



ANNUAL REPORT 2009 A.S. CRÉATION TAPETEN AG

A.S. CRÉATION: KEY FIGURES

		2005	2006	2007	2008	2009
Sales	€ '000	145,320	152,373	167,633	176,216	181,325
Earnings before interest and taxes (EBIT)	€ '000	14,842	13,747	15,005	13,502	13,428
Earnings before income taxes	€ '000	12,978	12,672	14,562	12,856	10,834
Net profit	€ '000	7,744	10,174	9,982	8,925	7,499
Cash-flow	€ '000	16,033	16,199	17,926	18,058	17,568
Capital expenditures	€ '000	8,919	7,443	11,232	23,893	5,771
Depreciation	€ '000	8,168	7,985	8,397	8,215	9,864
Non-current assets	€ '000	51,510	51,860	54,007	73,247	68,866
Shareholders' equity	€ '000	64,799	71,485	76,901	80,288	83,774
Non-current liabilities	€ '000	27,219	24,385	27,922	54,336	51,688
Total assets	€ '000	111,047	116,298	124,557	171,730	161,835
Earnings per share	€/share	2.78	3.65	3.59	3.22	2.72
Dividend	€/share	1.25	1.65	1.60	1.40	1.20
Number of employees (average)		654	653	675	719	787

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This English translation of the annual report 2009 is merely a convenience translation. The German version is the prevailing one.

FOREWORD

Dear readers, dear shareholders,

The fiscal year 2009 was quite a challenging period for A.S. Création. As a result of the global financial and economic crisis, our sales in the important Eastern European markets dropped sharply. By the end of the year, sales revenues in that region had contracted by approx. 50%. However, this decline in Eastern Europe was offset through the December 2008 takeover of two French wallpaper wholesalers, MCF Investissement SAS and SCE – Société de conception et d'édition SAS. As a result, total sales of the A.S. Création Group increased by 2.9% from the previous year's € 176.2 million to € 181.3 million in fiscal 2009. Adjusted for the sales contributions made by these two new French subsidiaries, Group sales of A.S. Création declined by 17.8% in 2009. The acquisitions have helped A.S. Création to significantly improve its market position in France, the most important export market in the European Union (EU). While A.S. Création (France) SAS mainly supplies smaller DIY stores and wholesalers, SCE has the large French DIY store chains on its customer list. MCF rounds off our market presence as a specialist in high-quality themed collections, which are exclusively available in specialist retail stores. These acquisitions and the decline in sales in Eastern Europe have changed significantly the revenue structure of A.S. Création. While the EU accounted for approx. 64% of our gross sales in 2008, this share increased to 81% in 2009.

A.S. Création felt the first signs of the crisis in

the course of 2008, when third-quarter sales increased only by a negligible 1.8%, effectively marking the end of sales growth. Sales dropped by 4.1% in Q4 2008, and this trend accelerated in Q1 2009, when like-for-like sales – i.e. excluding the French acquisitions – slumped by 20.2%. As mentioned above, the Eastern European wallpaper markets – especially Ukraine and Russia – were hit hardest by the effects of the international financial and economic crisis. One of the reasons for the disproportionate decline in sales revenues in these countries was the gradual depreciation of the respective local currencies against the euro. In addition, modified customs regulations had an adverse impact on our product groups. Both aspects made our products much more expensive for customers in these countries, although we did not raise our prices. As a result, consumers increasingly chose locally produced wallpapers. This trend was especially negative for A.S. Création as we traditionally had high market shares in these countries.

2009 was a difficult year also for the two companies that make up our Furnishing Fabrics Division, Indes Wohntextil GmbH and FUGGERHAUS Stoffe GmbH. We take pride in the fact that the Division was able to generate a clearly positive result in spite of a 20% decline in sales revenues. The Furnishing Fabrics Division aims to achieve a unique positioning in a growing number of segments and to win market share with the help of attractive product ranges and concepts.

Due to the sales trend mentioned above, we were unable to fully utilise our (production) capacity in 2009. We therefore set the course at an early stage to adjust the cost structure to the changed environment during the crisis. We proceeded with circumspection so as not to jeopardise A.S. Création's prospects following the crisis. We did not cut our spending on product development and innovation. Some 1,950 new articles mean that A.S. Création developed and launched more wallpapers in 2009 than ever before. At this stage, we still have a large number of products and innovations in the pipeline.

At the bottom line, the consolidated income statement shows a net profit of € 7.5 million for 2009, which represents a decline of 16.0% from the previous year's € 8.9 million. Given that the net profit for 2009 is strongly influenced by special effects that result from IFRS accounting rules, the Managing Board is of the opinion that earnings before interest, taxes, depreciation and amortisation (EBITDA) say more about the earnings position in the fiscal year 2009. EBITDA rose by 7.3% from € 21.7 million in the previous year to € 23.3 million in 2009, while the EBITDA margin stood at 12.8% (2008: 12.3%). Against this background, we are satisfied with the result of the fiscal year 2009.

The performance of the A.S. Création share in the fiscal year was no less satisfactory, except a soft patch at the beginning of the

year. The share price climbed from € 17.93 at the beginning of 2009 to € 25.36 at the end of the year, which means that the share gained 41.4%. It outperformed both the MDAX (+ 34.0%) and the SDAX (+ 26.7%). Taking into account the dividend of € 1.40 per share paid out in May 2009, shareholders have gained € 8.83 per share or 49.2% since the beginning of the year. A.S. Création intends to continue its dividend policy, which is aimed at a high payout ratio, in the current fiscal year. Accordingly, the Managing Board will propose to the General Meeting of Shareholders scheduled for May 7, 2010 to pay out a dividend of € 1.20 per share from the profit for the year 2009. This represents a payout ratio of 44.1% based on earnings per share of € 2.72. This high payout ratio shows that A.S. Création remains faithful to its policy of giving its shareholders a share in the company's performance.

As we believe that the product policy is the key foundation for a wallpaper company's economic success, we continued to systematically develop and refine our product range in the fiscal year 2009. We are today the German wallpaper manufacturer with the most appealing licensed brands. In January 2010, A.S. Création presented its fifth ESPRIT home-Collection. In cooperation with publishing house Gruner & Jahr two attractive licensed themes were developed with SCHÖNER WOHNEN and BRIGITTE. More new brand concepts will be presented in fiscal 2010. With

the help of well-known consumer brands, we have achieved a unique positioning in the wallpaper market. Brands transport concepts such as "fashion", "taste" and "peace of mind" in interior decoration and thus help our retail partners market our products. What is more, the input by external designers provides a wealth of inspiration to our eleven permanently employed designers.

A look at last year's popular designs and wallpaper colours inspires confidence. The times when stylish walls simply had to be white and consumers went for plaster and paint effects finally seem to be over. Never before have wallpapers been so exciting. Wallpaper designers have discovered the wall as their creative playground, where they can experiment with new designs and colours. While green and purple would have been rejected straight away only a short time ago, they have suddenly become the latest trend colours. The retro wave has subsided but attractive large-size designs are still very much en vogue.

Technological progress in the wallpaper industry continues at a fast pace. At the end of 2009, we took the first digital printing press into service, which puts an end to fixed repeats in wallpaper production. Large-size designs and photos can now be printed on non-woven backed wallpapers for high-quality murals.

A.S. Création has continuously improved its

sales promotion efforts. First presented about one year ago, the "tapeten-bestellshop" has met with an excellent response from many customers. A modern touch screen invites consumers to choose their favourite wallpaper from a comprehensive range and simulate it onto the wall. A software update was released in January 2010, making the system even easier and more versatile to use. Our online wallpaper shop also attracts more and more customers. At www.tapetenshop.de, consumers find the most exciting products and can order them for 24-hour delivery.

It is gratifying to see that our customers very much appreciate the efforts of the A.S. team. Based on the results of a customer survey, we won trade magazine Eurodecor's "Company of the Year" award for the sixth consecutive time, this time even in two categories, namely "Best Product Availability" and "Best Product in Terms of Saleability". Our customer, toom Baumarkt, awarded us the "Supplier of the Year" award for outstanding cooperation for the third time in five years. Many thanks!

As reported in the previous year, A.S. Création and the leading Russian wallpaper manufacturer, Kof Palitra, agreed to establish a joint venture for wallpaper production in Russia in 2008. In the meantime, we have acquired a piece of land for our factory in Nizhny Novgorod. Planning is underway, with construction expected to start in the first half of 2010. The production start is scheduled

for 2011. At the same time, A.S. Création established a distribution company under the name of OOO A.S. Création (RUS) in Russia in 2009. A.S. Création (RUS) is currently establishing a distribution structure and will begin to market the Russian-produced wallpapers from the start of production. Thanks to these two measures, we feel that we are well positioned for future business in Russia. Low-cost local production will enable us to compete with Russian manufacturers while at the same time selling high-quality "German-made" wallpapers from Germany. At this stage, it is impossible to predict if and when the Russian market will recover. We assume, however, that Russia will again become one of the world's most attractive and important wallpaper markets once the present phase of weakness is over.

Overall, we do not believe that the financial and economic crisis is already over. Although we saw the first positive signs at the Heimtextil exhibition in Frankfurt in January 2010, a genuine turnaround is not in sight. The critical question is whether the domestic market will remain as stable as in 2009. Should domestic consumer spending begin to weaken as a result of the crisis, this could have an adverse impact on our industry and, hence, on A.S. Création. Irrespective of the general market trend, we are optimistic about the German market, though. We are confident that we will be able to gain additional market share in Germany. As far as exports are concerned, we hope that the

Eastern European markets will recover at least moderately.

In view of the market situation described above, we are currently unable to issue reliable sales and earnings projections for the fiscal year 2010. We are generally convinced that we have taken the right measures to guide A.S. Création safely through difficult times. Building on our strong market position, the excellent financial situation of our company, our motivated workforce and our high ability to innovate, we should be able to benefit from the consolidation in the wallpaper industry.

I would like to take this opportunity to thank all employees of the A.S. Création Group for their commitment in the past fiscal year. It remains our objective to make A.S. Création the world leader in wallpapers. Our approximately 770 employees in five countries are the key to achieve this objective in the medium term.

My thanks also go to our shareholders for their confidence and their support. I would be pleased if you continued to support our company on this challenging and exciting journey.

Gummersbach, February 2010



Jörn Kämper
Chief Executive Officer

MANAGING BOARD AND SUPERVISORY BOARD

Managing Board

Jörn Kämper

Chairman

Sales and Marketing

Maik Holger Krämer

Finance and Controlling

Bernhard Wagner

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

- January** The A.S. Création share starts the year 2009 at € 17.93.
- A.S. Création presents the new products for 2009 at the "Heimtextil" exhibition in Frankfurt am Main. They include the first SCHÖNER WOHNEN wallpaper collection as well as the "tapeten-bestellshop", whose large touch screen allows consumers to comfortably view and find their desired wallpapers.
- At "Bau 2009" in Munich, A.S. Création presents a completely new kind of wallcovering under the brand name "Architects Paper". Stoneplex is a reproduction of slate, travertine and concrete and is available on rolls.
- February** Due to a sharp drop in incoming orders, in February A.S. Création Tapeten AG introduces short time work in some areas, which is continued until the end of March. The Furnishing Fabrics Division introduces short time work from April to August.
- March** A.S. Création shares marked an annual low of € 10.40 on March 9 .
- April** By establishing a distribution company, OOO A.S. Création (RUS), Moscow, in Russia, A.S. Création increases its presence in this important wallpaper market.
- July** In cooperation with Gruner & Jahr, A.S. Création develops the first BRIGITTE Home wallpaper collection. BRIGITTE is one of Germany's leading women's magazine. Accordingly, the wallpaper collection is targeted at fashion-conscious female consumers.
- September** At € 27.10, the price of the A.S. Création share reaches the highest level of the year on September 14.
- November** The acquisition of the first digital printing press marks A.S. Création's entry in this new printing technology segment.
- December** The A.S. Création share closes at a price of € 25.36 on December 30.

14 REPORT OF THE SUPERVISORY BOARD

In the fiscal year 2009, the Supervisory Board held four ordinary meetings on March 4, May 5, September 9 and December 10. All meetings were attended by all members of the Supervisory Board. The composition of the Supervisory Board remained unchanged in fiscal 2009.

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 – although the decision about the compensation of the Managing Board members is at the discretion of the full Supervisory Board – as well as for other personal matters, met on March 4, 2009 and on December 9, 2009.

At these two meetings, which were led by Committee Chairman Mr Schneider, the committee initially discussed the structure and amount of the Managing Board compensation, especially in the light of the new regulations under the German Act on the Appropriateness of Executive Remuneration (Gesetz zur Angemessenheit der Vorstandsvergütung VorstAG) of July 31, 2009. The committee also addressed the deductible under the D&O insurance as well as the contracts of the Managing Board members, especially with a view to their expiry on March 31, 2011 and the decision about their renewal, which will have to be taken in fiscal 2010.

The Audit Committee, which is primarily

responsible for auditing the financial statements, the consolidated financial statements and the quarterly reports as well as for monitoring the effectiveness of the risk management system, held its constituent meeting on March 3, 2009 and met two more times in the fiscal year, on September 8 and December 9, 2009. At the constituent meeting, Dr. Liebs was elected Chairman of the Audit Committee. In the fiscal year 2009, the Audit Committee audited the financial statements and the consolidated financial statements for the year 2008 including the initial consolidation of the acquired French companies, the current financial structure of the company and the accounting process. The committee also checked the functionality of the internal controlling system and discussed the risk management system. In addition, the Audit Committee discussed the interim report and the quarterly reports with the Managing Board prior to their publication.

The task of the Nomination Committee consists in proposing suitable candidates for new elections to the Supervisory Board. There was no need for the Nomination Committee to meet in fiscal 2009, given that the current term of office of all Supervisory Board members will expire at the end of the General Meeting of Shareholders that will resolve on the discharge of the acts during the fiscal year 2010.

The 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, 2008,
- discussion of the company's future strategic development against the background of the difficult macroeconomic environment and the resulting decline in export sales,
- review of the financial position and the financing possibilities of the company,

- discussion and resolution regarding the adjustment of the rules of internal procedure for the Supervisory Board to the German Corporate Governance Code, to the German Accounting Law Reform Act (Gesetz zur Modernisierung des Bilanzrechts BilMoG) and to the German Act on the Appropriateness of Executive Remuneration (Gesetz zur Angemessenheit der Vorstandsvergütung VorstAG), especially in the light of the new distribution of authorities between the full body and the Committee for Managing Board Matters. provided for by the VorstAG Act,
- approval of the corporate plan and the capital expenditure budget for fiscal year 2010 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 and are not being applied.

As early as in fiscal 2007, it was decided to successively review the internal controlling systems of all Group companies. 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 this year's consolidated financial statements, A.S. Création (NL) B.V., Indes Wohntextil GmbH and FUGGERHAUS Stoffe GmbH were subjected to such a review. As in the previous years, these reviews were performed by (local) KPMG subsidiaries 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 2009 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 2009 was awarded by the Supervisory Board on the basis of the resolution adopted at its meeting on September 9, 2009. In accordance with the recommendations made by the German Corporate Governance Code, the Supervisory Board 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 for the financial year 2009. The

statement also covers other services, especially in the field of consultancy, 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 Supervisory Board asked the auditors to place one focus of their audit of the 2009 financial statements of A.S. Création Tapeten AG on the allocation of the purchase price paid for the December 18, 2008 takeover of wallpaper wholesalers MCF Investissement SAS and SCE – Société de conception et d'édition SAS, which is required under IFRS 3.

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 2, 2010 and at the Supervisory Board's annual accounts meeting on March 9, 2010. 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 can be 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, 2009. 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.

Gummersbach, March 9, 2010



Franz Jürgen Schneider
Chairman of the Supervisory Board

Introduction

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 June 18, 2009. 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 9, 2010, 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 6, 2008 in the period from March 4, 2009 to June 18, 2009 subject to the exceptions stated in last year's declaration of conformity dated March 4, 2009 and that, thereafter, the company has complied and will continue to comply with the German Corporate Governance Code as amended on June 18, 2009 subject to the following exceptions:

- Agreement of a deductible under a D&O insurance (pursuant to Section 3.8 of the Code)
A third-party consequential loss insurance (so-called D&O insurance) policy has been taken out for the Managing Board and the Supervisory Board. A deductible has not been agreed. This will be done by June 30, 2010.
- 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 severance payment is recommended not to exceed the value of two years' compensation including fringe benefits and compensate no more than the remaining term of the contract. 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. Given that the terms of office of all Managing Board members will end on March 31, 2011 (i.e. in about one year time), the Supervisory Board sees no need to amend the existing Managing Board contracts.

- Specification of an age limit for the members of the Supervisory Board (pursuant to Section 5.4.1 of the Code)
The Supervisory Board of A.S. Création Tapeten AG is convinced that proposals for election to the Supervisory Board should exclusively be based on the professional expertise and personal background of the candidates, both of which are unrelated to the formal criterion of age. The Supervisory Board has therefore opted not to fix an age limit.
- 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 no performance-related compensation, but only fixed compensation of the Supervisory Board. In the opinion of the Managing Board and the Supervisory Board it is not clear to what extent performance-related compensation would have a positive effect on the work

of a Supervisory Board and a company's economic success.

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.

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 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, i.e. presumably in spring 2011.

As of December 31, 2009 members of the Managing Board and members of the Supervisory Board held 8,664 shares (2008: 6,281 shares) and 890,546 shares (2008: 890,346 shares), respectively. The Managing Board and the Supervisory Board thus hold a combined 30.0% (2008: 29.9%) 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 9, 2010 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 and 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 will be done when fixing the (new) Managing Board compensation for the new term of office of the Managing Board members, which will commence on April 1, 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 2009, the

performance-linked component accounted for 73.2% or € 1.493 million (2008: 76.5% or € 1.777 million) of the Managing Board's total compensation of € 2.040 million (2008: € 2.323 million), while the non-performance-linked component represented only 26.8% or € 0.547 million (2008: 23.5% or € 0.546 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 decline in the Managing Board compensation in the year 2009 is attributable to the Group's reduced net profit for the year. At € 7.449 million, the latter was down 16.0% on the previous year's € 8.925 million. As the bonus is calculated as a percentage of the Group's net profit, the Managing Board's performance-linked compensation was 16.0% or € 0.284 million lower 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: € 0.260 million) have been accrued for these pension

obligations. This defined benefit pension plan 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 accrued 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 defined benefit plan to a defined contribution plan, to the extent that this makes economic sense, 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 year, i.e. the respective pension provisions can be reduced gradually. Contrary to this objective, pension provisions rose by € 0.039 million from € 0.260 million on December 31, 2008 to € 0.299 million on December 31, 2009. This increase is attributable to the reduced discount factor of 5.0% (2008: 5.75%) that had to be used for the calculation of the pension provisions due to the changed capital market situation. Accordingly, the present value of future obligations

increased with the result that the (lower) future obligations towards the Managing Board under performance-based commitments led to higher pension provisions as of the balance sheet date than in the previous year. This means that the higher pension provisions are not the result of an increased pension commitment but reflect an actuarial loss.

In fiscal 2009, the payments to the relief fund in an amount of € 0.072 million (2008: € 0.072 million) and the expenses from the allocations to pension provisions in an amount of € 0.039 million (2008: income from the prorated release of pension provisions of € 0.047 million) resulted in expenses of € 0.111 million (2008: € 0.025 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 5, 2009) 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 € 94,500 (previous year: € 81,000). Of this amount, Mr Schneider received € 27,000, Dr. Liebs received € 22,500, Dr. Schadt and Mr Schmuck each received € 13,500, while Mrs Benner-Heinacher and Mr Mourschinetz each 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 2009, the fee for these advisory services amounted to € 0.123 million (2008: € 0.124 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 2009, the following transactions were reported to A.S. Création Tapeten AG, which were also published on the company's website:

Date Place	Name	Position	Financial instrument	Type of transaction	Number of items	Price per item	Total amount
March 12, 2009 Xetra	M. Krämer	Member of MB	A.S. Création share	Buy	367	11.95 €	4,385.65 €
March 12, 2009 Xetra	M. Krämer	Member of MB	A.S. Création share	Buy	1,616	12.00 €	19,392.00 €
April 14, 2009 Frankfurt a. M.	B. Wagner	Member of MB	A.S. Création share	Buy	150	16.75 €	2,512.50 €

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.

Introduction

The A.S. Création Group comprises two Divisions (segments), the Wallpaper Division and the Furnishing Fabrics Division. The Wallpaper Division produces and markets wallpapers and borders on a global scale; accounting for 94% of 2009 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.

The outlook on the year 2009 given in last year's Group management report was characterised by major concern about the macroeconomy and was therefore subject to great uncertainty. In retrospect, fiscal 2009 was certainly one of the most difficult years in the history of A.S. Création. The Managing Board is nevertheless satisfied with the overall performance of the A.S. Création Group:

- Continuing its growth strategy, A.S. Création completed the biggest acquisition in its history in 2008, when it took over the two leading French wallpaper wholesalers. Thanks to the contributions made by these two companies, Group sales marked a new record at € 181.3 million in 2009 (2008: € 176.2 million).
- Although the company's own production capacity was not fully utilised in 2009, earnings before interest, taxes, depreciation and amortisation (EBITDA) increased by 7.3% from € 21.7 million in the previous year to € 23.3 million in fiscal 2009. The EBITDA margin reached 12.8% (2008: 12.3%), a gratifying result in a recessionary environment.

- The capital expenditures on new capacity under the company's long-term investment plan were completed (for the time being) in 2008. This means that capital expenditures in the past fiscal year were largely restricted to investments in replacements, without jeopardising the future viability of A.S. Création. By undertaking less capital expenditures and by using the liquidity that was released as a result of the reduction in net current assets, the company was able to reduce its net financial liabilities significantly. In the course of only twelve months, net financial liabilities were cut by € 17.2 million from € 37.8 million as of December 31, 2008 to € 20.6 million on the balance sheet date. The good financial structure of A.S. Création has thus been improved even further.

A.S. Création started the fiscal year 2010 from a good position. According to economic forecasts, the macroeconomic environment in the year 2010 will be more positive than in 2009, although the declines suffered in the crisis year 2009 will not be offset. In this environment, the Managing Board of A.S. Création intends to continue the growth strategy and to expand the company's leading market position.

Macroeconomic environment

The euro-zone – the most important output market of A.S. Création – slid into recession

already in the course of 2008, and this trend accelerated in the first half of 2009. Full-year GDP in the euro-zone was down by 3.9% on the previous year, compared to a moderate 0.5% increase in 2008. The turmoil in the international financial markets increasingly affected the real economy and led to great uncertainty among consumers and companies. Against the background of the uncertain future and the restrictive lending policies adopted by the banking sector, companies cut their capital spending markedly, which was reflected in a 10.7% drop in corporate spending in the euro-zone in 2009. On the consumer side, the savings ratio increased in light of the asset losses resulting from the erosion in house prices and the continued drop in share prices in the first quarter of 2009. The rise in the jobless rate from 7.5% in 2008 to 9.4% in 2009 also contributed to the decline in consumer spending in the euro-zone, which was down by 0.9% on the year 2008. The slump in world trade resulting from the worldwide drop in demand primarily affected those countries whose export sectors make a high contribution to GDP such as Germany. In 2009, German exports were 14.7% below the prior year level; at 5.0%, the decline in German GDP was therefore stronger than the decline in euro-zone GDP. With GDP growing slightly in the third and fourth quarter – which means that the euro-zone has, by definition, emerged from the recession – moderate economic growth of 1.5% is projected for the year 2010.

Russia, A.S. Création's most important Eastern European output market, was hit particularly hard by the financial and economic crisis. Russian GDP declined by between 7.5% and 8.5%, i.e. more strongly than in any other large industrialised country. This put a sudden end to the long phase of growth in the Russian economy. This sharp drop is primarily attributable to the important role that is still played by the commodities-based sectors (oil, gas, minerals and metals), which account for roughly 80% of the country's exports. During the phase of growth, Russia has apparently been unable to build up a sufficiently efficient and internationally competitive industrial structure. Accordingly, the drop in demand for commodities and energies resulting from the global recession and the decline in their world market prices has had serious consequences for Russia. The Russian rouble, for instance, depreciated markedly against the euro between late summer 2008 and spring 2009 in spite of interventions by the Russian central bank. Although the rouble has since appreciated slightly, the average exchange rate of the Russian currency against the euro was about 18% below the prior year level in 2009. This has made imported goods more expensive for Russian companies (and consumers). Together with a very strict lending policy adopted by the banking sector, this led to a decline in capital spending and, hence, to a sharp rise in unemployment. All this had considerable adverse impacts on private consumption, which was a driver of the upswing prior to the crisis.

Consumer spending picked up in the second half of 2009, however, and demand for energy and commodities has risen, too. Accordingly, Russian growth was stimulated again in the second half of the year, prompting economic researchers to project an increase in Russia's GDP for the year 2010.

As mentioned above, the commodity and energy prices were below the prior year level in 2009. While this helped to ease the cost situation for manufacturing companies as compared to the year 2008, one should not ignore the fact that the prices of commodities and energy have picked up markedly since mid-2009 and that, according to computations by the Hamburg Institute of International Economics (HWWI), commodity and energy prices at the end of 2009 were still up by as much as 57% on year-end 2000.

Conclusion: From the point of view of A.S. Création, the macroeconomic environment in the year 2009 was negative. Both the member states of the European Union (EU) and the Eastern European countries outside the EU were caught in a deep recession in 2009, and not all countries have emerged from it in the meantime. This uncertain economic situation led to declining consumer spending in nearly all output markets of A.S. Création. Wallpapers and furnishings fabrics being consumer goods, this macroeconomic trend had an adverse impact on A.S. Création. Additional burdens resulted from the marked appreciation of the

euro against the currencies of the large Eastern European countries, which are an important output market for A.S. Création. While the lower prices of commodities and energy had a positive effect on A.S. Création, it did not offset the above-mentioned burdens.

Industry-specific environment

The members of the Association of German Wallpaper Manufacturers (VDT) felt the adverse economic conditions. After five consecutive growth years, the VDT members reported for 2009 an average decline in sales of 17.2%. This drop is exclusively attributable to export sales, which slumped by 25.7% whereas domestic sales increased by 2.3%.

The large wallpaper markets in Eastern Europe such as Russia and the Ukraine play an important role for the export-oriented German wallpaper industry. This means that the VDT members were adversely affected not only by the economic crisis in international markets but also by the depreciation of the respective currencies against the euro, which made wallpapers imported from Germany more expensive to consumers in these countries. As a result, demand shifted to products from local manufacturers. According to the Managing Board of A.S. Création, the drop in export sales of the German wallpaper industry does not reflect a structural decline in demand for wallpapers but is the result of the clearly deteriorated export environment.

The fact that wallpapers are still very much en vogue and highly popular is reflected not only in the many media reports and the added exposure of wallpapers in advertising. The heightened interest in wallpapers is also reflected in the fact that domestic wallpaper sales expanded by 2.3% in 2009 whereas total consumer spending in Germany was up by only 0.4% on the previous year. Trend researchers have also 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.

Being the largest wallpaper manufacturer in the European Union, A.S. Création is well positioned in the attractive wallpaper market. This position was expanded at the end of 2008, when the company took over MCF Investissement SAS and SCE SAS. Thanks to the additional sales contributions made by the two French wallpaper wholesalers, sales revenues of A.S. Création's Wallpaper Division defied the overall market trend and increased by 5.0% from the previous year's € 161.8 million to € 169.9 million.

In the management report for the year 2008, the Managing Board already reported that the international financial and economic crisis hit the large Western European wallpaper manufacturers in a phase of expansion. As a result, the drop in demand seen since mid-

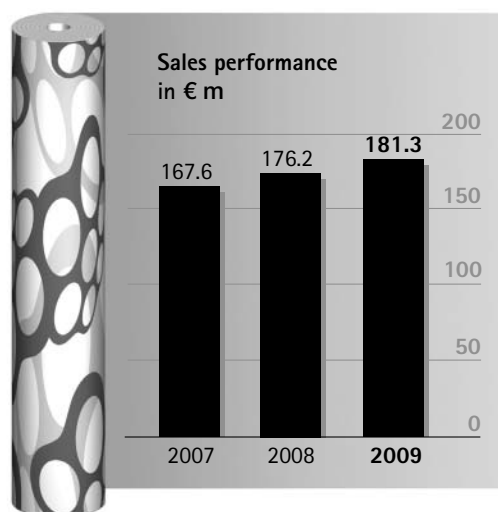
2008 directly led to underutilised production capacity. The Managing Board believes that all major manufacturers continue to be affected by underutilisation. A.S. Création is currently unable to fully utilise its own production capacity. It is therefore safe to assume that the consolidation in the global wallpaper industry will accelerate.

The Furnishing Fabrics Division was again confronted with a difficult industry environment in 2009. Sales declined markedly across all product units. According to the Association of German Home Textiles Manufacturers, sales in the furnishing fabrics and curtains segments – the two segments in which A.S. Création has a presence – declined by 12.4% and 7.3%, respectively. In contrast to the previous year, the Furnishing Fabrics Division was unable to isolate itself from the general market trend and reported a 19.8% drop in sales from € 15.1 million in the previous year to € 12.1 million in 2009.

Sales

At € 181.3 million (2008: € 176.2 million), A.S. Création's sales revenues reached the highest level in the history of the company. When analysing the sales growth of 2.9%, it bears noting a year-on-year change in the basis of consolidation, however. Two additional operating companies, MCF Investissement SAS and SCE SAS, were initially consolidated with effect from January 1, 2009. Adjusted for these

two French companies, which were taken over at the end of 2008, Group sales amounted to € 144.9 million. This means that A.S. Création's like-for-like sales declined by € 31.3 million or 17.8% in fiscal 2009. In the opinion of the Managing Board, the fact that this internal decline in sales was offset by external growth vindicates the takeover decision.



The drop in revenues is mainly attributable to the slump in sales in non-EU Eastern European countries, where gross sales were down by 50.1% on the prior year. As mentioned before, the depreciation of the Eastern European currencies made the wallpapers of A.S. Création more expensive in these countries and less competitive compared to locally produced wallpapers. In some product groups, this effect was intensified by modified customs regulations, which led to higher import duties. Moreover, Eastern European importers faced

financing constraints, which additionally had an adverse impact on their buying behaviour.

Sales revenues in the European Union were pleasantly stable. Adjusted for the contribution to sales made by the above acquisitions, gross sales in the region were more or less on a par with the previous year, climbing by a moderate 0.2%. Including the acquisitions, sales in the European Union increased by 30.0%, which means that the EU accounted for the bulk (80.5%) of the Group's sales in 2009 (2008: 63.7%), making it the company's most important output market by far. Against the background of the consolidation in the international wallpaper market, in which geographic borders are losing importance, the Managing Board of A.S. Création no longer defines Germany but the 27 EU member states as its home market.

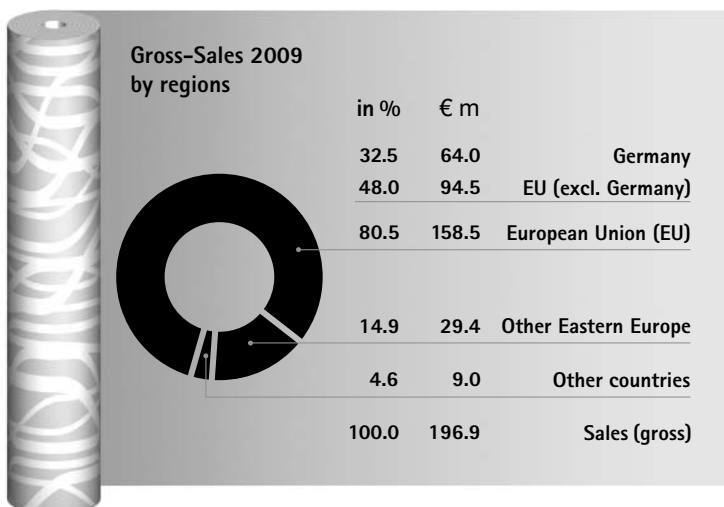
In view of the unfavourable macroeconomic environment of the year 2009, the Managing Board is satisfied with the sales revenues generated in the past fiscal year. Given that the international financial crisis hit A.S. Création at a time when the expansion of production capacity of the two German production facilities had just been completed, sales were insufficient to ensure full utilisation of the expanded production capacity of the Wallpaper Division. Accordingly production lines were taken out of service through short-time working and employees taking accumulated leave at the beginning of 2009 and through the termination of limited employment contracts in the course of the year. The Managing Board therefore aims to increase A.S. Création's sales revenues and to achieve full utilisation of the production capacity.

Employees

The average headcount of A.S. Création increased by 68 people or 9.5% from 719 in 2008 to 787 in 2009. 719 employees (2008: 646) worked in the Wallpaper Division and 68 (2008: 73) in the Furnishing Fabrics Division.

The rise in the average number of employees is the result of two opposite effects

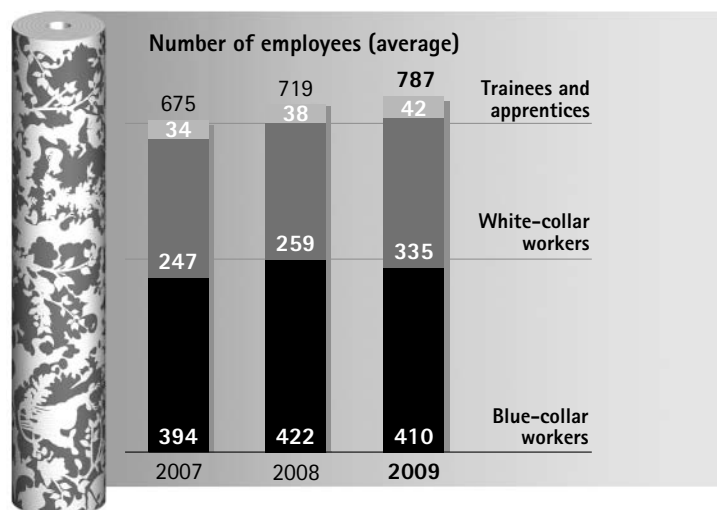
- Changes in the basis of consolidation
The employees of MCF Investissement SAS and SCE SAS, the two French wallpaper wholesalers taken over at the end of



December 2008, were not included in the average figures for 2008 but were counted only with effect from January 1, 2009. Between them, the two companies employed an average of 91 employees in 2009.

- **Adjustment to lower demand**
As outlined in the "Sales" chapter, both the Wallpaper Division and the Furnishing Fabrics Division faced declining demand in the past fiscal year. In response to the drop in sales, (production) capacity had to be cut in 2009, which was initially achieved through employees taking overtime and accumulated leave and the introduction of short time work. Job cuts were implemented when there was no sign of a sustainable improvement in sales during the course of the year. The headcount of the A.S. Création Group consequently decreased by 7.4% from 828 on January 1, 2009 to 767 on December 31, 2009. This reduction was primarily achieved through the termination of limited employment contracts.

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. Given that the Managing Board does not interpret the decline in sales in 2009 as the result of a structural demand problem for wallpapers and furnishing fabrics but as a response to the macroeconomic situation, the adjustment of



the headcount has been much more moderate than would have been required in view of the drop in sales. The Managing Board thus deliberately accepted a sharp deterioration in staff productivity (and the adverse impact on the bottom line) in the past fiscal year, when sales per employee declined by 6.1% from € 0.245 million in 2008 to € 0.230 million in the fiscal year.

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 continued to invest in vocational training in the difficult year 2009, when the number of trainees and apprentices even increased to an average of 42 (2008: 38). Trainees and apprentices thus

accounted for 6.5% of the domestic workforce (2008: 5.6%).

The year 2009 once more showed that job safety ultimately depends on customer demand. In the past, the Managing Board repeatedly used this opportunity to emphasise that maintaining A.S. Création's international competitiveness is extremely important for the future of the company. Competitiveness means that the customer must perceive the price-performance ratio of our products and services as being superior to that of our competitors, no matter in which country they are based. The demands made on each individual employee will therefore continue to grow. The Managing Board is convinced that the workforce will accept this challenge and join forces to expand the leading market position of A.S. Création over its competitors even further.

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 Councils and with the employees' 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 2009 with what was a satisfactory result overall in spite of the difficult environment.

Capital expenditures

As the expansion of production capacity at the German locations was completed according to plan in 2008, capital expenditures in fiscal 2009 – with the exception of investments in printing tools for new wallpaper collections – primarily consisted of replacement investments. Accordingly, capital expenditures amounted to a very low € 5.8 million in 2009. Compared to the previous year, when investments reached a new record level in the history of A.S. Création due to the acquisition of the two French wallpaper wholesalers, capital expenditures declined by € 18.1 million.

In view of the uncertain economic environment, the realisation of two major projects was suspended in 2009:

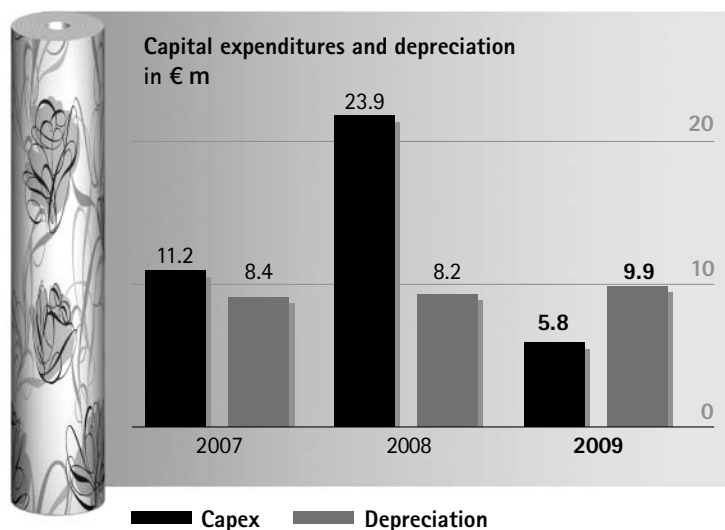
- Building up a wallpaper production in Russia
In 2008, A.S. Création Tapeten AG and OOO Kof Palitra, Russia's leading wallpaper manufacturer, established a joint venture under the name of OOO A.S. & Palitra. The purpose of this joint venture is to produce higher-quality wallpapers for the Eastern European market and the Russian market, in particular. While a piece of land was acquired near Nizhny Novgorod in 2009, construction of the factory has not started yet. Construction is now scheduled to start in the first half of 2010, provided that all planning and approval processes are completed by then.

- **Expansion of logistics capacity**
As explained above, A.S. Création was unable to fully utilise the expanded production capacity due to the economic downturn in 2008 and 2009. The existing logistics capacity is therefore sufficient to handle the current sales volumes. Given that the planning process for the expansion has been completed and the necessary properties have been acquired, A.S. Création will be able to act quickly and kickstart the expansion of its own infrastructure as soon as economic activity picks up and sales volumes increase.

A.S. Création's new product development activities demonstrate that the strong decline in capital expenditures is no indication that restrictive spending could put the company's future in jeopardy. The 1,950 new products developed in 2009 marked a new record in company history, providing customers with the best possible support even in times of economic crisis. A.S. Création thus strengthened its position as the largest and leading 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.

REACH, the new chemicals regulation, came into force throughout the European Union (EU) on June 1, 2008. REACH is the abbreviation of "Registration, Evaluation, Authorisation and Restriction of Chemicals". The purpose of REACH is to protect human health and the environment from the hazards of chemicals. A.S. Création complied with all REACH requirements.

Efficient and economical use of natural resources is ensured throughout the production process. With the conversion of the heliogravure printing machines

from solvent-based to water-based paints completed in 2008, a new sustainability project was implemented in the course of 2009 – the use of FSC-certified paper and non-wovens. 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. A.S. Création has used FSC-certified printing materials, i.e. paper and non-wovens, for selected products in the past, but since January 1, 2010, the company has exclusively used such FSC materials. Accordingly, all wallpaper rolls produced by the company since that date bear the FSC label.

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 2009

Due to the drop in sales, some departments of A.S. Création Tapeten AG as well as Indes Wohntextil GmbH and FUGGERHAUS Stoffe GmbH worked short time in February and March 2009 and from April to August 2009, respectively.

The acquisition of a digital printing press in November 2009 marked A.S. Création's entry in this new printing technology segment. What makes digitally printed wallpapers so special in comparison with traditionally produced wallpapers (screen printing and heliogravure printing) is the absence of repeats. Screen printed and heliogravure printed wallpapers feature the same pattern on each strip, the size of the patterns being restricted to the size of the printing tools used (printing screens or cylinders), the "repeat". Digital printing technology makes it possible to print without repeats, so that a single wallpaper strip consists of one large pattern or several wallpaper strips placed next to each other

produce an even larger pattern. This opens up new possibilities for A.S. Création to expand its product range and target new customer groups.

Key business figures

Earnings position

At € 13.4 million, earnings before interest and taxes were only slightly below the previous year's € 13.5 million. Against the background of the 2.9% sales growth explained above, the EBIT margin declined from 7.7% in the previous year to 7.4% in fiscal 2009. In the opinion of the Managing Board, this performance does not reflect the actual economic situation of A.S. Création but is the result of the accounting rules of IFRS 3 (Business Combinations). In December 2008, A.S. Création acquired majority interests in MCF Investissement SAS and SCE SAS, two French wallpaper wholesalers and paid a purchase price that exceeded the companies' equity capital attributable to A.S. Création by € 8.4 million (for details, please refer to the consolidated financial statements for 2008). In view of the positive earnings position of the two companies – also in 2009 – the Managing Board does not consider this goodwill as being impaired. By contrast, the purchase price allocation required under IFRS 3 has reduced EBIT for the fiscal year by € 2.1 million, of which € 1.4 million is included in depreciation and € 0.7 million in the cost of materials of the year 2009. From today's point of view, the effects of this purchase

price allocation – irrespective of the earnings situation of the acquired companies – will reduce A.S. Création's EBIT by an accumulated € 10.7 million in the years from 2009 to 2018. The Managing Board of A.S. Création is of the opinion that this accounting treatment required by IFRS 3 does not properly reflect the actual economic situation. As there is no accounting option, however, this treatment is applied in the income statement for the year 2009.

Given that most of the effects of the purchase price allocation are shown in depreciation, earnings before interest, taxes, depreciation and amortisation, EBITDA for short, more accurately reflect the economic situation of A.S. Création. EBITDA climbed from € 21.7 million in 2008 by 7.3% to € 23.3 million in fiscal 2009, resulting in a slight improvement of the EBITDA margin from 12.3 % to 12,8 %. This change in earnings is mainly the result of two major opposite effects, i.e. the underutilisation of production capacity and the improved gross profit margin.

The underutilisation of production capacity led to increased unit costs in 2009, as the fixed costs were spread over a reduced total output. This trend is clearly reflected in two key figures:

- Personnel expenses as a percentage of total output increased from 20.1% in the previous year to 21.3% in 2009. As explained under "Employees" above, the

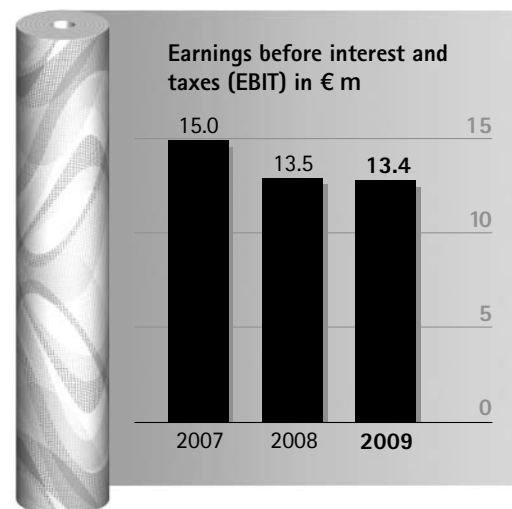
headcount was not reduced as strongly as would have been required in view of the decline in like-for-like sales. The 2.9% collective pay rise from May 1, 2009 also weighed on earnings, as they were not offset by increased productivity.

- In spite of reductions in some expense items, other operating expenses as a percentage of total output deteriorated to 15.0% (2008: 13.1%).

These adverse effects on earnings were offset by the improved gross profit margin. At 49.1%, the latter was up by 4.2 percentage points on the previous year's 44.9%. Applied to the total output in fiscal 2009, the increase in the gross profit margin led to an improvement in earnings by € 7.4 million. On the one hand, this reflects the lower procurement costs. As outlined under "Macroeconomic environment" above, global commodity prices declined until mid-2009 and picked up thereafter. This general price trend also benefited some of the raw materials used by A.S. Création. On the other hand, the reduction in inventories had a positive impact on the gross profit margin. While inventories had increased by € 4.0 million in 2008, A.S. Création was able to reduce its inventories of self-produced goods by € 4.1 million in 2009, thus realising gains.

As a result of the above factors, earnings before interest, taxes, depreciation and amortisation (EBITDA) rose by € 1.6 million from € 21.7

million in 2008 to € 23.3 million. This increase in EBITDA is offset by the € 1.7 million rise in depreciation from € 8.2 million in 2008 to € 9.9 million in fiscal 2009. As a result, earnings before interest and taxes (EBIT) were down by € 0.1 million on the previous year's € 13.5 million to € 13.4 million. As explained above, the increase in depreciation was due to the purchase price allocation pursuant to IFRS 3. The release of hidden reserves and the initial capitalisation of intangible assets such as trademarks and customer relationships required in this context will lead to expenses in the years following the acquisition, which are reflected in additional depreciation, among others. These subsequent expenses are included in depreciation of the year 2009 in an amount of € 1.4 million. Another € 0.7 million relates to the increased cost of materials. Adjusted for the effects of the purchase price allocation, earnings before interest and taxes for the year 2009 amounted to € 15.5 million and the EBIT margin stood at 8.5%.



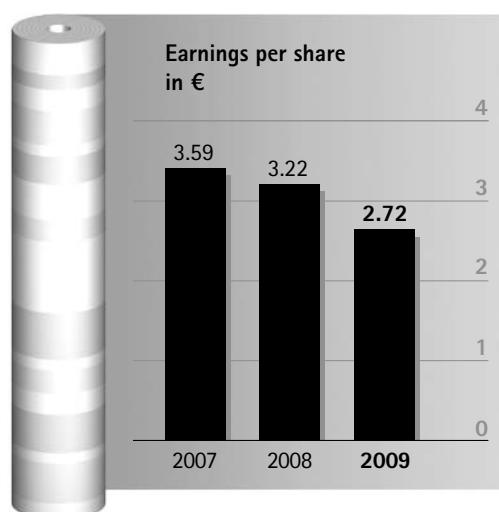
Special factors should also be taken into account when analysing the financial result, which included a € 1.9 million increase in net interest expenses in 2009. The discounting factor for the actuarial computation of pension provisions had to be reduced from 5.75% in 2008 to 5.00% in the past fiscal year due to the situation in the capital market. This adjustment of the discounting factor to the lower capital market yields led to an actuarial increase in pension provisions by € 0.7 million. Pursuant to IFRS, this non-cash expense is recognised as interest expense. In the previous year, the discounting factor had also been adjusted; in this case, however, it was raised by 0.75 percentage points (from 5.00% to 5.75%), which led to a decline in pension provisions and, hence, in income of € 0.6 million. This means that € 1.3 million of the total € 1.9 million increase in net interest expenses in 2009 is attributable to the changes in the discounting factor for the computation of pension provisions. The remaining decline of € 0.6 million in the financial result is due to the increase in average net financial liabilities in 2009; the latter, in turn, is primarily attributable to the financing of the French acquisitions in December 2008.

The fiscal year's EBIT and financial result led to earnings before taxes of € 10.8 million, which was 15.7 % below the previous year's € 12.9 million. The Wallpaper Division contributed € 10.7 million (2008: € 12.6 million) and the Furnishing Fabrics Division € 0.1 million (2008:

€ 0.3 million) to this amount. This means that both Divisions remained profitable in the difficult year 2009.

The imputed tax ratio in the fiscal year stood at 30.8% and was thus largely on a par with the previous year's 30.6%. Accordingly, the change in net profit for the year was more or less in line with the change in earnings before taxes. Net profit for the year 2009 amounted to € 7.5 million (2008: € 8.9 million).

As a result of the stock repurchases in 2008, the average number of shares outstanding declined from 2,773,542 in the previous year to 2,756,351. Accordingly, earnings per share came in at € 2.72 in 2009 (2008: € 3.22).



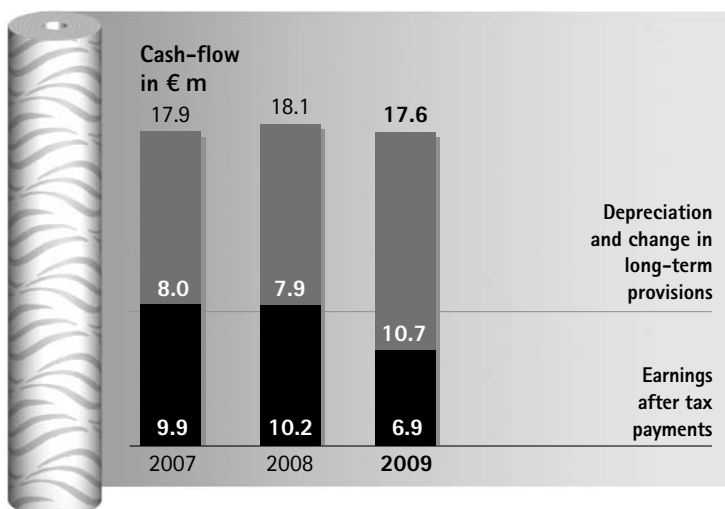
Financial position

Due to the financing of the purchase price of the French acquisitions in December 2008 and the financial liabilities of the companies acquired, A.S. Création started the fiscal year 2009 with increased net financial liabilities (difference between interest-bearing financial liabilities and cash and cash equivalents) of € 37.8 million. In the course of the fiscal year to December 31, 2009, A.S. Création reduced its net financial liabilities by € 17.2 million or 45.4% to € 20.6 million. This positive trend is attributable to the traditionally strong cash flow of A.S. Création, which reached a high level of € 17.6 million even in the crisis year 2009 and was only 2.7% below the historical high of the previous year (€ 18.1 million). In addition, the company was able to reduce its inventories by € 6.3 million and its receivables by € 4.8 million, thereby freeing capital previously tied-up in current assets. Accordingly, the cash flow statement for 2009 shows a cash inflow

from operating activities in an amount of € 28.9 million, compared to only € 8.5 million in the previous year. As explained under "Capital expenditures" above, this increased cash flow contrasted with a greatly reduced investment volume of € 5.8 million in 2009 (2008: € 23.9 million), which allowed A.S. Création to reduce its liabilities. The company thus achieved one of the main targets defined by the Managing Board for the fiscal year 2009.

Given that a major portion of the assets of A.S. Création is tied up in inventories and trade receivables, the company has traditionally (i.e. not only in response to the current financial crisis) kept a close eye on these items. The analysis of the underlying key figures for 2009 reveals some special factors that require explanation:

- The imputed receivables collection period has gone up from 58 days in the previous year to 76 days in 2009. This increase is not so much the result of extended payment periods but is due to a strong change in the sales trend in the course of 2009 and, hence, to a rather technical effect. For seasonal reasons, sales in the fourth quarter are usually lower than in the third quarter, which means that trade receivables typically decline markedly in the course of the fourth quarter. This was not the case in 2009. Right on the contrary, A.S. Création's sales in Q4 2009 were up by 7.2% on Q3 2009; this resulted in unusually



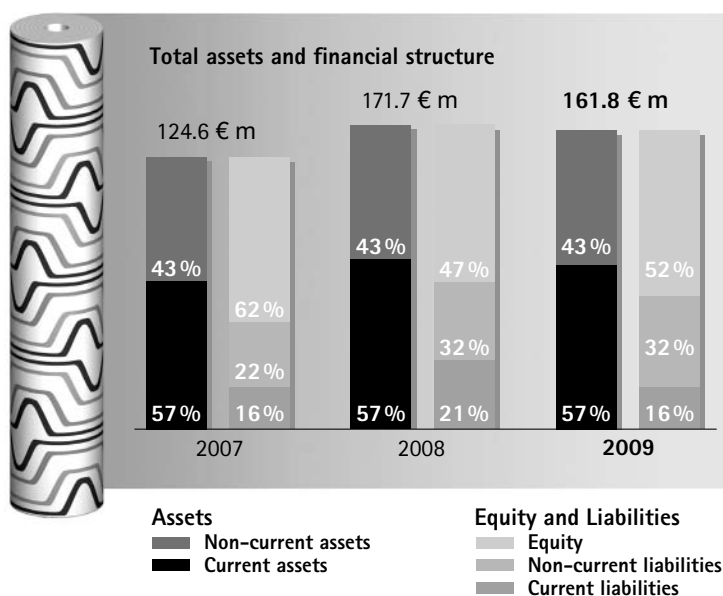
high receivables at the end of 2009, which pushed up the imputed receivables collection period for the year 2009. Due to this special factor, the increase in this figure reflects neither a dramatically changed payment behaviour nor a greatly heightened risk potential.

- In spite of the liquidation of inventories, imputed inventory turnover continued to decline from 4.9 in the previous year to 4.1 in 2009. As outlined above, new product development activities were not scaled back in 2009 so as not to jeopardise the future of A.S. Création. Given that the new articles must be produced in quantity and warehoused before being launched in the market, the expanded product development activities prevented a stronger reduction of inventories. Against the background of the sharp drop in like-for-like sales by 17.8%, the Managing Board does not regard the only moderate decline in inventory turnover in 2009 as an alarming development, all the less so as inventories were reduced by as much as € 6.3 million in absolute figures.

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; this is due to the company's very robust and sound

financial structure, which is reflected in the following balance sheet figures:

- Based on an equity of € 83.8 million as of December 31, 2009 (2008: € 80.3 million), the equity ratio reached a high level of 51.8% (2008: 46.8%).
- Equity and non-current liabilities are more than sufficient to finance non-current assets. As of December 31, 2009, the respective ratio stood at 196.7% (2008: 183.8%), 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 24.6% on December 31, 2009 (2008: 47.1%).



- The debt repayment period (the quotient of net financial liabilities and cash flow) was 1.2 years in 2009 (2008: 2.1 years).

The above shows that A.S. Création is in a sound position to respond appropriately to any turmoil that may arise in the year 2010.

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%.

Even in the uncertain environment of the year 2010, the Managing Board and the Supervisory Board want to maintain their traditional dividend policy, all the more so as A.S. Création was in excellent financial shape at the end of 2009. This way, they want to ensure a consistent and reliable dividend policy for the shareholders of A.S. Création.

As explained under "Earnings position", the net profit for the year declined from € 8.9 million (or € 3.22 per share) in the previous year to € 7.5 million (or € 2.72 per share) in fiscal 2009. In accordance with the traditional dividend policy, the lower profit will be reflected in a lower dividend. Accordingly, the Managing Board will propose payment of a dividend of € 1.20 (2008: € 1.40) per share to

the General Meeting of Shareholders, which is scheduled for May 7, 2010. This represents a payout ratio of 44.1% (2008: 43.5%). Based on the number of 2.756 million shares outstanding as of December 31, 2009, this will result in a total dividend volume of € 3.3 million (2008: € 3.9 million).

Compensation report

The compensation report is provided on page 21 to 23 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 5, 2009), 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 5, 2009, 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 November 4, 2010. The Managing Board is also authorised to cancel 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, 2009 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, 2009.

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 ten companies, which are fully consolidated, and one company that is accounted for using the equity method.

The accounting process in the A.S. Création Group is decentralised, i.e. the member companies of the Group are responsible for preparing their 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 transactions such as invoicing and payroll accounting are also processed using IT-based systems, which are connected with the accounting systems via interfaces. By this, 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 accountancy 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 twelve Group companies were audited by KPMG in 2009. On the other hand, the internal control systems of the Group companies (and, hence, those that are used in the accounting process) are regularly reviewed by external specialists with a view to refining and updating the processes. The Supervisory Board of A.S. Création Tapeten AG – in particular its Audit Committee – is involved in the evaluation of the results of these reviews.

To prepare the consolidated financial statements, the Group companies' financial statements are transferred into the Group accounting system and complemented with additional information to form a reporting package. This standardised reporting package is defined by A.S. Création Tapeten AG for all Group companies and 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 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 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 the 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 "impact on the company". The Managing Board pays special attention to those factors that may have a strong negative impact 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 2010, 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 0.3%. Experience has shown that spending on wallpapers is hardly reduced in a recession, given that they account for only a minor share of total consumer spending. Unfortunately, the current economic situation does not entirely confirm this experience. While domestic demand for wallpapers increased in the difficult years 2008 and 2009, demand in other countries declined. Although the Managing Board does not expect a protracted, structural drop in demand for wallpapers and therefore sees no potential risks that could jeopardise the company's existence, the shortfall in sales

is having an adverse impact on the earnings position of A.S. Création.

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 resulting from the global financial and economic crisis, the large European wallpaper manufacturers are currently no longer able to fully utilise their own production capacities. 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 the situation of underutilisation 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. New directives on the use of plasticisers are currently being discussed at EU level. Just like other industries, the wallpaper industry uses such additives, 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. Given that wallpapers are in no way related to the intake of food and the rare physical contact is negligible, they do not pose any hazard if used properly. 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.

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 2009. 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. As commodity and energy prices have returned to normal levels in the meantime and the gross profit margin, at 49.1%, is again within the usual bandwidth, the Managing Board of A.S. Création currently sees no risk arising from procurement prices, which would jeopardise

the company's continued existence.

Another potential risk on the procurement side relates to the availability of raw materials and/ or intermediate products of adequate quality. Due to the 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 general decline in demand for raw materials as a result of the lower global output, the Managing Board considers the risk of insufficient availability to be much lower than in the previous years.

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.

In the previous years, this report regularly highlighted the great importance that wallpaper exports to Eastern Europe have for the capacity utilisation of the two German production facilities of A.S. Création and the risks that would arise from a decline in such exports, e.g. as a result of growing protectionism, the depreciation of local currencies against the euro or increased competition from local manufacturers (for details, please refer to the management report of the year 2008). The 50.1% slump in Eastern European sales revenues in 2009 impressively showed that this is a very real risk. On the other hand, the fiscal year 2009 has also shown that this risk does not jeopardise the continued existence of A.S. Création. First, the acquisitions in France have reduced the dependence of A.S. Création on the Eastern European markets significantly; second, A.S. Création has shown that its organisational structures are sufficiently flexible to respond swiftly and adequately to such developments.

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.

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 in the course of the last years' audits 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 has been again 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

While economic researchers agree that the large industrialised countries were able to emerge from the recession in the second half of 2009, their macroeconomic projections for the year 2010 are inconsistent. The only consensus is that the after-effects of the financial market crisis will still be felt clearly in 2010, but the critical question is how strongly they will be felt. The answer to this question mainly depends on two parameters: first, if and to what extent companies will have to reduce their capacity; second, the trend in consumer spending. It is also unclear whether more shock news from the financial sector will lead to a further loss of confidence. Due to these uncertainties, there is a very broad bandwidth of economic projections for the year 2010. The figures below merely reflect one of the possible scenarios.

Euro-zone GDP will presumably grow by only 1.5% in 2010, which means that a sharp increase following the slump in 2009 is unlikely. This moderate growth will be supported by corporate demand, as the liquidation of inventories has come to an end. Capital expenditures activity will probably recover, but it will focus on replacement investments, so that total capital spending will reach a level that is low for an economic upswing. Private consumption is unlikely to provide any stimulation in 2010, as the projected rise in the jobless rate from 9.4% in 2009 to 10.4% in

2010 will reduce disposable incomes and the greatly increased government debt will make an expansion of public spending programmes impossible. Accordingly, consumer spending in the euro-zone will be up by only 0.3% on the previous year in 2010. No special economic trend is projected for Germany and France, which are the most important output markets of A.S. Création.

The projections for the Eastern European markets that are relevant for A.S. Création, especially Russia and Ukraine, are subject to greater uncertainty. As far as Russia is concerned, the oil price, the exchange rate of the Russian rouble, the amount of non-performing loans in the balance sheets of Russian banks and the rate of inflation will have a material impact on the economic trend in 2010. This means that GDP growth rates between 0% and 4% are possible in Russia.

The decline in commodity and energy prices came to an end in mid-2009. The upward trend in prices that has been seen since is likely to continue, and even an increase by as much as 20% cannot be ruled out. Due to speculative influences, sharp price advances are projected for crude oil, in particular; if these projections come true, the prices of petroleum-based materials such as PVC and ink will go up as well – which would entail negative consequences for the margins of A.S. Création.

In conclusion, the stagnation in euro-zone consumer spending projected for 2010 is negative for A.S. Création, as it means that there will be no positive stimulation for the company's sales situation. While the Eastern European economies are likely to recover, it is unclear if and to what extent this will improve the company's export prospects. From today's point of view, the impact the anticipated increase in commodity and energy prices will have on the earnings position of A.S. Création is equally impossible to quantify. Overall, it is impossible to paint a clear and reliable picture of the economy in 2010. The Managing Board of A.S. Création considers an improvement of the economic situation to be more likely than a recession, although the latter is not unlikely enough to be ruled out entirely.

In 2010, the Wallpaper Division will again operate in a market environment that is characterised by overcapacity on the production side. Accordingly, price competition is likely to intensify, which will make it more challenging for a company to compete on the basis of products and marketing concepts. Nevertheless, the Managing Board of A.S. Création sees no need to fundamentally change its corporate strategy, which is based on innovations in terms of both products and marketing concepts. Right on the contrary, this strategy should prove to be viable especially in difficult times, as it provides our retail partners with the best possible support. The Managing

Board believes that the slump in wallpaper exports to Eastern Europe in 2009 has changed the market situation in these countries fundamentally. It will not be possible to fully regain the market shares that have been captured by local wallpaper manufacturers. It is therefore safe to assume that wallpaper exports to this region will not return to pre-crisis levels. In terms of wallpaper consumption, the region will nevertheless remain the world's most important output markets for wallpapers. This is why we will push ahead our efforts to build up our own wallpaper production in Russia, a decision that was taken back in 2008. The aim is to start construction of the factory in 2010 and to produce the first wallpaper rolls together with our partner, Kof Palitra, in 2011. The year 2010 will also see us focus on expanding our market position in the European Union, where we must complete the integration of the wallpaper wholesalers acquired at the end of 2008. Overall, the Managing Board expects the Wallpaper Division to boost its sales revenues in 2010.

The Furnishing Fabrics Division will again operate in a difficult market environment in 2010. There are no signs that the declining demand for furnishing fabrics will turn around. In view of the fact that the German home textiles sector is characterised by a fragmented supplier structure, the Managing Board believes that the probability of bankruptcies is much higher than in the wallpaper industry.

In this uncertain environment, A.S. Création's Furnishing Fabrics Division can present itself as a sound and reliable partner that has generated profits for six consecutive years (even in the crisis year 2009) and therefore has the possibility to constantly invest in new products. Going forward, the company aims to highlight this market positioning more effectively by offering retailers not only attractive products but also marketing concepts such as shop-in-shop solutions. The Managing Board projects a moderate increase in the Division's sales for 2010.

In view of the continued uncertainty about the macroeconomic trend, the Managing Board is not in a position to issue sufficiently reliable projections for the next fiscal year. While the Managing Board assumes that A.S. Création will be able to expand its sales revenues, the company's profit situation will depend not only on sales generated but also on the gross profit margin. A stable gross profit margin is possible, but in a worst-case scenario, the gross margin may also drop sharply as a result of ruinous price competition that coincides with a sharp rise in commodity and energy prices. As in the previous year, the Managing Board therefore refrains from publishing detailed sales and net profit targets for the fiscal years to come.

However the Managing Board assumes, that A.S. Création is able to generate positive earnings in the fiscal years 2010 and 2011.

A.S. Création showed a good performance in the crisis year 2009 and starts the fiscal year 2010 from a promising position:

- Both Divisions are profitable and have demonstrated their ability to adapt to changing conditions.
- The intensive product development activities and the market launch of new licensed products in 2009 have laid the foundation for a positive sales trend in 2010.
- The financial situation of A.S. Création is sound and robust, which means that no liquidity bottlenecks are expected; right on the contrary, there will be sufficient scope to finance investments that are important for the future of the company.

The Managing Board will closely monitor both the economic and the industry-specific situation and take an adequate response, as in the year 2009, to live up to its responsibility for the future of the company and, hence, of the employees of the A.S. Création Group.

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.

Gummersbach, February 24, 2010

A.S. Création Tapeten AG
The Managing Board

Kämper

Krämer

Wagner

Across-the-board recovery in stock prices

Following massive share price declines in 2008, global stock exchanges showed a positive overall trend in 2009. While the drop in share prices initially continued in the first quarter of 2009, prices turned around in March 2009. By that time, the market valuation of most companies had reached such a low level that many investors returned to the stock market. This growing demand sent prices rising sharply in the course of 2009. This trend benefited not only the small caps but also the large caps. In Germany, the DAX climbed 23.8%, while the MDAX and the SDAX gained 34.0% and 26.7%, respectively. In spite of these huge gains, share price indices remained clearly below their late 2007 levels, which means that the good performance in 2009 was insufficient to offset the losses of the year 2008. As of December 31, 2009 the DAX, the MDAX and the SDAX were 26.2%, 23.9% and 31.6%, respectively, below the level of December 31, 2007. Accordingly, most market participants do not yet regard the current share prices as a new speculative bubble that threatens to burst.

A.S. Création share: Above-average gains

The chart on the next page shows that the A.S.



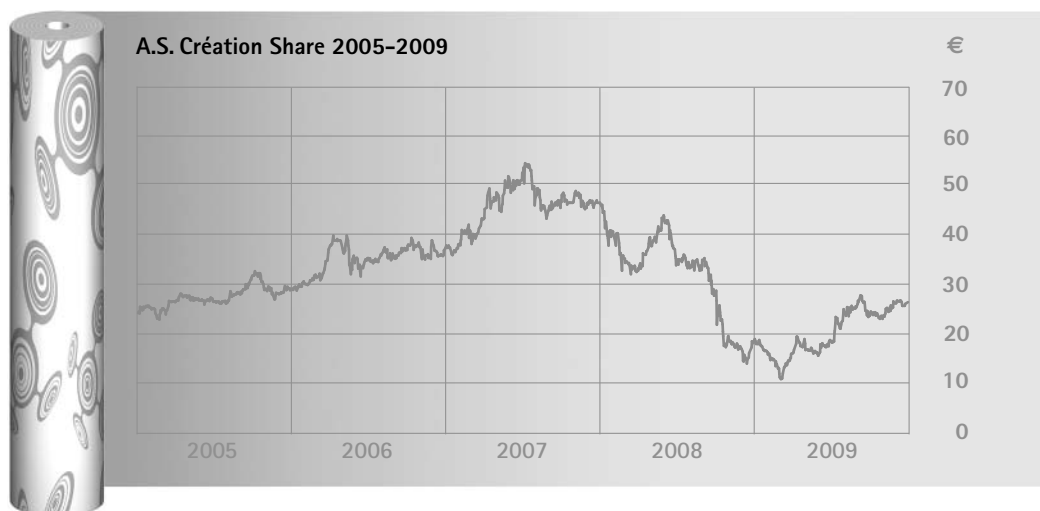
Création share followed the positive overall market trend. At 41.4%, the share price gain was much higher than the 26.7% increase in the SDAX. At the end of the year, the share price stood at € 25.36, up € 7.43 on the opening price of € 17.93 of the year 2009.

In the first few months of 2009, however, A.S. Création's shareholders initially saw the price of their share drop sharply and hit a historic low of € 10.40 on March 9, 2009 (at this time, A.S. Création had a market capitalisation of nearly € 29 million, while equity stood at approximately € 82 million). The share price turned around when the consolidated financial statements for the fiscal year 2008 were presented on March 12, 2009, reflecting the positive overall business performance in 2008 and confirming the stability of the company. Supported by equally positive quarterly

reports that were published in the course of the year, the price of the A.S. Création share picked up markedly and hit a high of € 27.10 on September 14, 2009. Within only about six months, the share price thus increased by € 16.70 or 161%. While there was a moderate correction towards the end of 2009, in the context of which part of the previous gain was lost, the share price still stood at € 25.36 at the end of the year, up € 7.43 or 41.4% on the year's opening price of € 17.93. Taking into account the May 2009 dividend payment of € 1.40 per share, the share gained as much as € 8.83 or 49.2% in the course of 2009.

Market valuation remains unsatisfactory

In spite of the share price performance described above, the Managing Board is of the



opinion that the current market valuation does not reflect the economic strength and the future prospects of A.S. Création. Based on the year-end price of € 25.36 and 2,756,351 shares outstanding as of December 31, 2009, A.S. Création had a market value of € 69.9 million. Compared to the previous year's € 49.4 million, the market capitalisation of A.S. Création thus increased by € 20.5 million in the course of twelve months. But compared to the balance sheet equity, which amounted to € 83.8 million as of December 31, 2009, this market capitalisation was still 16.6 % 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 € 30.39 per A.S. Création share.

The analysis of the longer-term performance of the A.S. Création share also shows

that, notwithstanding the price gains of the year 2009, the share price has not reached a satisfactory level yet. On December 31, 2009, the share price was 44.3% below the € 45.50 reported at the end of 2007 and as much as 52.5% below the 2007 high of € 53.40.

Increased interest in the A.S. Création share

The years 2008 and 2009 were marked by high uncertainty among major parts of the population. In times like these, great importance is attached to characteristics such as stability, reliability and trust. The changed investor behaviour in the past two years shows that this applies also to capital market participants. The A.S. Création share benefited from this refocusing on basic economic principles in 2009. In the context of the company's investor

relations activities, the Managing Board continuously explained and presented the strengths of A.S. Création to the capital market:

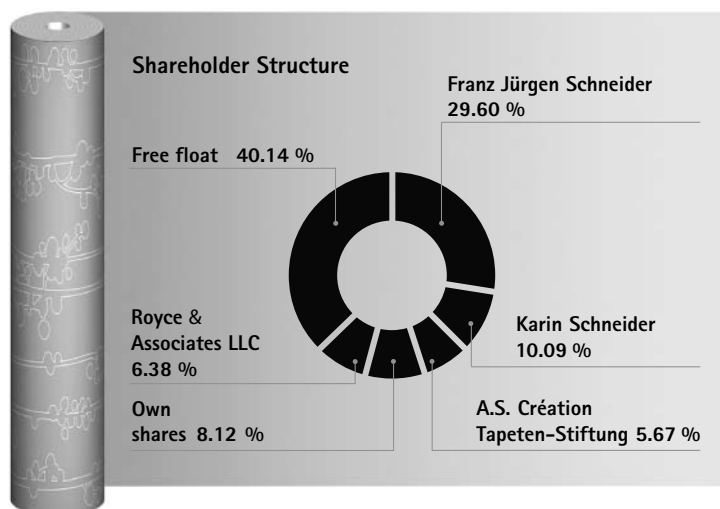
- the sound financial structure,
- the viable business model, which has generated good returns in the past,
- the positive prospects for wallpapers and the opportunities resulting from the consolidation of the international wallpaper market and
- the consistent dividend policy, which is geared to a high payout ratio.

This (capital market) positioning of A.S. Création obviously paid off in the year 2009. The daily volume of A.S. Création shares traded on the Xetra trading system and the Frankfurt trading floor rose from 2,086 shares in 2008

to 3,167 shares in 2009. The fact that the increased trading volume was achieved at much higher prices and without selling pressure underlines the increased interest in the A.S. Création share.

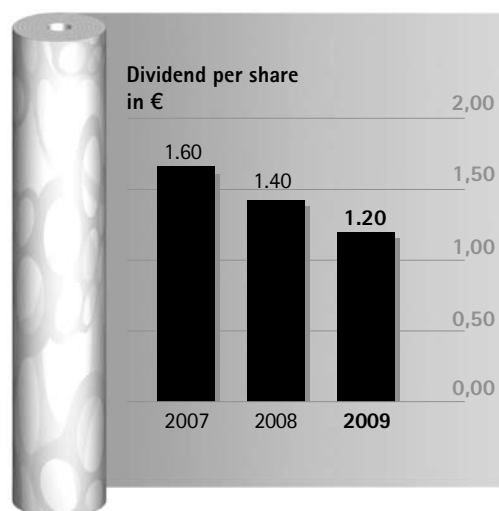
Changes in the shareholder structure

The developments in the stock markets entailed changes in the shareholder structure of A.S. Création. In the course of the year 2009, US investment company Royce & Associates LLC, New York, reduced its share in A.S. Création from 8.47% to 6.38%. As a result, the free float increased moderately from 38.05% on December 31, 2008 to 40.14% on December 31, 2009. To the knowledge of the Managing Board, the company had the shareholder structure as presented in the chart on the left hand side.



Consistent dividend policy

A.S. Création 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. The Managing Board and the Supervisory Board advocate maintaining the company's dividend policy even in the uncertain environment that will prevail in 2010, all the more so given the significant improvement in company's financial situation as discussed in the management report. This decision underlines the consistency and reliability of the company's dividend policy. Accordingly, a dividend of € 1.20 per



share (2008: € 1.40) will be proposed to the Annual General Meeting of Shareholders. At 44.1 % (2008: 43.5 %), the payout ratio stays at a high level.

Key figures of the A.S. Création share		2005	2006	2007	2008	2009
Earnings per share	€/share	2.78	3.65	3.59	3.22	2.72
Dividend	€/share	1.25	1.65	1.60	1.40	1.20
Payout ratio	%	45.0	45.2	44.6	43.5	44.1
Year-closing-price	€/share	28.30	36.00	45.50	17.93	25.36
High	€/share	31.90	39.00	53.40	45.50	27.10
Low	€/share	22.58	28.05	35.10	13.91	10.40
Shares outstanding (year end)	million	2.784	2.784	2.784	2.756	2.756
Average trading volume *	pieces	3,526	2,738	2,429	2,086	3,167
Market value (year-end)	€ '000	78,799	100,239	126,691	49,421	69,901
Equity (book value)	€ '000	64,799	71,485	76,901	80,288	83,774
Market value/Equity	%	121.6	140.2	164.7	61.6	83.4
Price-earnings-ratio		10.2	9.9	12.7	5.6	9.3
Dividend yield	%	4.4	4.6	3.5	7.8	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

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This English translation of the annual report 2009 is merely a convenience translation.
The German version is the prevailing one.

Consolidated balance sheet

as per December 31, 2009

Assets			
	Notes No.	31.12.2009 €	31.12.2008 €
Tangible fixed assets	(1)	54,682,594.26	58,448,318.51
Intangible fixed assets	(2)	10,597,725.12	11,456,790.22
Investments accounted for at equity	(3)	529,475.00	105,443.21
Other assets	(4)	800,495.10	883,711.78
Income tax receivables	(5)	1,788,189.17	2,003,719.01
Deferred tax assets	(6)	467,906.87	349,032.88
Non-current assets		68,866,385.52	73,247,015.61
Inventories	(7)	41,009,357.39	47,279,127.14
Trade receivables	(8)	35,620,136.18	40,396,195.89
Other assets	(4)	4,329,287.34	5,727,348.71
Income tax receivables		1,002,125.66	1,438,994.79
Cash and cash equivalents	(9)	11,007,903.51	3,641,244.90
Current assets		92,968,810.08	98,482,911.43
Total assets		161,835,195.60	171,729,927.04

Equity and Liabilities			
	Notes No.	31.12.2009 €	31.12.2008 €
Capital stock		9,000,000.00	9,000,000.00
Capital reserves		13,756,740.32	13,756,740.32
Revenue reserves		44,566,640.68	41,496,138.03
Profit carried forward		12,936,896.24	11,070,893.83
Net profit		7,499,078.03	8,924,878.71
Adjustment for own shares		-4,020,836.57	-4,020,836.57
Currency translation differences		35,977.82	60,195.03
Equity	(10)	83,774,496.52	80,288,009.35
Financial liabilities (interest-bearing)	(11)	28,501,713.67	31,473,638.73
Other liabilities	(12)	8,221,990.21	7,919,783.98
Provisions for pensions	(13)	6,871,322.31	6,013,719.90
Deferred tax liabilities	(6)	8,092,673.69	8,928,416.76
Non-current liabilities		51,687,699.88	54,335,559.37
Financial liabilities (interest-bearing)	(11)	3,125,651.12	9,960,040.65
Other liabilities	(12)	11,355,818.13	16,028,811.58
Trade payables		10,178,862.00	10,750,851.09
Other provisions	(14)	96,900.00	119,900.00
Tax liabilities		1,615,767.95	246,755.00
Current liabilities		26,372,999.20	37,106,358.32
Total equity and liabilities		161,835,195.60	171,729,927.04

Consolidated income statement

for the period from January 1, 2009 to December 31, 2009

	Notes No.	2009 €	2008 €
Sales	(16)	181,325,232.61	176,216,334.80
Increase or decrease in unfinished and finished goods		-4,111,330.99	4,042,223.96
Other own work capitalised		5,225.00	10,350.00
Total output		177,219,126.62	180,268,908.76
Cost of materials	(17)	90,216,262.90	99,259,691.25
Gross profit		87,002,863.72	81,009,217.51
Other income	(18)	1,153,267.89	724,820.49
		88,156,131.61	81,734,038.00
Personnel expenses	(19)	37,714,495.25	36,178,033.78
Depreciation	(20)	9,863,837.47	8,215,484.05
Operating taxes		526,910.14	199,165.07
Other operating expenses	(21)	26,622,696.71	23,639,616.99
Operating expenses		74,727,939.57	68,232,299.89
Earnings before interest and taxes (EBIT)		13,428,192.04	13,501,738.11
Interest and similar income		63,699.09	680,945.48
Results from investments accounted for at equity		-33,608.21	-29,383.17
Interest and similar expenses		2,624,208.53	1,297,518.12
Financial result	(22)	-2,594,117.65	-645,955.81
Earnings before income taxes		10,834,074.39	12,855,782.30
Income taxes	(23)	3,334,996.36	3,930,903.59
Net profit		7,499,078.03	8,924,878.71
Earnings per share	(24)	2.72	3.22

Consolidated cash flow statement

for the period from January 1, 2009 to December 31, 2009

	2009 € '000	2008 € '000
Operating activities		
Net profit	7,499	8,925
+ Depreciation on tangible and intangible fixed asset	9,864	8,215
+/- Increase/decrease in long-term provisions	858	-277
-/+ Income/expenses from investments accounted for at equity	34	29
-/+ Increase/decrease in present value of corporate income tax credit	207	199
-/+ Income/expenses from changes in deferred taxes	-894	967
Cash-flow	17,568	18,058
-/+ Profit/losses from disposal of tangible and intangible fixed assets	-63	-42
-/+ Increase/decrease in inventories	6,270	-3,377
-/+ Increase/decrease in trade receivables	4,800	-1,359
+/- Increase/decrease in trade payables	-572	-4,650
-/+ Increase/decrease in other net working capital	866	-143
Cash inflow from operating activities	28,869	8,487
Investing activities		
Capital expenditures on tangible and intangible fixed assets	-5,296	-9,013
- Cash outflows for acquisitions of consolidated companies (less acquired cash and cash equivalents)	0	-14,728
- Cash outflows for at equity investments	-475	-152
+ Proceeds from the disposal of tangible and intangible fixed assets	123	81
Cash outflow from investing activities	-5,648	-23,812
Financing activities		
Dividends paid to shareholders of A.S. Création Tapeten AG	-3,859	-4,455
- Dividends paid to minority shareholders	-2,200	0
- Cash outflows for the purchase of own shares	0	-908
+/- Raising/repayment of financial liabilities (interest-bearing)	-9,807	20,364
Cash inflow/outflow from financing activities	-15,866	15,001
Net change in cash and cash equivalents	7,355	-324
+/- Change in cash and cash equivalents due to exchange rate fluctuations	12	-35
+ Cash and cash equivalents at the beginning of the period	3,641	4,000
Cash and cash equivalents at the end of the period	11,008	3,641

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

Consolidated statement of changes in equity

for the period from January 1, 2009 to December 31, 2009

	Capital Stock	Capital reserve	Revenue reserves	Profit carried forward	Net Profit	Adjust- ment for own shares	Currency translation differences	Total
	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000
December 31, 2007	9,000	13,757	38,437	8,794	9,982	-3,113	44	76,901
Net profit 2007	0	0	0	9,982	-9,982	0	0	0
Dividend payments	0	0	0	-4,455	0	0	0	-4,455
Allocation to revenue reserves	0	0	3,250	-3,250	0	0	0	0
Own shares	0	0	0	0	0	-908	0	-908
Net profit 2008	0	0	0	0	8,925	0	0	8,925
Changes recognized directly in equity	0	0	-191	0	0	0	16	-175
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

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Consolidation statement of comprehensive income

for the period from January 1, 2009 to December 31, 2009

	2009 € '000	2008 € '000
Net profit	7,499	8,925
Foreign currency translation differences for subsidiaries in non-EMU countries	-25	16
Change in fair value of an interest rate hedge	-187	-275
Deferred taxes on other comprehensive income	58	84
Other comprehensive income	-154	-175
Total comprehensive income	7,345	8,750

Notes to the consolidated financial statements for fiscal year 2009

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 para.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 newly published IFRS and the interpretations of the International Accounting Standard Boards (IASB) had no effect on the assets, liabilities, financial position and earnings position 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 28 and IAS 31, associated companies and 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 recognized for temporary differences resulting from consolidation processes.

Notes on the consolidated entity

Next to A.S. Création Tapeten AG 11 subsidiaries are consolidated. Compared to the previous year, the number of consolidated companies increased by one as a result of the foundation of 000 A.S. Création (RUS), Moscow/Russia.

The table below shows the fully consolidated companies:

No.	Company, location	held by	Share in %	Nominal capital Dec. 31, 2009
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	86.00	1,000 €
8	000 A.S. Création (RUS), Moscow/Russia	No. 1	100.00	10,000,000 RUB
Furnishing Fabrics Division				
9	A.S. Création Textil GmbH, Marienheide/Germany	No. 1	100.00	500,000 €
10	Indes Wohntextil GmbH, Marienheide/Germany	No. 9	100.00	500,000 €
11	FUGGERHAUS Stoffe GmbH, Marienheide/Germany	No. 9	100.00	500,000 €

In addition, 000 A.S. & Palitra, Dzerzhinsk/Russia, in which A.S. Création Tapeten AG holds 50.0%, is accounted for using the equity method.

All financial statements included in the consolidated financial statements were established as of December 31, 2009 and were audited by independent chartered accountants or reviewed by the Group auditor.

Currency translation

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

Assets and debts denominated in foreign currencies are translated at the exchange rate at the time of addition and adjusted to the respective closing rate at every balance sheet date. Resulting translation differences are shown in the income statement.

In accordance with IAS 21, foreign currencies 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 differences" line. All items in the income statement are translated at the average annual rate. Currency differences are not recognised in the income statement but are allocated to the currency translation differences within the equity.

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

An average annual rate of £ 0.89124/€ (2008: £ 0.79645/€) and a closing rate of £ 0.89000/€ (2008: £ 0.95890/€) were used for the pound sterling, while an average annual rate of RUB 44.15981/€ (2008: RUB 36.10969/€) and a closing rate of RUB 43.34980/€ (2008: RUB 41.90000/€) 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.

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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.

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 generally includes not only the directly attribu-

table 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 shown at the amount of the liability as of the balance sheet date.

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 realisable tax losses carried forward. Country-specific tax rates are used. Like in the previous year, the tax rate in Germany, which comprises trade tax, corporate income tax and the solidarity surcharge, is 30.71%.

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 expenses in the accounting period.

International Financial Reporting Standards require assumptions and estimates for certain items shown in the balance sheet, contingent liabilities as well as income and expenses. The actual values may differ from these estimates.

Notes to the balance sheet
(1) Tangible fixed assets

A breakdown of the tangible fixed assets 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, 2007	23,741	72,442	16,412	99	112,694
Addition to scope of consolidation	8,959	129	1,025	0	10,113
Addition	122	4,907	3,347	407	8,783
Reclassifications	0	99	0	-99	0
Disposals	0	17	5,365	0	5,382
Currency translation differences	0	0	-42	0	-42
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
Depreciation					
Dec 31, 2007	8,340	42,657	12,366	0	63,363
Addition to scope of consolidation	798	63	765	0	1,626
Addition	817	4,481	2,808	0	8,106
Reclassifications	0	0	0	0	0
Disposals	0	17	5,326	0	5,343
Currency translation differences	0	0	-34	0	-34
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
Net book value					
Dec 31, 2008	22,867	30,376	4,798	407	58,448
Dec 31, 2009	22,359	26,715	5,219	390	54,683

Tangible fixed assets include assets on the basis of finance leases in an amount of € 12.600 million (2008: € 13.602 million). The finance leases refer to production and warehouse buildings.

Revaluations of fixed assets to IAS 16 were not effected.

(2) Intangible fixed assets

A breakdown of the intangible fixed assets and their development are shown below:

	Lizences and similar rights € '000	Goodwill € '000	Total € '000
Gross cost of acquisition or production			
Dec 31, 2007	966	2,760	3,726
Addition to scope of consolidation	3,663	6,516	10,179
Addition	230	0	230
Disposals	34	0	34
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
Depreciation			
Dec 31, 2007	768	1,543	2,311
Addition to scope of consolidation	257	0	257
Addition	109	0	109
Disposals	33	0	33
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
Net book value			
Dec 31, 2008	3,724	7,733	11,457
Dec 31, 2009	2,865	7,733	10,598

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 next two fiscal years. The cash flow used is the cash flow before interest and taxes less total capital expenditures of the respective year. For the years from 2012, the budgeted cash flow before interest and taxes of the year 2011 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 10.2% and 8.6% were applied for the Wallpaper Division and the Furnishing Fabrics Division, respectively. The value in use thus determined exceeded the book value of both Divisions, which means that the impairment tests did not provide any indication of an impairment loss.

(3) Investments accounted for at equity

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

	2009	2008
	€ '000	€ '000
January 1	105	0
Addition	475	152
Pro-rata changes in equity		
Changes affecting income	-34	-29
Changes not affecting income	-17	-18
December 31	529	105

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, other assets as well as cash and cash equivalents.

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(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	
	31.12.09 € '000	31.12.08 € '000	31.12.09 € '000	31.12.08 € '000	31.12.09 € '000	31.12.08 € '000
Miscellaneous other assets	4,408	5,663	3,867	5,079	541	584
Deferred charges	721	948	462	648	259	300
	5,129	6,611	4,329	5,727	800	884

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 € 1.788 million (2008: € 2.004 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 in an amount of € 0.468 million (2008: € 0.349 million) comprise realisable future reductions in tax payments resulting from tax losses carried forward by domestic and foreign subsidiaries in an amount of € 0.305 million (2008: € 0.265 million), deferred taxes resulting from differences between the tax balance sheet and the commercial balance sheet recognised in accordance with applicable local regulations in an amount of € 0.019 million (2008: € 0.0 million) and from consolidation processes in an amount of € 0.002 million (2008: € 0.0 million) as well as deferred tax assets recognised on items that were directly offset against equity in an amount of € 0.142 million (2008: € 0.084 million).

Deferred tax liabilities of € 8.093 million (2008: € 8.928 million) include € -1.359 million (2008: € -1.038 million) from differences between the tax balance sheet and the commercial balance sheet recognised in accordance with applicable local regulations, € 5.976 million (2008: € 5.741 million) from the adjustment of individual financial statements to IFRS and € 3.476 million (2008: € 4.225 million) from consolidation processes.

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Deferred taxes refer to the following balance sheet items:

	31.12.2009		31.12.2008	
	Deferred tax assets € '000	Deferred tax liabilities € '000	Deferred tax assets € '000	Deferred tax liabilities € '000
Tangible fixed assets	0	9,941	0	10,082
Intangible fixed assets	0	834	0	1,084
Inventories	74	0	0	216
Trade receivables and other assets	0	41	0	97
Provisions for pensions	738	0	522	0
Other provisions	7	0	9	0
Other liabilities	2,067	0	2,104	0
Tax losses carried forward	305	0	265	0
	3,191	10,816	2,900	11,479
Set-off*	-2,723	-2,723	-2,551	-2,551
	468	8,093	349	8,928

* 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:

	31.12.09 € '000	31.12.08 € '000
Raw materials and supplies	3,220	3,624
Unfinished products	339	421
Finished goods and merchandise	37,450	43,234
	41,009	47,279

Inventories include € 4.358 million (2008: € 4.741 million) that are shown at the net realisable value.

(8) Trade receivables

€ 0.028 million (2008: € 0.048 million) of the trade receivables have a remaining term of more than one year.

The table below shows the allowances on trade receivables:

	2009 € '000	2008 € '000
As of January 1	2,871	2,452
Allocation	317	383
Use	250	245
Release	159	297
Changes in scope of consolidation	0	578
As of December 31	2,779	2,871

Of the total allowances, an amount of € 0.656 million (2008: € 0.564 million) refers to allowances for individual impairments and an amount of € 2.123 million (2008: € 2.307 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 € '000	thereof without allowances for individual impairments and not past due				
		past due within 90 days € '000	past due between 91 and 180 days € '000	past due bet- ween 181 and 360 days € '000	past due in more than 360 days € '000	
As of Dec 31, 2009	35,620	31,669	3,839	15	39	2
As of Dec 31, 2008	40,396	35,772	3,690	207	80	32

(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 breakdown of equity, please refer to the statement of changes in equity.

As of December 31, 2009, 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 5, 2009) 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 not distributed 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 5, 2009, 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 November 4, 2010. 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. An offsetting item in the amount of the cost of acquisition of own shares was established, which amounted to € 4.021 million (2008: € 4.021 million).

A dividend of € 1.20 per share, which translates into a total profit distribution of € 3.308 million, will be proposed for the fiscal year 2009. A dividend of € 1.40 per share was paid out for the past fiscal year, resulting in a total distribution of € 3.859 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	
	31.12.09 € '000	31.12.08 € '000	31.12.09 € '000	31.12.08 € '000	31.12.09 € '000	31.12.08 € '000	31.12.09 € '000	31.12.08 € '000
Financial liabilities (without finance lease)	25,786	35,140	2,666	9,507	12,545	11,927	10,575	13,706
Liabilities from finance lease								
Gross value	7,972	8,748	769	776	3,007	3,035	4,196	4,937
Discounting	-2,131	-2,454	-309	-323	-1,031	-1,116	-791	-1,015
Present value	5,841	6,294	460	453	1,976	1,919	3,405	3,922
	31,627	41,434	3,126	9,960	14,521	13,846	13,980	17,628

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The finance lease agreements include a call 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 (2008: € 22.310 million) as well as assignments of machines with gross acquisition costs of € 11.711 million (previous year: € 5.535 million). 125,000 own shares were also used as collateral.

Interest-bearing financial liabilities of € 31.627 million (2008: € 41.434 million) include € 31.626 million (2008: € 32.762 million) from credit agreements at fixed interest rates and € 0.001 million (2008: € 8.672 million) from credit agreements at variable interest rates. 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 2009 %	Book value 31.12.2009 € '000	Average Interest rate 2008 %	Book value 31.12.2008 € '000
	of up to 1 year	4.5	3,125	4.2
of over 1 year up to 5 years	4.2	17,127	4.3	16,971
of over 5 years	4.1	11,374	4.1	14,508
		31,626		32,762

(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	
	31.12.09 € '000	31.12.08 € '000	31.12.09 € '000	31.12.08 € '000	31.12.09 € '000	31.12.08 € '000
Liabilities to employees	5,576	6,902	4,964	6,193	612	709
Liabilities due to social-securities	656	690	656	690	0	0
Liabilities due to other taxes	532	604	532	604	0	0
Liabilities due to bonuses/discounts	2,196	1,282	2,196	1,282	0	0
Miscellaneous other liabilities	10,618	14,471	3,008	7,260	7,610	7,211
	19,578	23,949	11,356	16,029	8,222	7,920

(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 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 Group companies it is determined based on the following parameters:

	2009 %	2008 %
Projected interest rate (discount rate)	5.00	5.75
Projected salary trend	2.50	2.50
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:

	2009 € '000	2008 € '000
As of January 1	6,014	5,800
Use	299	258
Allocation/Reversal	1,156	-89
Changes in the scope of consolidation	0	561
As of December 31	6,871	6,014

Pension provisions include € 0.290 million that will probably be paid out in the next fiscal year (2008: € 0.297 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	2009 € '000	2008 € '000
Current service cost	Personnel expenses	138	147
Interest cost	Financial result	341	284
Actuarial gains (-) / losses (+) from changes in the discount rate	Financial result	716	-633
Other actuarial gains (-) / losses (+)	Personnel expenses	-39	113
		1,156	-89

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

	2009 € '000	2008 € '000	2007 € '000	2006 € '000	2005 € '000
Pension provision as of December 31	6,871	6,014	5,800	6,152	5,996
Actuarial gains (-)/losses (+) from experience adjustments	-24	112	-94	-68	-24

(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:

	2009 € '000	2008 € '000
As of January 1	120	131
Use	111	122
Allocation	88	111
As of December 31	97	120

(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	
	31.12.09 € '000	31.12.08 € '000	31.12.09 € '000	31.12.08 € '000	31.12.09 € '000	31.12.08 € '000
from building rents	1,117	448	467	189	650	259
from operating leases	587	568	249	348	338	220
from order commitments for investments in tangible fixed assets	30	1,230	30	1,230	0	0
	1,734	2,246	746	1,767	988	479

Notes to the income statement

(16) Sales

A breakdown of Group sales by region is provided below:

	Wallpaper Division		Fabrics Division		Consolidation		Group	
	2009 € '000	2008 € '000	2009 € '000	2008 € '000	2009 € '000	2008 € '000	2009 € '000	2008 € '000
Germany	55,752	54,768	8,407	9,929	-123	-217	64,036	64,480
EU (excl. Germany)	92,372	54,501	2,695	3,465	-554	-463	94,513	57,503
European Union (EU)	148,124	109,269	11,102	13,394	-677	-680	158,549	121,983
Other Eastern Europe	28,355	57,269	1,030	1,617	0	0	29,385	58,886
Other countries	8,528	10,061	446	685	0	0	8,974	10,746
Sales (gross)	185,007	176,599	12,578	15,696	-677	-680	196,908	191,615
Reduction in revenues	-15,125	-14,821	-460	-578	2	0	-15,583	-15,399
Sales (net)	169,882	161,778	12,118	15,118	-675	-680	181,325	176,216

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(17) Cost of materials

The cost of materials includes:

	2009 € '000	2008 € '000
Cost of raw materials, consumables and supplies and purchased materials	87,508	97,938
Cost of purchased services	2,708	1,322
	90,216	99,260

(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 € 0.077 million (2008: € 0.047 million) as well as foreign exchange gains in an amount of € 0.174 million (2008: € 0.072 million).

(19) Personnel expenses

Personnel expenses are comprised as follows:

	2009	2008
	€ '000	€ '000
Wages and salaries	30,809	30,241
Social security contributions and pension expenses	6,905	5,937
	37,714	36,178

Social security contributions and pension expenses include contributions to state pension insurance institutions in an amount of € 2.775 million (2008: € 2.435 million), allocations to pension provisions in an amount of € 0.099 million (2008: € 0.260 million) as well as payments to external relief funds and similar pension organisations due to defined contribution pension plans in an amount of € 0.199 million (2008: € 0.117 million).

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

	2009	2008
	Persons	Persons
Blue-collar workers	410	422
White-collar workers	335	259
Trainees and apprentices	42	38
	787	719

As a result of the changes in the scope of consolidation, the average annual headcount increased by 91 people.

(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 € 9.864 million (2008: € 8.215 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 € 0.014 million (2008: € 0.005 million) as well as foreign exchange losses of € 0.039 million (2008: 0.566 million).

(22) Financial result

The financial result includes interest expenses in an amount of € 0.716 million (2008: interest income of € 0.633 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:

	2009	2008
	€ '000	€ '000
Current tax expenses	4,229	2,964
Deferred taxes	-894	967
	3,335	3,931

At € 3.335 million (2008: € 3.931 million), tax expenses exceeded the expected tax expenses of € 3.327 million (2008: € 3.948 million) that would have arisen based on the relevant German tax rate of 30.71% (2008: 30.71%) by € 0.008 million (2008: € 0.017 million). The difference between expected and effective tax expenses in the Group is due to the following:

	2009	2008
	€ '000	€ '000
Earnings before income taxes	10,834	12,856
Relevant tax rate	30.71%	30.71%
Expected income tax expenses	3,327	3,948
Income from reimbursement of corporate income tax credit	-94	-102
Taxes unrelated to the accounting period	-24	6
Difference against foreign tax rates	26	-14
Non-deductible expenses	140	88
Non-taxable income	-45	-10
Other tax effects	5	15
Effective income tax expenses	3,335	3,931
Effective tax rate	30.78%	30.58%

(24) Earnings per share

Earnings per share are calculated as follows:

		2009	2008
Number of shares outstanding (weighted average)	shares	2,756,351	2,773,542
Net profit	€	7,499,078	8,924,879
Earnings per share	€/share	2.72	3.22

The average number of shares outstanding declined as compared to the previous year, as A.S. Création had acquired further shares in the context of the stock repurchase programme in the previous year. No shares were acquired in the year under review.

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

For reasons of comparability, the previous year's cash flow from operating activities was adjusted for the effects of exchange rate changes in an amount of € -0.035 million, which were included in the cash flow statement as a separate item.

Cash flow from operating activities includes the following payments:

	2009 € '000	2008 € '000
Interest received	64	48
Interest paid	1,525	972
Income tax paid	2,179	3,477
Dividends received	0	0

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

	2009 € '000	2008 € '000
Raising of financial liabilities (excl. financial lease)	152	21,637
Raising of liabilities under financial lease contracts	0	0
Repayment of financial liabilities (excl. financial lease)	-9,506	-918
Repayment of liabilities under financial lease contracts	-453	-355
	-9,807	20,364

(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	
	2009 € '000	2008 € '000	2009 € '000	2008 € '000	2009 € '000	2008 € '000	2009 € '000	2008 € '000
External sales	169,809	161,641	11,516	14,575	0	0	181,325	176,216
Intra-Group sales	73	137	602	543	-675	-680	0	0
Total sales	169,882	161,778	12,118	15,118	-675	-680	181,325	176,216
EBITDA ¹	22,706	21,007	585	697	1	13	23,292	21,717
EBITDA-margin	13.4%	13.0%	4.8%	4.6%			12.8%	12.3%
EBIT ²	12,975	12,920	452	569	1	13	13,428	13,502
EBIT-margin	7.6%	8.0%	3.7%	3.8%			7.4%	7.7%
Financial result	-2,250	-393	-344	-253	0	0	-2,594	-646
Earnings before taxes	10,725	12,527	108	316	1	13	10,834	12,856
Return on sales (before taxes)	6.3%	7.7%	0.9%	2.1%			6.0%	7.3%
Income taxes	3,307	3,829	28	98	0	4	3,335	3,931
Capital expenditures	5,682	23,689	89	204	0	0	5,771	23,893
Depreciation	9,731	8,087	133	128	0	0	9,864	8,215
Cash-flow	17,309	17,669	257	376	2	13	17,568	18,058
Segment assets ³	141,013	157,213	6,951	7,917	-395	-833	147,569	164,297
Segment liabilities ⁴	28,796	33,772	1,449	1,876	-392	-829	29,853	34,819
Employees (average)	719	646	68	73	0	0	787	719

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

Of the Group's assets in an amount of € 147.569 million (2008: € 164.297 million), € 107.488 million (2008: € 118.142 million) refers to Germany, € 39.462 million (2008: € 46.050 million) to other EU countries and € 0.619 million (2008: € 0.105 million) to non-EU countries.

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.

(27) Research and development expenses

In the past fiscal year, € 2.253 million (2008: € 2.238 million) were spent on the development of new designs.

(28) Audit expenses

In the past fiscal year, € 0.193 million (2008: € 0.145 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 € 0.148 million (2008: 0.113 million) as well as an additional € 0.031 million (2008: € 0.037 million) for tax consulting services and € 0.038 million (2008: € 0.002 million) for other services.

(29) Risks from financial instruments

Only € 0.001 million or 0.0% (2008: € 8.672 million or 20.9%) of the total interest-bearing financial liabilities of € 31.627 million (2008: € 41.434 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 fixed-rate loan (synthetic fixed rate loan). In this case, however, IAS 39 does not provide for the cash flows from the two transactions to be offset against each other but requires a separate measurement of the interest rate swap at market rates (hedge accounting). Accordingly, a negative market value (after deferred taxes) in an amount of € 0.320 million (2008: € 0.191 million) was directly recognised in equity as at the balance sheet date.

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 € 35.620 million (2008: € 40.396 million), € 7.191 million or 20.2% (2008: € 9.752 million or 24.1%) were accounted for by the five largest debtors.

In view of the high cash flow and the sound financial structure, financing and/or liquidity bottlenecks are not expected. Unused credit lines amounted to € 19.160 million (2008: € 8.288 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	
	31.12.09 € '000	31.12.08 € '000	31.12.09 € '000	31.12.08 € '000	31.12.09 € '000	31.12.08 € '000	31.12.09 € '000	31.12.08 € '000
Trade receivables	35,620	40,396	0	0	35,620	40,396	35,620	40,396
Other receivables	1,582	2,810	0	0	1,582	2,810	1,582	2,810
Cash and cash equivalents	11,008	3,641	0	0	11,008	3,641	11,008	3,641
Loans and receivables	48,210	46,847	0	0	48,210	46,847	48,210	46,847
Financial liabilities (without finance lease)	25,786	35,140	0	0	25,786	35,140	25,247	34,860
Other liabilities	9,667	9,269	0	0	9,667	9,269	9,667	9,269
Trade payables	10,179	10,751	0	0	10,179	10,751	10,179	10,751
Financial liabilities measured at amortized cost	45,632	55,160	0	0	45,632	55,160	45,093	54,880
Financial derivatives	462	275	0	0	462	275	462	275
Liabilities from finance lease	0	0	5,841	6,294	5,841	6,294	6,285	6,868

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. A current interest rate that is geared to the prevailing market situation is used as a 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.

(31) Company acquisitions

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

As the acquisitions were made late in the year, it was only possible to perform a preliminary allocation of the purchase price to the acquired assets and liabilities in the context of the consolidated financial statements for 2008 (for details, please refer to No. 30 of the Notes to the 2008 consolidated financial statements). In the context of the purchase price allocation performed in the course of 2009, parts of the difference from initial consolidation were allocated to the acquired land and buildings, customer relationships, trademarks, inventories, receivables and liabilities, taking deferred taxes into account. The final purchase price allocation as of December 31, 2008 resulted in goodwill of € 4.010 million.

From fiscal 2009, the purchase price allocation has an adverse impact on earnings in the form of increased depreciation/amortisation and a higher cost of materials. As a result, earnings before interest and taxes were reduced by € 2.122 million in 2009 (previous year: € 0 million).

Taking into account the final purchase price allocation, the acquisition had the following impact on the consolidated balance sheet as of December 31, 2008.

	Carrying amounts	Adjustments	Fair value
	€ `000	€ `000	€ `000
Tangible fixed assets	489	7,998	8,487
Goodwill	0	4,010	4,010
Other intangible fixed assets	765	2,641	3,406
Inventories	9,256	686	9,942
Trade receivables	11,783	-490	11,293
Other assets	1,460	-79	1,381
Cash and cash equivalents	1,397	0	1,397
Totalling acquired assets	25,150	14,766	39,916
Financial liabilities	1,703	863	2,566
Provisions for pensions	491	0	491
Deferred tax liabilities	0	3,389	3,389
Trade payables	6,271	0	6,271
Other liabilities	4,127	2,038	6,165
Totalling acquired liabilities	12,592	6,290	18,882
Acquired net assets	12,558	8,476	21,034
Shares of other shareholders	0	4,909	4,909
Purchase price (including incidental acquisition costs)			16,125

Given that the acquisition of the remaining shares by 2011 has been firmly agreed, this acquisition must be anticipated pursuant to IAS 32. Taking into account the results of the purchase price allocation, minority interests accounted for € 4.909 million of equity on December 31, 2008. As of this date, the payments expected to be made to the minority shareholders to acquire their shares in equity had a fair value of € 7.415 million. Accordingly, a non-current liability in the same amount was recognised as of December 31, 2008 in anticipation of the future acquisition of the remaining shares and the minority interest in

equity of € 4.909 million was eliminated. The difference of € 2.506 million was recognised as additional goodwill. Together with the goodwill of € 4.010 million resulting from the purchase price allocation, the consolidated balance sheet for the period ended December 31, 2008 showed total goodwill of € 6.516 million from the anticipated acquisition of all shares in the three companies mentioned above.

In accordance with IFRS 3, the balance sheet figures of the previous year were presented such as if the final purchase price allocation and the anticipation of the acquisition of the remaining shares had taken place as of December 31, 2008.

(32) Managing Board

The Managing Board had the following members in FY 2009:

- 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 8,664 shares (2008: 6,281 shares) in the company.

(33) Supervisory Board

In FY 2009, 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 (2008: 890,346 shares) in the company.

(34) Compensation of Supervisory Board and Managing Board

The compensation of the Managing Board members in fiscal 2009 totalled € 2.040 million (2008: € 2.323 million); the compensation of the Supervisory Board totalled € 0.095 million (2008: € 0.081 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 € 1.544 million (2008: € 1.418 million) as of the balance sheet date. Pension payments to former members of the Managing Board amounted to € 0.092 million (2008: € 0.090 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 2009, the fee for these consulting services amounted to € 0.123 million (2008: € 0.124 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 (2008: € 0.034 million) from A.S. Création Tapeten AG in support of its work.

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

On March 4, 2009, the Managing Board and the Supervisory Board issued the declaration of conformity for FY 2009 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 2010 will be discussed and adopted at the Supervisory Board meeting on March 9, 2010. This declaration will be published on the company's website and in the corporate governance chapter of the 2009 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 24, 2010

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, 2009. 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 24, 2010

KPMG AG
Wirtschaftsprüfungsgesellschaft

Clauss	Schwegmann
Wirtschaftsprüfer	Wirtschaftsprüfer
(Certified Public	(Certified Public
Accountant)	Accountant)

PROFIT APPROPRIATION PROPOSAL**105**

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This English translation of the annual report 2009 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, 2009

Assets	31.12.2009 €	31.12.2008 €
Fixed and financial assets		
Intangible fixed assets	137,700.12	146,805.02
Tangible fixed assets	21,240,530.15	24,498,439.70
Financial assets	20,401,198.46	19,632,522.62
	41,779,428.73	44,277,767.34
Current assets		
Inventories	28,407,728.23	32,505,493.27
Receivables and other assets		
Trade receivable	22,257,650.30	23,761,136.08
Receivables from affiliated companies	2,580,658.98	2,247,167.03
Other current assets	5,093,698.09	7,265,677.32
	29,932,007.37	33,273,980.43
Securities	4,020,836.57	4,020,836.57
Cash and cash equivalents	6,201,662.99	85,987.56
	68,562,235.16	69,886,297.83
Prepaid expenses and deferred charges	469,321.99	567,664.85
Total assets	110,810,985.88	114,731,730.02

Equity and Liabilities		
	31.12.2009	31.12.2008
	€	€
Shareholders' equity		
Capital stock	9,000,000.00	9,000,000.00
Capital reserve	13,752,488.72	13,752,488.72
Revenue reserves	44,750,000.00	41,750,000.00
Unappropriated retained earnings	6,626,589.20	6,948,718.59
thereof: profit carried forward	(89,827.19)	(49,373.96)
net profit	(6,536,762.01)	(6,899,344.63)
	74,129,077.92	71,451,207.31
Provisions		
Provisions for pensions	5,616,333.00	4,809,349.00
Tax provisions	1,166,000.00	33,000.00
Other provisions	4,444,997.87	4,996,805.00
	11,227,330.87	9,839,154.00
Liabilities		
Liabilities to banks	20,131,153.85	27,488,167.05
Trade payable	3,219,058.14	3,444,012.04
Other liabilities	2,104,365.10	2,509,189.62
	25,454,577.09	33,441,368.71
Total equity and liabilities	110,810,985.88	114,731,730.02

Profit appropriation proposal

The financial statements of A.S. Création Tapeten AG for the year ended December 31, 2009 show unappropriated retained earnings of € 6,626,589.20.

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 € 1.20 per dividend-bearing share and allocation of € 3,318,968.00 to the revenue reserves of A.S. Création Tapeten AG.

As of December 31, 2009, 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, 2009, the profit would be appropriated as follows:

Payment of a dividend	3,307,621.20 €
Allocation to revenue reserves	3,318,968.00 €
Unappropriated retained earnings	6,626,589.20 €

The General Meeting of Shareholders of A.S. Création Tapeten AG will be held in Gummersbach on May 7, 2010. The dividend will be payable on May 10, 2010.

Gummersbach, March 9, 2010

Jörn Kämper

Chairman of the Managing Board

Franz Jürgen Schneider

Chairman of the Supervisory Board

CORPORATE CALENDAR**109**

March 17, 2010	Analyst presentation
May 7, 2010	Interim report for the three-month period ended March 31, 2010
May 7, 2010	Annual General Meeting of Shareholders
May 10, 2010	Dividend Payment
August 2, 2010	Interim report for the six-month period ended June 30, 2010
November 2, 2010	Interim report for the nine-month period ended September 30, 2010

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A.S. Création Tapeten AG

Südstraße 47

D-51645 Gummersbach-Derschlag

Germany

phone +49 (0) 2261/542-0

fax +49 (0) 2261/55883

e-mail contact@as-creation.de

www.as-creation.de

Cover photo:

Photo of a non-woven wallpaper with modern design (article no.: 1173-35) from the "Hadi Teherani" collection.

