Interim Report
1 January to 30 September 2010

- **Revenue down slightly by 1.6% on previous year at €520.8 million (adjusted for special transactions: up 2.5% year-on-year)**

- **EBIT improves to €9.9 million (previous year: € -10.4 million)**

Overview of the Villeroy & Boch Group	1 Jan. – 30 Sept. 2010 €m	1 Jan. – 30 Sept. 2009 €m	Change in €m	Change in %
Revenue (total)	**520.8**	**529.2**	**-8.4**	**-1.6**
Germany	**129.8**	**144.0**	**-14.2**	**-9.9**
Abroad	**391.0**	**385.2**	**5.8**	**1.5**
Earnings before interest and taxes (EBIT) - operating	**9.9**	**-10.4**	**20.3**	*
Earnings before taxes (EBT) - operating	**2.2**	**-18.5**	**20.7**	*
Special expenditures from EU fine	**-73.0**	-	**-73.0**	
Special expenditures from 2009 restructuring	-	**-60.0**	**60.0**	
Earnings before interest and taxes (EBIT)	**-63.1**	**-70.4**	**7.3**	**-10.4**
Earnings before taxes (EBT)	**-70.8**	**-78.5**	**7.7**	**-9.8**
Group	**-71.0**	**-78.5**	**7.5**	**-9.6**
Investments	**15.3**	**11.7**	**3.6**	**30.8**
Employees	**8,740**	**9,513**	**-773**	**-8.1**

German Securities Code Numbers (WKN): 765 720, 765 723

ISIN: DE0007657207, DE0007657231

Villeroy & Boch AG • D 66688 Mettlach
Tel.: 0049 (0)6864 - 81 1233 • Fax: 0049 (0)6864 - 81 7 1233
Internet: http://www.villeroy-boch.com

Interim Management Report of the Villeroy & Boch Group for the Third Quarter of 2010

Global economic conditions

The recovery in the global economy continued in the third quarter of this year as well. The main drivers are still China, India and Brazil. Slight growth is also forecast for North America again. Economic forecasts for Germany have now been adjusted upwards to over 3%. However, demand for bathroom and tableware products is currently lagging behind this development.

Nonetheless, it cannot be denied that this rising economic trend is largely due to positive consumer sentiment and the investment propensity among companies based on that. The intermittently recurring fear of new disruption on the financial markets owing to the still unclear accounting risks of many banks can have a negative impact at any time and cause economic setbacks.

EU antitrust proceedings

On 23 June 2010, the EU Commission imposed a fine on the Villeroy & Boch Group totalling €71.5 million for alleged violations of antitrust law. The ruling as a whole relates to 17 manufacturers of fittings, shower partitions and ceramic sanitary ware.

Villeroy & Boch has already filed an appeal against this ruling at the General Court of the European Union.

In spite of filing this action, a provision covering appropriate legal defence costs of €73 million had already been recognised as a precaution in the half-year financial statements as at 30 June 2010. As the appeal has no suspensive effect on the payment obligation under EU law, a provisional payment in the amount of the fine was paid to the EU on schedule at the end of September.

The following table provides a condensed income statement reflecting the special expenditures described above:

Structure of the consolidated income statement (IFRS)

€ million	*1 Jan. - 30 Sept. 2010*	*% of revenue*	*1 Jan. - 30 Sept. 2009*	*% of revenue*
Revenue	*520.8*	*100.0*	*529.2*	*100.0*
Cost of sales	*-310.1*	*-59.5*	*-327.6*	*-61.9*
Gross profit	***210.7***	***40.5***	***201.6***	***38.1***
Selling, marketing and development costs	*-168.7*	*-32.4*	*-173.6*	*-32.8*
General and administrative expenses	*-30.4*	*-5.8*	*-33.3*	*-6.3*
Other expenses/income	*-1.7*	*-0.4*	*-5.1*	*-1.0*
EBIT (operating, before special expenditures)	***9.9***	***1.9***	***-10.4***	***-2.0***
Special expenditures from:				
- EU fine	***-73.0***		***-***	
- restructuring programme	***-***		***-60.0***	
EBIT (incl. special expenditures)	***-63.1***		***-70.4***	
Financial results	*-7.7*		*-8.0*	
Earnings before taxes (EBT)	***-70.8***		***-78.4***	
Income taxes	*-0.2*		*0.0*	
Group result	***-71.0***		***-78.4***	

Report on net assets, financial position and results of operations:

Villeroy & Boch Group – Operating results*

In the first nine months of 2010, the Villeroy & Boch Group generated net revenue of €520.8 million compared with €529.2 million in the same period of the previous year. This represents a slight decrease of 1.6%. It should be noted that the previous year included special transactions in the Tableware Division amounting to around €21 million, for which there were no similar transactions in 2010. Adjusted for these transactions, revenue rose by 2.5%.

As at 30 September 2010, orders on hand increased by a total of €3.7 million as against the September of the previous year (€49.9 million) to €53.6 million. The Bathroom and Wellness Division accounted for 64.7% of this, the Tableware Division for 35.3%.

In the first nine months of 2010, the Villeroy & Boch Group generated operating earnings before taxes (EBT) of €2.2 million, up €20.7 million on the prior-year figure of €-18.5 million.

In particular, this development reflects the positive effects of the restructuring and cost reduction measures initiated in the previous year. Savings of around €9 million were realized in staff costs in the reporting period.

Development in the Divisions

Bathroom and Wellness

The Bathroom and Wellness Division generated revenue of €337.2 million in the first nine months of 2010, up 3.5% (€11.3 million) on the previous year.

At 3.9% overall, the foreign markets are growing more strongly than in Germany (2.2%).

In Germany, sales of ceramic kitchen sinks and bathroom furniture continued to develop particularly well. New designs and colours in the kitchen segment and the new bathroom furniture ranges of Sanipa brand are enjoying substantial revenue growth.

Of the major European markets outside Germany, the Scandinavian countries are seeing the best growth.

Thanks to the investments of recent years on the Russian and Asian markets, these are generating high growth rates in 2010 again. The UK and Spain, the countries most affected by the financial crisis in Western Europe, have also returned to revenue growth after two years of crisis. By contrast, revenue declined in the Netherlands and Italy due to the lingering pronounced reluctance to commit to new construction and renovation projects. The south-eastern European markets of Hungary and Romania have not yet recovered from the global economic crisis.

* The earnings figures for the Group and the Divisions relate to the operating result before the EU fine (2010) and restructuring expenses (2009).

Even the markets of the Middle East, which saw a boom in project business up until 2008, continued to dwell at the previous year's level.

The Bathroom and Wellness Division recorded an operating result of €14.5 million, up €20.6 million on the previous year. In addition to revenue increases, this is also due to the cost-cutting activities as part of 2009's restructuring.

The new products for 2010 in the Bathroom Division, especially the new Subway 2.0 series models, were very well received at trade fairs at the start of this year. This was already reflected in the revenue for the second quarter and this positive trend continued in the third quarter as well.

In September, the new "Nautic" bathroom series was presented under the Gustavsberg brand at a major customer event in Sweden. Advance orders from Scandinavian and Russian customers for this are highly promising.

Given the positive business development and the successful new launches, we are also forecasting a significant year-on-year rise in revenues in the Bathroom and Wellness Division in the fourth quarter.

Tableware

The Tableware Division generated revenues of €183.6 million as at the end of September.

This marks a contraction of 9.7% on the previous year. After adjustment for the special transactions of 2009, however, revenue was up 0.8% on the previous year's level.

While growth regions such as Asia/Pacific, the Middle East and Russia posted a rising trend, the traditional tableware markets of Germany, BeNeLux and France remained at a weak level.

Operative earnings (EBIT) were roughly constant year-on-year at €-4.5 million. The decline in revenue has been offset by cost savings.

Given the orders on hand, we are forecasting good Christmas business and therefore a good last quarter.

Tax result

The tax expense amounts to €-0.2 million. It should be noted that the EU fine is not tax deductible and the Group result (IFRS) for tax purposes is therefore €0.7 million.

Net liquidity

The net liquidity of the Villeroy & Boch Group in the third quarter of 2010 was largely influenced by the payment of the fine of €71.5 million to the EU antitrust authorities and amounted to €-42.2 million as at 30 September 2010.

Investments

The Villeroy & Boch Group made investments totalling €15.3 million (previous year: €11.7 million). Additional information can be found in the notes.

Opportunities and risks

The opportunities and risks described in the 2009 Annual Report remain unchanged. There is no evidence of any individual risks that could endanger the continued existence of the Group. The EU antitrust proceedings against Villeroy & Boch are described in a separate section of this interim report (see page 2).

Outlook for the 2010 financial year

A major order in the Tableware Division originally planned for 2010 will now not be delivered until 2011. As a result, annual revenue is not quite expected to match the previous year's level, in which around €29 million was generated for similar major orders.

The implementation of the measures initiated in 2008 and 2009 with the aim of cutting production and structural costs will continue. We are forecasting a positive operating result (EBIT before EU fine) for the 2010 financial year of around €15 million (previous year €-1.7 million).

Villeroy & Boch Group

Consolidated balance sheet as of September 30th 2010

Assets

in Euro Thousands	Notes	30/09/2010	31/12/2009
Non-current assets			
Intangible assets		**39,302**	39,128
Property, plant and equipment	1	**162,270**	170,378
Investment property	2	**21,478**	19,809
Investment accounted for using the equity method		**1,361**	1,087
Other financial assets	3	**20,980**	22,316
		245,391	252,718
Other non-current assets		**665**	758
Deferred tax assets		**47,804**	47,194
		293,860	300,670
Current assets			
Inventories	4	**144,225**	143,102
Trade receivables	5	**113,318**	106,299
Financial assets		**0**	20,600
Other current assets	6	**25,924**	21,538
Income tax claims		**3,532**	2,620
Cash and cash equivalents	7	**10,473**	78,783
		297,472	372,942
Total assets		**591,332**	673,612

Shareholders' Equity and Liabilities

in Euro Thousands	Notes	30/09/2010	31/12/2009
Equity attributable to Villeroy & Boch AG shareholders			
Issued capital		**71,909**	71,909
Capital surplus		**193,587**	193,587
Treasury shares		**-14,985**	-14,985
Retained earnings		**-89,979**	-17,137
Valuation surplus	8	**2,216**	-2,024
		162,748	231,350
Equity attributable to minority interests		**108**	665
Total equity		**162,856**	232,015
Non-current liabilities			
Provisions for pensions		**146,927**	148,912
Non-current provisions for personnel	9	**17,640**	18,379
Other non-current provisions	10	**5,744**	5,877
Non-current financial liabilities		**50,000**	50,000
Other non-current liabilities	11	**4,486**	4,236
Deferred tax liabilities		**15,365**	14,867
		240,162	242,271
Current liabilities			
Current provisions for personnel	9	**8,042**	10,695
Other current provisions	10	**42,078**	62,146
Current financial liabilities		**2,697**	1,967
Other current liabilities	11	**78,233**	73,368
Trade payables		**51,964**	45,092
Income Tax liabilities		**5,300**	3,874
		188,314	197,142
Liabilities dedicated assets classified as held for sale		**0**	2,184
Total liabilities		**428,476**	441,597
Total equity and liabilities		**591,332**	673,612

Villeroy & Boch Group

Consolidated Income Statement from January 1st to September 30th 2010

in Euro Thousands	Notes	1st - 3rd quarter 2010	1st - 3rd quarter 2009
Revenue		520,796	529,185
Costs of sales		-310,077	-327,536
Gross profit		210,719	**201,649**
Selling, marketing and development costs	12	-168,681	-173,592
General administrative expenses		-30,366	-33,328
Other operating income/expenses		-74,998	-65,517
(Thereof from EU fine)		(-73,000)	(-)
(Thereof from Restructuring)		(-)	(-60,000)
Result of associates accounted for using the equity method		274	344
Operating result (EBIT)		-63,052	**-70,444**
(Operating result before special expenditures)		(9,948)	**(- 10,444)**
Financial results	**13**	-7,724	**-8,036**
Earnings before taxes		-70,776	**-78,480**
Income taxes	14	-217	0
Group result		-70,993	**-78,480**
Thereof attributable to			
minority interests		14	-54
Villeroy & Boch AG shareholders		-71,007	-78,426
		-70,993	**-78,480**
EARNINGS PER SHARE in Euro			
Earnings per ordinary share		-2.71	-2.99
Earnings per preference share		-2.66	-2.94

Villeroy & Boch Group

Consolidated Income Statement from April 1st to September 30th 2010

in Euro Thousands	Notes	3rd quarter 2010	3rd quarter 2009
Revenue		170,856	180,595
Costs of sales		-102,811	-112,393
Gross profit		68,045	**68,202**
Selling, marketing and development costs	12	-56,474	-56,132
General administrative expenses		-9,678	-11,406
Other operating income/expenses		-67	-2,149
Result of associates accounted for using the equity method		30	30
Operating result (EBIT)		1,856	**-1,455**
Financial results	**13**	-2,643	**-2,879**
Earnings before taxes		-787	**-4,334**
Income taxes	14	236	0
Group result		-551	**-4,334**
Thereof attributable to			
minority interests		5	-33
Villeroy & Boch AG shareholders		-556	-4,301
		-551	**-4,334**
EARNINGS PER SHARE in Euro			
Earnings per ordinary share		-0.04	-0.19
Earnings per preference share		0.01	-0.14

There were no share dilution effects in the reporting periods.

Villeroy & Boch Group

Consolidated Statement of Equity as of September 30th 2010

in Euro Thousands	Equity attributable to Villeroy & Boch AG shareholders: Issued capital	Capital surplus	Treasury shares	Retained earnings	Valuation surplus	**Total**	Equity attributable to minority interests	**Total equity**
Note					8			
As of 01/01/2009	**71,909**	**193,587**	**-14,985**	**87,805**	**-7,866**	**330,450**	**487**	**330,937**
Group result (as per Consolidated Income Statement)				-78,426		-78,426	-54	-78,480
Other comprehensive income				831	1,906	2,737	-9	2,728
Total comprehensive income net of tax				**-77,595**	**1,906**	**-75,689**	**-63**	**-75,752**
Dividends				-9,068		-9,068		-9,068
Other change						0	274	274
As of 30/09/2009	**71,909**	**193,587**	**-14,985**	**1,142**	**-5,960**	**245,693**	**698**	**246,391**
As of 01/01/2010	**71,909**	**193,587**	**-14,985**	**-17,137**	**-2,024**	**231,350**	**665**	**232,015**
Group result (as per Consolidated Income Statement)				-71,007		-71,007	14	-70,993
Other comprehensive income				-1,030	4,240	3,210	15	3,225
Total comprehensive income net of tax				**-72,037**	**4,240**	**-67,797**	**29**	**-67,768**
Acquisition of non-controlling interests				-805		-805	-586	-1.391
As of 30/09/2010	**71,909**	**193,587**	**-14,985**	**-89,979**	**2,216**	**162,748**	**108**	**162,856**

Villeroy & Boch Group

Consolidated Statement of Comprehensive Income as of September 30th 2010

in Euro Thousands	**30/09/2010**	**30/09/2009**
Group result (as per Consolidated Income Statement)	**-70,993**	**-78,480**
On the equity recorded, realised other comprehensive income		
Gains or losses arising from translating the retained earnings of foreign operation	-1,019	816
Other changes	-2	0
	-1,021	**816**
On the equity recorded, unrealised other comprehensive income		
Gains or losses on hedging instruments in a cash flow hedge	1,837	2,618
Gains or losses arising from translating the net investment in a foreign business operation	831	-363
Gains or losses arising from translating the financial statements of foreign operation	1,859	-428
Gains or losses arising from deferred taxes	-281	85
	4,246	**1,912**
Other comprehensive income (Total of issues resulting in neither profit nor loss, recorded on the equity)	**3,225**	**2,728**
Total comprehensive income net of tax	**-67,768**	**-75,752**
Thereof attributable to		
Villeroy & Boch AG shareholders	-67,797	-75,689
minority interests	29	-63
	-67,768	**-75,752**

Villeroy & Boch Group
Consolidated Cash Flow Statement as of September 30th 2010

in Euro Thousands	**1st -3rd quarter 2010**	1st -3rd quarter 2009
Group result	**-70,993**	-78,480
Depreciation of non-current assets	**22,999**	26,602
Change in non-current provisions	**-9,131**	-10,275
Profit from dispoal of fixed assets	**-1.767**	-857
Change in inventories, receivables and other assets	**-16,652**	22,676
Change in liabilities, current provisions and other liabilities	**11,848**	-12,287
Change in current provision for restructuring	**-19,387**	56,573
Other non-cash income/expenses	**6,116**	6,562
Cash Flow from operating activities	**-76,967**	**10,514**
Purchase of intangible assets, property, plant and equipment	**-14,101**	-10,404
Investment in non-current financial assets and cash payments	**-5**	-1,608
Cash receipt from restricted deposits	**20,000**	-582
Cash receipts from disposals of subsidiaries	**1,600**	0
Cash receipts from disposals of fixed assets	**3,675**	3,501
Cash Flow from investing activities	**11,169**	-9,093
Change in financial liabilities	**729**	-6,402
Cash payments for the acquisition of non-controlling interests	**-1,391**	-
Dividend payments	**-**	-9,068
Cash Flow from financing activities	**-662**	**-15,470**
Net increase in cash and cash equivalents	**-66,460**	**-14,049**
Balance of cash and cash equivalents as of 01/01/	**78,783**	58,978
Change in consolidated companies	**-1,850**	0
Net increase in cash and cash equivalents	**-66,460**	-14,049
Balance of cash and cash equivalents as of 30/09/	**10,473**	44,929

Villeroy & Boch Group Segment Report as of September 30th 2010

1st - 3rd quarter Segment Report

in Euro Thousands	BATHROOM & WELLNESS 2010	BATHROOM & WELLNESS 2009	TABLEWARE 2010	TABLEWARE 2009	TRANSITION / OTHER 2010	TRANSITION / OTHER 2009	VILLEROY & BOCH GROUP 2010	VILLEROY & BOCH GROUP 2009
Revenue								
Segment revenue from sales to external customers	**337,235**	325,897	**183,561**	203,288	**-**	-	**520,796**	529,185
Segment revenue from transactions with other segments	**588**	470	**10**	8	**-598**	-478	**0**	0
Result								
Segment result (before special expenditures)	**14,474**	-6,129	**-4,526**	-4,315	**-**	-	**9,948**	-10,444
From EU - fine	**-**	-	**-**	-	**-73,000**	-	**-73,000**	-
From Restructuring	**-**	-40,923	**-**	-19,077	**-**	-	**-**	-60,000
Segment result (incl. special expenditures)	**14,474**	-47,052	**-4,526**	-23,392	**-**	-	**-63,052**	-70,444
Financial result	**-**	-	**-**	-	**-7,724**	-8,036	**-7,724**	-8,036
Other information								
Segment assets	**327,422**	373,329	**139,152**	150,785	**124,758**	196,489	**591,332**	720,603
Segment liabilities	**112,761**	108,377	**40,129**	42,927	**275,586**	322,908	**428,476**	474,212
Thereof from Restructuring	**-**	-	**-**	-	**27,524**	58,177	**27,524**	58,177
Investments	**7,130**	9,528	**8,144**	2,150	**-**	-	**15,274**	11,678
Scheduled depreciation of segment assets	**16,056**	16,802	**6,830**	9,788	**-**	-	**22,886**	26,590

Villeroy & Boch Group 3rd quarter Segment Report as of September 30th 2010

in Euro Thousands	BATHROOM & WELLNESS 2010	BATHROOM & WELLNESS 2009	TABLEWARE 2010	TABLEWARE 2009	TRANSITION / OTHER 2010	TRANSITION / OTHER 2009	VILLEROY & BOCH GROUP 2010	VILLEROY & BOCH GROUP 2009
Revenue								
Segment revenue from sales to external customers	**108,827**	105,865	**62,029**	74,730	**-**	-	**170,856**	180,595
Segment revenue from transactions with other segments	**243**	93	**10**	8	**-253**	-101	**0**	0
Result								
Segment result	**2,367**	-3,239	**-511**	1,784	**-**	-	**1,856**	-1,455
Financial result	**-**	-	**-**	-	**-2,643**	-2,879	**-2,643**	-2,879
Other information								
Investments	**2,377**	3,200	**3,158**	710	**-**	-	**5,535**	3,910
Scheduled depreciation of segment assets	**5,112**	5,648	**2,137**	3,089	**-**	-	**7,249**	8,737

Notes to the Interim Financial Statements of the Villeroy & Boch Group for the Third Quarter of 2010

General information

Villeroy & Boch AG, Mettlach, is a listed public limited company under German law and acts as the parent company to the Villeroy & Boch Group. The Group is divided into the two operating Divisions of Bathroom and Wellness and Tableware.

This interim report covers the period from 1 January to 30 September 2010. It was approved for publication on 26 October 2010 after being discussed by the Management Board and the Audit Committee of the Supervisory Board. It was prepared in accordance with section 315a of the German Commercial Code (HGB), applying the IASC rules as endorsed by the European Commission. These condensed interim financial statements have not been audited or reviewed by an audit company. In the opinion of the Management Board, these interim financial statements provide a true and fair view of the net assets, financial position and results of operations of the Group. The interim report includes condensed consolidated financial statements with selected explanatory notes in accordance with IAS 34. Accordingly, it should be read in conjunction with the consolidated financial statements for the year ended 31 December 2009. In the period under review, the accounting and consolidation methods described in the 2009 Annual Report were extended to include the accounting standards endorsed by the EU for the first time. These have had no material impact on this interim report.

Basis of consolidation

As at 30 September 2010, the basis of consolidation of the Villeroy & Boch Group consists of 59 companies (31 December 2009: 62 companies). All shares in the following companies were sold as part of the restructuring programme:

Name	Registered office	Sold as at	Investment at sale
Vitaviva Italia S.r.L.	Castelraimondo, Italy	1 May 2010	100%
Vagnerplast spol. s r.o.	Unhošt, Czech Republic	1 April 2010	100%
Vagnerplast Slovensko s. r.o.	Partizánske, Slovakia	1 April 2010	100%

The buyers intend to continue the production location with the acquired workforce. The carrying amounts of the assumed facilities and liabilities as at the time of deconsolidation were as follows:

Assets	Fair value in € thousand
Property, plant and equipment	3,078
Cash and cash equivalents	1,850
Trade receivables	325
Other assets	601
Total assets	**5,854**
Liabilities	
Provisions (including restructuring provision 2009)	1,853
Trade payables	704
Other liabilities	1,697
Total liabilities	**4,254**
Net assets sold	**1,600**

The total purchase price of €1,600 thousand was already recognised.

Seasonal influences on business activities

The Tableware Division usually generates higher levels of revenue and operating profit in Christmas business than in the other quarters of the year. There are no material seasonal effects on the rest of the product portfolio.

Notes on selected items of the consolidated balance sheet

1. Property, plant and equipment

Property, plant and equipment in the amount of €13,700 thousand (previous year: €10,232 thousand) were acquired in the period under review, mainly as part of replacement and rationalisation activities with a particular focus on developing the competence centres in Merzig (isostatic pressing) and Torgau (die casting) and the capacity expansion in Hungary and Thailand. Property, plant and equipment with a carrying amount of €633 thousand (previous year: €457 thousand) was sold in the same period. Depreciation amounted to €20,986 thousand (previous year: €24,742 thousand). At the reporting date, the Villeroy & Boch Group had obligations to acquire property, plant and equipment in the amount of €10,529 thousand (31 December 2009: €6,218 thousand).

2. Investment property

This relates to properties in Castelraimondo (Italy), that have been leased to the buyer of the former Group company VITAVIVA ITALIA S.r.L. under an operating lease. The lease has a term of six years.

3. Other financial assets

In line with planning, V&B Fliesen GmbH repaid an instalment of €1,191 thousand on 30 June 2010.

4. Inventories

As at the balance sheet date, inventories were composed as follows:

in € thousand	30 Sept. 2010	31 Dec. 2009
Raw materials, supplies and merchandise	21,988	21,954
Work in progress	20,373	19,386
Finished goods and goods for resale	101,841	101,679
Advance payments	23	83
	144,225	**143,102**

Finished goods and goods for resale increased by €162 thousand in the period under review (previous year: reduction of €11,602 thousand). A seasonal increase in inventories in the Tableware Division in the amount of €9,231 thousand, which was largely due to the forthcoming Christmas business, was almost fully offset by the planned reduction in the Bathroom and Wellness Division, which included the sale of the three Wellness companies. Write-downs on inventories decreased by €2,008 thousand in the period under review, from €25,633 thousand to €23,625 thousand.

5. Trade receivables

Trade receivables break down as follows:

Group company issuing invoice domiciled in / in € thousand	30 Sept. 2010	31 Dec. 2009
Germany	69,100	64,735
Euro zone excl. Germany	6,355	7,522
Other international destination	37,863	34,042
Trade receivables	**113,318**	**106,299**

In the period under review, specific and portfolio-based valuation allowances on trade receivables fell by a net amount of €451 thousand to €6,004 thousand.

6. Other non-current and current assets

Other non-current and current assets developed as follows in the period under review:

	Carrying amount	Remaining term		Carrying amount	Remaining term	
in € thousand	30 Sept. 2010	Less than 1 year	More than 1 year	31 Dec. 2009	Less than 1 year	More than 1 year
Deposits and advance payments	**2,434**	2,426	8	**2,415**	2,408	7
Fair value of cash flow hedges	**3,369**	2,713	656	**2,288**	1,558	730
Tax receivables	**8,898**	8,898	-	**5,348**	5,348	-
Other assets	**11,888**	11,887	1	**12,245**	12,224	21
	26,589	**25,924**	**665**	**22,296**	**21,538**	**758**

7. Cash and cash equivalents

Cash and cash equivalents are composed as follows:

in € thousand	30 Sept. 2010	31 Dec. 2009
Cash on hand incl. cheques	154	770
Current bank balances	1,215	30
Cash equivalents	9,104	77,983
	10,473	**78,783**

The decline in this item is essentially due to the payment of a fine of €71.5 million to the EU antitrust authorities. Bank balances were offset against matching liabilities in the amount of €6,061 thousand (31 December 2009: €4,941 thousand). Cash equivalents are fully covered by external guarantee systems.

8. Valuation surplus

The valuation surplus contains the following items:

in € thousand	30 Sept. 2010	31 Dec. 2009
Currency translation of net investments in foreign operations	-4,712	-5,542
Gains on translation of financial statements of foreign operations	5,488	3,631
Fair value of cash flow hedges	1,786	-47
Surplus for deferred taxes	-346	-66
	2,216	**-2,024**

9. Non-current and current provisions for personnel

The current provisions for personnel declined primarily as a result of the payment of variable remuneration components to employees.

10. Other non-current and current provisions

There was a decline in other current provisions owing to payments under the restructuring programme of €20,149 thousand.

11. Other non-current and current liabilities

Other non-current and current liabilities are composed as follows:

in € thousand	Carrying amount 30 Sept. 2010	Remaining term Less than 1 year	Remaining term More than 1 year	Carrying amount 31 Dec. 2009	Remaining term Less than 1 year	Remaining term More than 1 year
Advance payments received on orders	**1,173**	1,173	-	**1,999**	1,999	-
Bonus liabilities	**30,502**	30,502	-	**31,162**	31,162	-
Personnel liabilities (a)	**29,088**	27,226	1,862	**24,180**	22,327	1,853
Fair value of cash flow hedges	**1,378**	1,079	299	**1,629**	1,629	-
Government grants (b)	**2,056**	1,186	870	**1,351**	422	929
Tax liabilities (c)	**11,306**	11,306	-	**10,484**	10,484	-
Other liabilities	**7,216**	5,761	1,455	**6,799**	5,345	1,454
	82,719	**78,233**	**4,486**	**77,604**	**73,368**	**4,236**

(a) Seasonal change

(b) Increase due to the award of emission allowances for the 2010 financial year.

(c) Change primarily attributable to the increase in value added tax liabilities.

Notes on selected items of the consolidated income statement

12. Selling, marketing and development costs

The research and development costs included in this item totalled €7,148 thousand in the reporting period (previous year: €6,750 thousand). The third quarter accounted for €2,359 thousand (previous year: €2,020 thousand).

13. Financial results

The financial results can be broken down as follows:

in € thousand	2010		2009	
	1st nine months	3rd quarter	1st nine months	3rd quarter
Financial income	1,758	392	2,832	643
Financial expense	-3,208	-944	-4,034	-1,245
Interest expense on provisions (pensions)	-6,274	-2,091	-6,834	-2,277
	-7,724	**-2,643**	**-8,036**	**-2,879**

14. Income taxes

Income taxes are composed as follows:

in € thousand	2010		2009	
	1st nine months	3rd quarter	1st nine months	3rd quarter
Current income taxes	-194	-26	0	0
Deferred taxes	-23	262	0	0
Income taxes	**-217**	**236**	**0**	**0**

Other notes

15. Related party disclosures

The following transactions were performed with V & B Fliesen GmbH in the reporting period:

in € thousand	30 Sept. 2010	30 Sept. 2009
Revenue	124	124
Financial income	334	322
Service income	5,512	5,193
Service expenses	-601	-439
Rental income	643	658

As at the reporting date, there are receivables of €1,364 thousand (30 September 2009: €1,653 thousand). In line with planning, V&B Fliesen GmbH repaid an instalment of €1,191 thousand as at 30 June 2010 (see note 3).

The landfill site acquisition described in the 2009 Annual Report was completed in the first quarter.

A heritable building right of Villeroy & Boch AG in the land held by a shareholder ended in the first quarter. The compensation for termination in the amount of €235 thousand was calculated by an independent expert.

No further significant agreements were concluded with related parties in the period under review.

16. Events after the balance sheet date

A long-term strategic cooperation was agreed with Rödl & Partner in the area of information technology on 30 September 2010. The joint venture "Rödl System Integration GmbH" is to be formed effective 1 November 2010. This will offer Villeroy & Boch expertise for the implementation of SAP-based software solutions for third-party companies.

At the same time, the global IT infrastructure of the Villeroy & Boch Group will be transferred to the Rödl & Partner subsidiary "Rödl IT Operation GmbH" based in Eschborn. The details of the assets and liabilities to be transferred are currently being prepared.

Mettlach, 28 October 2010

Manfred Finger **Frank Göring**

Financial calendar:

24 March 2011	Analyst conference on 2010 annual financial statements
28 April 2011	Report on the first three months of 2011
13 May 2011	General Meeting of Shareholders, Merzig Town Hall
28 July 2011	Report on the first half of 2011
27 October 2011	Report on the first nine months of 2011