development of innovative marketing concepts and a high market presence to be important for the future of A.S. Création, the company continued to invest in these areas in spite of the tight earnings situation.

Another investment in the future is the build-up of the company's own local sales organisation in Russia, which is currently underway at OOO A.S. Création (RUS). This infrastructure will be needed from the second half of 2012 to market the wallpapers produced at the new factory in Russia. In the current fiscal year 2011, the build-up of the sales organisation leads to the expected significant start-up losses.

In relation to the above adverse effects weighing on the result, the improvements in staff productivity, which are reflected in the fact that personnel expenses as a percentage of total output declined from 20.8% in the first nine months of the previous year to 20.6% in the current fiscal year, are only marginal. Accordingly, these positive effects had only a moderate impact on the general earnings position of A.S. Création.

The Managing Board of A.S. Création is not satisfied with the current earnings situation, as the EBIT margin of 5.8% achieved in the first nine months of 2011 is the lowest operating margin reported since 1999, the year when the company adopted IFRS. The third quarter of 2011 was affected most strongly by the above factors, which is reflected in earnings before interest and taxes of only € 1.0 million (2010: € 32 million) and an EBIT margin of 2.0% (2010: 7.1%).

The financial result is additionally affected by the decisions to expand the distribution capacity in France through the acquisition of two French wholesalers, SCE SAS and MCF Investissement SAS, and to build up a Russian production facility in the joint venture, OOO A.S. & Palitra. The financial result declined from € -1.4 million in the previous year to € -1.5 million in the first nine months of 2011.

With the construction of the Russian production facility proceeding to plan, start-up costs increase in line with expectations. The pro-rata share borne by A.S. Création in the first nine months of 2011 in an amount of € -0.272 million (2010: € -0.061 million) is shown as expenses in the financial result.

The profit impairments discussed above are also reflected in consolidated net profit which declined by 32.1% from € 6.7 million in the prior-year period to € 4.6 million in the first nine months of 2011. Based on an unchanged average number of shares outstanding (2,756,351), this is equivalent to earnings per share of € 1.66 (2010: € 2.45).

All told, the 32.1% decline in net profit during the first nine months of the current year is higher than provided for in the full-year budget for 2011 which assumes a decline by between 10.7% and 22.6% in consolidated net profit to between € 6.5 million and € 7.5 million. Accordingly, the net profit for the current fiscal year is below plan in spite of the good sales performance.

## Financial position

Due to the poorer earnings position, cash flow for the first nine months declined by 16.9% from the previous year's € 14.0 million to € 11.7 million. At the same time, the lower cash flow contrasted with much higher financing requirements, which were attributable to the following factors:

- Increased capital expenditures  
Capital expenditures in the first nine months totalled € 16.7 million. The € 11.6 million increase on the previous year's € 5.1 million is attributable to two projects. First, the remaining shares in SCE SAS and MCF Investissement SAS were acquired by A.S. Création (France) SAS as planned at a total price of € 7.0 million (2010: € 0 million). Second, A.S. Création Tapeten AG invested € 5.8 million (2010: € 0.8 million) in the Russian joint venture, OOO A.S. & Palitra (and hence in the start-up of the Russian production facility), in the first nine months of 2011 by way of capital contribution and shareholder loan.
- Higher receivables  
The higher level of sales during the reporting period entailed an increase in trade receivables by € 4.2 million (2010: € 0.5 million). At 70 days, the imputed receivables collection period during the first nine months of 2011 was on a par with the previous year, meaning that nothing reportable occurred in this area.
- Higher dividend  
May 2011 saw the payout of a dividend amounting to € 3.7 million (2010: € 3.3 million).

Inventories showed a very positive trend in the third quarter of 2011. While stocks increased by € 6.4 million in the first half of 2011, they were reduced by € 3.7 million in the course of the third quarter of 2011. As a result, inventories increased by only € 2.7 million in the first nine months of the year (2010: € 4.5 million). This inventory build-up is primarily attributable to the increase in the value of inventories resulting from the higher commodity prices, which lead to a rise in the manufacturing costs of the products (and, hence, in their recognition in the balance sheet). By contrast, physical inventories increased hardly at all. As a result, inventory turnover improved compared to the first half of the year and, at 4.2 times p.a., is back at the prior year level (4.3 times p.a.).

Given that the financing needs discussed above could not be funded completely from cash flow, A.S. Création's net financial liabilities (difference between interest-bearing financial liabilities and liquid funds) have increased in line with expectations. Net financial liabilities rose by € 12.2 million from € 16.3 million as at December 31, 2010 to € 28.5 million as at September 30, 2011. Accordingly, the imputed debt repayment period increased from 0.8 years in the previous year to 1.8 years in the current fiscal year, which is still a moderate level. This and the typically high equity ratio of A.S. Création, which stood at 54.9% on September 30, 2011 (2010: 52.4%), mean that the financial structure of A.S. Création remains very robust and healthy.

## Outlook

The third quarter of 2011 was disappointing and illustrates the current problems from the point of view of the Managing Board:

- The increased commodity and energy prices were only partly offset by higher sales prices, which is reflected in the lower gross profit margin.
- The great uncertainty among consumers resulting from the macroeconomic environment has led to declining demand for wallpapers in some European markets, not including Germany. In this environment, A.S. Création has been unable to sufficiently increase its sales revenues for the reduced gross profit margin to be offset by economies of scale. Accordingly, the gross profit shortfall is reflected also in earnings before interest and taxes.

Against this background, the outlook on the final quarter of 2011 is rather cautious.

The high sales growth in Germany will probably slow down in the fourth quarter of 2011, as the first-time deliveries to the new large customers have been completed in the meantime. For the other EU countries, especially France and the UK, there are currently no signs that suggest that the situation will change fundamentally by the end of the year. At this stage, it is impossible to predict the extent of the negative effects the current debt crisis and the debate about a possible break-up of the euro-zone will have on consumer spending. By contrast, sales revenues in non-EU Eastern European countries should continue to grow significantly in the fourth quarter of 2011. Overall, the Managing Board assumes that consolidated sales in the full year 2011 will be in line with plans, i.e. between € 195 million and 205 million.

The fact that the earnings position deteriorated to an unexpected degree in the third quarter of 2011 makes it doubtful, however, that the earnings projections will be met. To achieve the projected net profit for the year of between € 6.5 million and € 7.5 million, a net profit of at least € 1.9 million would have to be generated in the fourth quarter of 2011. While such a level was reached in high-income years (prior to the financial year), the net profit in the fourth quarter of the past two fiscal years amounted to only € 1.7 million each. Moreover, the earnings contribution in the third quarter was unexpectedly low. The Managing Board therefore expects net profit for the full year 2011 to remain below the projected range. The amount by which the earnings target of € 6.5 million will be missed largely depends on the sales revenues generated in the fourth quarter of 2011 and on the trend in average sales prices. Due to new collections launched in the market, a positive effect on average sales prices is possible.

The Managing Board is convinced that sufficient profitability is an important precondition for sustainable company growth, as it is the only way to finance the necessary capital expenditures in replacements and new capacity in the long term. In view of the sharp rise in commodity and energy prices and the resulting deterioration in the earnings position, A.S. Création Tapeten AG has therefore announced an increase in its sales prices with effect from February 1, 2012. In this context, the Managing Board is also prepared to discontinue certain insufficiently profitable elements of the product range. Another focus will be on the ongoing optimisation of the internal cost structures.

At the same time, A.S. Création will build on its strength in developing innovative marketing concepts and making them available to its retail and wholesale partners. This comprises a modern, contemporary and computer-assisted presentation of wallpapers at retail stores as well as the expansion of the wallpaper licenses. Next year will see the addition of a wallpaper collection designed by Porsche Design to the portfolio, which already includes such licensed brands as ESPRIT, Schöner Wohnen and Daniel Hechter.

The construction work in Dzerzhinsk/Russia, where A.S. Création is installing a new wallpaper production facility with its Russian cooperation partner, Kof Palitra, is making swift progress. Before the 2011/2012 winter period, the buildings will probably have been completed to such an extent that the interior construction work and the installation of the plant and machinery can be implemented in the coming months and be completed in the second half of 2012. Both partners will then probably have invested about € 13.0 million each in this project. At the same time, A.S. Création will continue to expand the Russian sales organisation as planned in the course of 2011 and 2012 to start marketing the Russian-made products in the course of the second half of 2012. As expected, these start-up costs will weigh on the bottom line in the coming months.

Although earnings are likely to fall short of projections in 2011, the Managing Board is of the opinion that A.S. Création is well positioned to further expand its competitive position in the coming years.

The risk and opportunity profile of A.S. Création Tapeten AG has not changed materially as compared to the presentation in the 2010 Annual Report.

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

Gummersbach, October 27, 2011

### **A.S. Création Tapeten AG**

The Managing Board

Kämper

Hallwig

Krämer

# A.S. Création Tapeten AG, Gummersbach

## Consolidated balance sheet

as per September 30, 2011

<b>Assets</b>		
	30.09.2011	31.12.2010
	€ '000	€ '000
Tangible fixed assets	47,554	50,770
Intangible fixed assets	9,228	9,803
Financial assets	4,800	0
Investments accounted for at equity	1,996	1,343
Other assets	767	423
Income tax receivables	1,613	1,564
Deferred tax assets	709	557
<b>Non-current assets</b>	<b>66,667</b>	<b>64,460</b>
Inventories	47,369	44,706
Trade receivables	39,935	35,715
Other assets	4,242	5,404
Income tax receivables	789	548
Cash and cash equivalents	4,178	10,792
<b>Current assets</b>	<b>96,513</b>	<b>97,165</b>
<b>Total assets</b>	<b>163,180</b>	<b>161,625</b>
<b>Equity and liabilities</b>		
	30.09.2011	31.12.2010
	€ '000	€ '000
Capital stock	9,000	9,000
Capital reserves	13,757	13,757
Revenue reserves	52,193	48,120
Profit carried forward	14,017	13,482
Net profit	4,581	8,395
Adjustment for own shares	-4,021	-4,021
Currency translation differences	-11	56
<b>Equity</b>	<b>89,516</b>	<b>88,789</b>
Financial liabilities (interest-bearing)	29,112	23,498
Other liabilities	1,374	1,358
Provisions for pensions	7,020	7,051
Deferred tax liabilities	7,266	7,782
<b>Non-current liabilities</b>	<b>44,772</b>	<b>39,689</b>
Financial liabilities (interest-bearing)	3,577	3,545
Other liabilities	15,665	18,211
Trade payables	9,227	9,352
Other provisions	80	135
Tax liabilities	343	1,904
<b>Current liabilities</b>	<b>28,892</b>	<b>33,147</b>
<b>Total equity and liabilities</b>	<b>163,180</b>	<b>161,625</b>

# A.S. Création Tapeten AG, Gummersbach

## Consolidated income statement

for the nine-month period ended September 30, 2011

	Notes No.	2011 € '000	2010 € '000
<b>Sales</b>	(1)	<b>146,602</b>	<b>138,540</b>
Increase or decrease in unfinished and finished goods		1,890	1,902
Other own work capitalised		0	2
<b>Total output</b>		<b>148,492</b>	<b>140,444</b>
Cost of materials		80,224	71,984
<b>Gross profit</b>		<b>68,268</b>	<b>68,460</b>
<b>Other income</b>		<b>812</b>	<b>742</b>
		<b>69,080</b>	<b>69,202</b>
Personnel expenses		30,566	29,255
Depreciation		7,558	7,577
Operating taxes		374	377
Other operating expenses		22,108	20,746
<b>Operating expenses</b>		<b>60,606</b>	<b>57,955</b>
<b>Earnings before interest and taxes (EBIT)</b>		<b>8,474</b>	<b>11,247</b>
Interest and similar income		131	183
Results from investments accounted for at equity		-272	-61
Interest and similar expenses		1,344	1,510
<b>Financial result</b>		<b>-1,485</b>	<b>-1,388</b>
<b>Earnings before income taxes</b>		<b>6,989</b>	<b>9,859</b>
Income taxes	(2)	2,408	3,111
<b>Net profit</b>		<b>4,581</b>	<b>6,748</b>
<b>Earnings per share</b>	(3)	<b>1.66 €</b>	<b>2.45 €</b>

## Consolidated statement of comprehensive income

for the nine-month period ended September 30, 2011

	2011 € '000	2010 € '000
<b>Net profit</b>	<b>4,581</b>	<b>6,748</b>
Foreign currency translation differences for subsidiaries in non-EMU countries	-67	23
Change in fair value of an interest rate hedge	-95	-362
Deferred taxes	29	111
<b>Other comprehensive income</b>	<b>-133</b>	<b>-228</b>
<b>Total comprehensive income</b>	<b>4,448</b>	<b>6,520</b>

# A.S. Création Tapeten AG, Gummersbach

## Consolidated income statement

for the three-month period ended September 30, 2011 (3<sup>rd</sup> quarter)

	Notes No.	2011 € '000	2010 € '000
<b>Sales</b>	(1)	<b>47,518</b>	<b>44,776</b>
Increase or decrease in unfinished and finished goods		-2,162	1,624
Other own work capitalised		0	0
<b>Total output</b>		<b>45,356</b>	<b>46,400</b>
Cost of materials		25,877	25,006
<b>Gross profit</b>		<b>19,479</b>	<b>21,394</b>
<b>Other income</b>		<b>76</b>	<b>178</b>
		<b>19,555</b>	<b>21,572</b>
Personnel expenses		9,638	9,438
Depreciation		2,482	2,685
Operating taxes		131	129
Other operating expenses		6,350	6,119
<b>Operating expenses</b>		<b>18,601</b>	<b>18,371</b>
<b>Earnings before interest and taxes (EBIT)</b>		<b>954</b>	<b>3,201</b>
Interest and similar income		69	150
Results from investments accounted for at equity		-185	-25
Interest and similar expenses		459	501
<b>Financial result</b>		<b>-575</b>	<b>-376</b>
<b>Earnings before income taxes</b>		<b>379</b>	<b>2,825</b>
Income taxes	(2)	287	877
<b>Net profit</b>		<b>92</b>	<b>1,948</b>
<b>Earnings per share</b>	(3)	<b>0.03 €</b>	<b>0.71 €</b>

## Consolidated statement of comprehensive income

for the three-month period ended September 30, 2011 (3<sup>rd</sup> quarter)

	2011 € '000	2010 € '000
<b>Net profit</b>	<b>92</b>	<b>1,948</b>
Foreign currency translation differences for subsidiaries in non-EMU countries	-25	-60
Change in fair value of an interest rate hedge	-266	-65
Deferred taxes	82	20
<b>Other comprehensive income</b>	<b>-209</b>	<b>-105</b>
<b>Total comprehensive income</b>	<b>-117</b>	<b>1,843</b>

# A.S. Création Tapeten AG, Gummersbach

## Consolidated statement of changes in equity

for the nine-month period ended September 30, 2011

	Capital Stock	Capital reserve	Revenue reserves	Profit carried forward	Net Profit	Adjust- ment for own shares	Currency trans- lation diffe- rences	Total
	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000
<b>December 31, 2009</b>	<b>9,000</b>	<b>13,757</b>	<b>44,567</b>	<b>12,937</b>	<b>7,499</b>	<b>-4,021</b>	<b>35</b>	<b>83,774</b>
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	3,319	-3,319	0	0	0	0
Net profit 2010	0	0	0	0	6,748	0	0	6,748
Changes recognized directly in equity	0	0	-251	0	0	0	23	-228
<b>September 30, 2010</b>	<b>9,000</b>	<b>13,757</b>	<b>47,635</b>	<b>13,809</b>	<b>6,748</b>	<b>-4,021</b>	<b>58</b>	<b>86,986</b>

	Capital Stock	Capital reserve	Revenue reserves	Profit carried forward	Net Profit	Adjust- ment for own shares	Currency trans- lation diffe- rences	Total
	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000
<b>December 31, 2010</b>	<b>9,000</b>	<b>13,757</b>	<b>48,120</b>	<b>13,482</b>	<b>8,395</b>	<b>-4,021</b>	<b>56</b>	<b>88,789</b>
Net profit 2010	0	0	0	8,395	-8,395	0	0	0
Dividend payments	0	0	0	-3,721	0	0	0	-3,721
Allocation to revenue reserves	0	0	4,139	-4,139	0	0	0	0
Net profit 2011	0	0	0	0	4,581	0	0	4,581
Changes recognized directly in equity	0	0	-66	0	0	0	-67	-133
<b>September 30, 2011</b>	<b>9,000</b>	<b>13,757</b>	<b>52,193</b>	<b>14,017</b>	<b>4,581</b>	<b>-4,021</b>	<b>-11</b>	<b>89,516</b>

# A.S. Création Tapeten AG, Gummersbach

## Consolidated cash flow statement

for the nine-month period ended September 30, 2011

	2011 € '000	2010 € '000
<b>Operating activities</b>		
Net profit	4,581	6,748
+ Depreciation on tangible and intangible fixed assets	7,558	7,577
+/- Increase/decrease in long-term provisions	-31	142
-/+ Income/expenses from investments accounted for at equity	272	61
-/+ Increase/decrease in present value of corporate income tax credit	-57	-70
-/+ Income/expenses from changes in deferred taxes	-656	-424
<b>Cash-flow</b>	<b>11,667</b>	<b>14,034</b>
-/+ Profit/losses from disposal of tangible and intangible fixed assets	-39	-51
-/+ Increase/decrease in inventories	-2,710	-4,504
-/+ Increase/decrease in trade receivables	-4,248	-496
+/- Increase/decrease in trade payables	-124	-350
-/+ Increase/decrease in other net working capital	3,454	5,123
<b>Cash-flow from operating activities</b>	<b>8,000</b>	<b>13,756</b>
<b>Investing activities</b>		
Capital expenditures on tangible and intangible fixed assets	-3,942	-4,335
- Cash outflows for acquisitions of consolidated companies (less acquired cash and cash equivalents)	-6,970	0
-/+ Cash outflows/receipts from advances and loans made to other parties	-4,800	0
- Cash outflows for at equity investments	-1,023	-771
+ Proceeds from the disposal of tangible and intangible fixed assets	209	102
<b>Cash-flow from investing activities</b>	<b>-16,526</b>	<b>-5,004</b>
<b>Financing activities</b>		
Dividends paid to shareholders of A.S. Création Tapeten AG	-3,721	-3,308
- Repayment of liabilities from anticipation of the future acquisition of remaining shares	0	-407
+/- Raising/repayment of financial liabilities (interest-bearing)	5,645	-2,671
<b>Cash-flow from financing activities</b>	<b>1,924</b>	<b>-6,386</b>
<b>Net change in cash and cash equivalents</b>	<b>-6,602</b>	<b>2,366</b>
+/- Change in cash and cash equivalents due to exchange rate fluctuations	-12	76
+ Cash and cash equivalents at January 1	10,792	11,008
<b>Cash and cash equivalents at September, 30</b>	<b>4,178</b>	<b>13,450</b>

Further information on the cash flow statement are presented in the notes to the consolidated financial statement.

# A.S. Création Tapeten AG, Gummersbach

## Notes to the consolidated financial statements

for the nine-month period ended September 30, 2011

### **General**

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

The present interim consolidated financial statements for the nine-month period ended September 30, 2011 were prepared by A.S. Création Tapeten AG in condensed form in accordance with IAS 34 "Interim Financial Reporting". The accounting and valuation methods used are consistent with those used to prepare the consolidated financial statements for the year ended December 31, 2010. The latter were prepared on the basis of the International Financial Reporting Standards (IFRS) in force on the reporting date, such as they are applicable in the European Union, as well as the additional requirements pursuant to section 315a (1) of the German Commercial Code (HGB). For a detailed description of the accounting and valuation methods, refer to the notes to the consolidated financial statements for the period ended December 31, 2010.

A.S. Création Tapeten AG has a policy of applying new IFRS as soon as they become effective. The newly published IFRS and the interpretations of the International Accounting Standard Boards (IASB) had no material effect on the assets, liabilities, financial position and earnings position of A.S. Création.

To prepare the consolidated financial statements, the Managing Board must make estimates and assumptions that influence the recognition of assets and liabilities as well as income and expenses. All estimates and assumptions are made to the best of the Managing Board's knowledge to give a true and fair view of the net worth, financial and earnings position of the Group. The actual values may nevertheless deviate from the estimates. The results achieved in the fiscal year 2011 to date do not necessarily provide an indication of the performance in the further course of the year.

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

### **Notes on the basis of consolidation**

Next to A.S. Création Tapeten AG, 10 subsidiaries are consolidated, thereof nine companies are fully consolidated and one company is accounted for using the equity method. The consolidated entity has remained unchanged from FY 2010.

## Currency translation

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

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

An average annual rate of £ 0.87142/€ (2010: £ 0.85739/€) and a closing rate of £ 0.86500/€ (2010: £ 0.85800/€) were used for the pound sterling, while an average annual rate of RUB 40.49903/€ (2010: RUB 39.59526/€) and a closing rate of RUB 43.37000/€ (2010: RUB 41.75410/€) were applied for the Russian rouble.

## Notes to the income statement

### (1) Sales

A breakdown of Group sales by region is provided below:

	Wallpaper Division		Fabrics Division		Consolidation		Group	
	2011	2010	2011	2010	2011	2010	2011	2010
	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000
Germany	53,268	44,589	6,834	6,693	-237	-87	59,865	51,195
EU (excl. Germany)	65,832	67,662	1,901	1,885	-314	-353	67,419	69,194
European Union (EU)	119,100	112,251	8,735	8,578	-551	-440	127,284	120,389
Other Eastern Europe	23,659	21,011	893	812	0	0	24,552	21,823
Other countries	9,981	8,825	310	361	0	0	10,291	9,186
<b>Sales (gross)</b>	<b>152,740</b>	<b>142,087</b>	<b>9,938</b>	<b>9,751</b>	<b>-551</b>	<b>-440</b>	<b>162,127</b>	<b>151,398</b>
Reduction in revenues	-15,041	-12,404	-484	-454	0	0	-15,525	-12,858
<b>Sales (net)</b>	<b>137,699</b>	<b>129,683</b>	<b>9,454</b>	<b>9,297</b>	<b>-551</b>	<b>-440</b>	<b>146,602</b>	<b>138,540</b>

### (2) Income taxes

Income taxes in the reporting period were calculated on the basis of the tax rate anticipated for the full fiscal year. Income taxes break down as follows:

	2011	2010
	€ '000	€ '000
Current tax expenses	3,064	3,535
Deferred taxes	-656	-424
	<b>2,408</b>	<b>3,111</b>

### (3) Earnings per share

Earnings per share are calculated as follows:

		2011	2010
Number of shares outstanding (weighted average)	shares	2,756,351	2,756,351
Net profit	€ '000	4,581	6,748
<b>Earnings per share</b>	<b>€/share</b>	<b>1.66</b>	<b>2.45</b>

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

#### (4) Cash flow statement

Cash flow from operating activities includes the following payments:

	2011	2010
	€ '000	€ '000
Interest received	55	183
Interest paid	818	1,113
Income tax paid	4,828	1,883
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:

	2011	2010
	€ '000	€ '000
Raising of financial liabilities (excl. financial lease)	7,796	149
Raising of liabilities under financial lease contracts	0	0
Repayment of financial liabilities (excl. financial lease)	-1,823	-1,270
Repayment of liabilities under financial lease contracts	-328	-1,550
	<b>5,645</b>	<b>-2,671</b>

#### (5) 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	
	2011	2010	2011	2010	2011	2010	2011	2010
	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000
External sales	137,509	129,624	9,093	8,916	0	0	146,602	138,540
Intra-Group sales	190	59	361	381	-551	-440	0	0
Total sales	137,699	129,683	9,454	9,297	-551	-440	146,602	138,540
EBITDA <sup>1</sup>	15,780	18,441	252	383	0	0	16,032	18,824
EBITDA-margin	11.5%	14.2%	2.7%	4.1%			10.9%	13.6%
EBIT <sup>2</sup>	8,320	10,963	154	284	0	0	8,474	11,247
EBIT-margin	6.0%	8.5%	1.6%	3.1%			5.8%	8.1%
Interest income	280	337	2	2	-151	-156	131	183
Results from investments accounted for at equity	-272	-61	0	0	0	0	-272	-61
Interest expenses	1,288	1,457	207	209	-151	-156	1,344	1,510
Earnings before taxes	7,040	9,782	-51	77	0	0	6,989	9,859
Return on sales (before taxes)	5.1%	7.5%	-0.5%	0.8%			4.8%	7.1%
Income taxes	2,424	3,087	-16	24	0	0	2,408	3,111
Capital expenditures	16,622	5,035	113	71	0	0	16,735	5,106
Depreciation	7,460	7,478	98	99	0	0	7,558	7,577
Cash-flow	11,625	13,850	42	184	0	0	11,667	14,034
Segment assets <sup>3</sup>	144,494	142,742	6,812	7,049	-215	-420	151,091	149,371
thereof current assets	(86,187)	(80,006)	(5,574)	(5,873)	(-215)	(-420)	(91,546)	(85,459)
Segment liabilities <sup>4</sup>	25,175	32,019	1,384	1,477	-213	-418	26,346	33,078
Employees (average)	723	707	69	65	0	0	792	772

A breakdown of Group sales by geographical regions is provided in the notes on sales (see No. 1).

Of the total Group assets of € 151.091 million (2010: € 149.371 million), an amount of € 117.409 million (2010: € 110.556 million) relates to Germany, an amount of € 30.577 million (2010: € 37.056 million) to other EU countries and an amount of € 3.105 million (2010: € 1.759 million) to non-EU Eastern European countries.

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

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

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

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

## **(6) 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 – Société 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 € 6.923 million as of December 31, 2010. Accordingly, a liability in the same amount was recognised in anticipation of the future acquisition of the remaining shares. The remaining shares were acquired on July 15, 2011 at a price of € 6.970 million. The € 0.047 million difference against the anticipated purchase price liability was recognised as other operating expense in the third quarter of 2011.

## **(7) Managing Board**

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

- Jörn Kämper, Chairman, Sales and Marketing
- Karl-Heinz Hallwig, Production, since April 1, 2011
- Maik Holger Krämer, Finance and Controlling
- Bernhard Wagner, Production, until March 31, 2011

## **(8) Relationships to closely associated companies and persons**

A.S. Création Tapeten AG has extended a loan bearing interest at market conditions to OOO A.S. & Palitra, a company accounted for at equity. The loan, which amounted to € 4.8 million (2010: € 0) on the balance sheet date, is included in non-current financial assets. The resulting interest income in an amount of € 0.076 million (2010 € 0) is included in the financial result.

The relationships of the company with Supervisory Board Chairman Franz Jürgen Schneider, and with A.S. Création Tapetenstiftung, a charitable foundation, as reported in the consolidated financial statements for 2010 continued to exist in the period under review.

## **(9) Post balance sheet events**

No events that require reporting have occurred.

Gummersbach, October 27, 2011

**A.S. Création Tapeten AG**

The Managing Board

Kämper

Hallwig

Krämer

**Investor Relations**

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