Villeroy & Boch
1748

Interim Report
1 January to 30 September 2012

- **Revenue amounts to €543.3 million after the third quarter, down slightly on the previous year**

- **EBIT unchanged year-on-year at €16.8 million**

- **Economic slowdown intensifies**

Villeroy & Boch Group at a glance	1 Jan. – 30 Sep. 2012 € million	1 Jan. – 30 Sep. 2011 € million	Change in € million	Change in %
Revenue (total)	543.3	551.3	-8.0	-1
Germany	147.6	152.7	-5.1	-3
Abroad	395.7	398.6	-2.9	-1
Earnings before interest and taxes (EBIT)	16.8	16.8	0.0	0
Earnings before taxes (EBT)	8.6	8.6	0.0	0
Group result	6.0	6.0	0.0	0
Investments	15.8	16.8	-1.0	-6
Employees (FTEs at the end of the period)	7,533 FTE	8,134 FTE	-601 FTE	

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Group Management Report of Villeroy & Boch AG
for the Period from January to September 2012

Global economic conditions

Global economic development slowed significantly in the period under review. The ongoing outlook depends in particular on the development of the sovereign debt crisis in the Euro zone and its impact on demand.

The important Euro zone markets for Villeroy & Boch are in a recession. Company and consumer confidence has again deteriorated dramatically over recent months as a result of the debt crisis and the savings measures introduced in an attempt to combat this development, as well as the continued fragile situation in the European banking sector.

Germany, which has seen largely positive development to date, is also suffering from the loss of confidence due to the sovereign debt crisis and rising energy prices. The economy is losing significant momentum, which is also reflected in a substantial slowdown in employment growth.

As such, we still expect the economy in the important Euro zone markets for Villeroy & Boch to continue to weaken in the fourth quarter.

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

Villeroy & Boch Group

In the first three quarters of 2012, the Villeroy & Boch Group generated net revenue of €543.3 million after €551.3 million in the same period of the previous year.

Orders on hand totalled €50.4 million at 30 September 2012. Adjusted for an extraordinary order in the Tableware Division in the previous year, orders on hand declined by €2.6 million compared with the previous year. 62% of the orders on hand relate to the Bathroom and Wellness Division.

Operating earnings before interest and taxes (EBIT) for the first three quarters of 2012 remained unchanged year-on-year at €16.8 million.
Earnings before taxes (EBT) also remained at the prior-year level, amounting to €8.6 million.

The lower margin due to the €8 million fall in revenue compared with the same period of the previous year was offset by an improved product and country mix of the goods sold, positive exchange rate effects and systematic cost management.

The extraordinary income from the sale of the ceramic sanitary ware plant in Saltillo, Mexico, in the first quarter is offset by expenses for the expansion of our activities in the growth markets of Russia and China.

Development in the divisions

Bathroom and Wellness

Revenue in the Bathroom and Wellness Division remained unchanged year-on-year at €355.9 million in the first three quarters.

There were differences in terms of regional revenue development. The above-average revenue growth in Russia and Germany continued in the third quarter, with year-on-year growth rates of +13% and +7% respectively. Revenue also increased in the Czech Republic (+46%), Norway (+20%), Thailand (+22%) and the United Kingdom (+12%).

By contrast, there was a fall in revenue in Mexico (-19%), the Netherlands (-19%) and Italy (-17%). The reason for the downturn in revenue in Mexico was the sale of the plant in Saltillo, which represented a targeted withdrawal from low-margin project business there.

The Bathroom and Wellness Division recorded an operating result (EBIT) of €+20.3 million, up €1.9 million on the previous year. This is primarily attributable to the revenue growth resulting from the improved composition of the product range, as well as positive effects from the restructuring measures implemented and further cost reductions.

The new products presented at the “Cersaie” trade fair in Bologna, Italy, met with an extremely good response. This applies in particular to the Joyce series, which covers sanitary ware, bathtubs and bathroom furniture. Applications in fresh, trendy colours allow bathroom furnishings to be designed individually.

The bathroom furniture product range, with the Villeroy & Boch and Sanipa brands, continued to develop extremely successfully.

Tableware

The Tableware Division generated revenue of €187.4 million in the period from January to September 2012, down 4% on the previous year.
The year-on-year decline in revenue of 11% in Germany in the first half of 2012 was almost fully recovered. There was further revenue growth in Russia (+36%), Austria (+22%) and the USA (+8%).

Market development in Australia remains difficult (-7%). In addition, a major order for advertising material was delivered in the same period of the previous year, whereas no similar extraordinary order is planned for this year.

Christmas business, which is important for Villeroy & Boch, has started extremely positively and deliveries began on schedule. The new “Mariefleur” collection is also enjoying very positive development.

In the first three quarters, an operating result (EBIT) of €-3.5 million was generated (previous year: €-1.6 million).

The structure of the consolidated income statement is as follows:

Structure of the consolidated IFRS income statement

€ million	***1 Jan. – 30 Sep. 2012***	*% of revenue*	***1 Jan. – 30 Sep. 2011***	*% of revenue*
Revenue	*543.3*	*100*	*551.3*	*100*
Cost of sales	*-314.8*	*-58*	*-325.4*	*-59*
Gross profit	***228.5***	***42***	***225.9***	***41***
Selling, marketing and development costs	*-177.5*	*-33*	*-174.4*	*-32*
General administrative expenses	*-32.7*	*-6*	*-33.8*	*-6*
Other expenses/income	*-1.5*	*-0*	*-0.9*	*0*
EBIT	***16.8***	***3***	***16.8***	***3***
Financial result	*-8.2*		*-8.2*	
Earnings before taxes (EBT)	***8.6***		***8.6***	
Income taxes	*-2.6*		*-2.6*	
Group result	***6.0***		***6.0***	

Net liquidity

The net liquidity of the Villeroy & Boch Group amounted to €-28.3 million at 30 September 2012. This represents an improvement of €16.8 million compared with the same period of the previous year, despite the dividend payment of €9.9 million.
In addition to influences from the operating business, this was due to cash inflows from the sale of the former plant buildings in Dänischburg and the sale of the factory in Mexico.

Investments

The Villeroy & Boch Group made investments of €15.8 million in the first nine months of the 2012 financial year (previous year: €16.8 million). Of this figure, 61% (previous year: 63%) related to the Bathroom and Wellness Division and 39% (previous year: 37%) to the Tableware Division.

Opportunities and risks

The opportunities and risks described in the 2011 Annual Report remain unchanged with the exception of the legal dispute with a former licensor of Villeroy & Boch Gustavsberg AB, which was resolved in the first half of 2012.

There is no evidence of any individual risks that could endanger the continued existence of the Group.

Outlook for the rest of the 2012 financial year

Developments in the first three quarters serve to reinforce our concerns about a further economic slowdown. We currently expect this development to continue.

For the 2012 financial year as a whole, we expect consolidated revenue to remain at the prior-year level. This will be driven by the continued expansion of our sales activities and the Christmas business, which has started extremely positively.

In the final quarter of 2012, we will again be able to systematically offset general price rises through cost discipline and improved productivity.

As extraordinary expenses, such as for the expansion of activities in growth markets, are also offset by the extraordinary income from the sale of the plant in Saltillo, we still expect to generate an operating result of €27.9 million or just above this figure in spite of the economic slowdown; this corresponds to the prior-year earnings level before real estate gains.

Villeroy & Boch Group

Consolidated balance sheet as of September 30th 2012

Assets

in € million	Notes	30/09/2012	31/12/2011
Non-current assets			
Intangible assets		38.2	37.4
Property, plant and equipment	1	147.9	151.1
Investment property	2	14.2	15.6
Investment accounted for using the equity method		1.2	0.9
Other financial assets		10.3	10.2
		211.8	**215.1**
Other non-current assets	5	0.7	0.4
Deferred tax assets		40.1	38.6
		252.6	**254.1**
Current assets			
Inventories	3	156.2	146.0
Trade receivables	4	119.6	106.3
Other current assets	5	22.2	19.1
Income tax claims		3.8	2.2
Cash and cash equivalents	6	22.3	59.2
		324.1	**332.8**
Non-current asset held for sale	7	**3.7**	**11.4**
Total assets		**580.4**	**598.3**

Shareholders' Equity and Liabilities

in € million	Notes	30/09/2012	31/12/2011
Equity attributable to Villeroy & Boch AG shareholders			
Issued capital		71.9	71.9
Capital surplus		193.6	193.6
Treasury shares		-15.0	-15.0
Retained earnings		-75.4	-76.3
Valuation surplus	8	7.2	6.6
		182.3	**180.8**
Equity attributable to minority interests		**0.1**	**0.1**
Total equity		**182.4**	**180.9**
Non-current liabilities			
Provisions for pensions		137.7	140.7
Non-current provisions for personnel		15.6	16.4
Other non-current provisions		3.0	5.0
Non-current financial liabilities		50.0	50.0
Other non-current liabilities	11	3.6	3.6
Deferred tax liabilities		12.7	12.1
		222.6	**227.8**
Current liabilities			
Current provisions for personnel	9	5.0	12.0
Other current provisions	10	27.8	32.6
Current financial liabilities		0.6	1.3
Other current liabilities	11	93.0	76.7
Trade payables		43.4	61.3
Income Tax liabilities		5.6	4.4
		175.4	**188.4**
Liabilities directly associated with the assets classified as held for sale		**0.0**	**1.2**
Total liabilities		**398.0**	**417.4**
Total equity and liabilities		**580.4**	**598.3**

Villeroy & Boch Group

Consolidated Income Statement from January 1st to September 30th 2012

in € million	Notes	**2012 1st - 3rd quarter**	2011 1st - 3rd quarter
Revenue	12	**543.3**	**551.3**
Costs of sales		-314.8	-325.4
Gross profit		**228.5**	**225.9**
Selling, marketing and development costs	13	-177.5	-174.4
General administrative expenses		-32.7	-33.8
Other operating income/expenses		-1.9	-1.1
Result of associates accounted for using the equity method		0.4	0.2
Operating result (EBIT)		**16.8**	**16.8**
Financial result	14	**-8.2**	**-8.2**
Earnings before taxes		**8.6**	**8.6**
Income taxes		-2.6	-2.6
Group result		**6.0**	**6.0**
Thereof attributable to			
Villeroy & Boch AG shareholders		6.0	6.0
Minority interests		0.0	0.0
		6.0	**6.0**
EARNINGS PER SHARE			
Earnings per ordinary share in Euro		0.20	0.20
Earnings per preference share in Euro		0.25	0.25

During the reporting period there were no share dilution effects.

Villeroy & Boch Group

Consolidated Statement of Comprehensive Income from January 1st to September 30th 2012

in € million	**2012 1st - 3rd quarter**	2011 1st - 3rd quarter
Group result	**6.0**	**6.0**
Other comprehensive income		
Gains or losses on cash flow hedge	2.4	-2.6
Unrealised exchange differences on translation	2.3	-1.0
Directly on the valuation surplus recorded, unrealised income taxes	0.7	0.3
Total Other comprehensive income	**5.4**	**-3.3**
Total comprehensive income net of tax	**11.4**	**2.7**
Thereof attributable to		
Villeroy & Boch AG shareholders	11.4	2.7
Minority interests	0.0	0.0
	11.4	2.7

Villeroy & Boch Group

Consolidated Income Statement from July 1st to September 30th 2012

in € million	Notes	2012 3rd quarter	2011 3rd quarter
Revenue	12	**180.1**	**188.9**
Costs of sales		-104.9	-113.3
Gross profit		**75.2**	**75.6**
Selling, marketing and development costs	13	-58.7	-57.8
General administrative expenses		-10.6	-11.6
Other operating income/expenses		-1.1	0.0
Result of associates accounted for using the equity method		0.1	0.0
Operating result (EBIT)		**4.9**	**6.2**
Financial result	14	**-2.7**	**-2.7**
Earnings before taxes		**2.2**	**3.5**
Income taxes		-0.7	-1.1
Group result		**1.5**	**2.4**
Thereof attributable to			
Villeroy & Boch AG shareholders		1.5	2.4
Minority interests		0.0	0.0
		1.5	**2.4**

Villeroy & Boch Group

Consolidated Statement of Comprehensive Income from July 1st to June 30th 2012

in € million	2012 3rd quarter	2011 3rd quarter
Group result	**1.5**	**2.4**
Other comprehensive income		
Gains or losses on cash flow hedge	1.2	-2.2
Unrealised exchange differences on translation	0.5	-3.3
Directly on the valuation surplus recorded, unrealised income taxes	0.2	0.2
Total Other comprehensive income	**1.9**	**-5.3**
Total comprehensive income net of tax	**3.4**	**-2.9**
Thereof attributable to		
Villeroy & Boch AG shareholders	3.4	-2.9
Minority interests	0.0	0.0
	3.4	-2.9

Villeroy & Boch Group
Consolidated Statement of Equity as of September 30th 2012

in € million	Equity attributable to Villeroy & Boch AG shareholders						Equity attributable to minority interests	Total equity
	Issued capital	Capital surplus	Treasury shares	Retained earnings	Valuation surplus	**Total**		
Note					8			
As of 01/01/2011	**71.9**	**193.6**	**-15.0**	**-82.4**	**5.0**	**173.1**	**0.1**	**173.2**
Group result				6.0		6.0	0.0	6.0
Other comprehensive income				-2.1	-1.2	-3.3	0.0	-3.3
Total comprehensive income net of tax				**3.9**	**-1.2**	**2.7**	**0.0**	**2.7**
Dividend payments				-6.2		-6.2		-6.2
Acquisition of non-controlling interests				0.0		0.0	0.0	0.0
As of 30/09/2011	**71.9**	**193.6**	**-15.0**	**-84.7**	**3.8**	**169.6**	**0.1**	**169.7**
As of 01/01/2012	**71.9**	**193.6**	**-15.0**	**-76.3**	**6.6**	**180.8**	**0.1**	**180.9**
Group result				6.0		6.0	0.0	6.0
Other comprehensive income				4.8	0.6	5.4	0.0	5.4
Total comprehensive income net of tax				**10.8**	**0.6**	**11.4**	**0.0**	**11.4**
Dividend payments				-9.9		-9.9		-9.9
As of 30/09/2012	**71.9**	**193.6**	**-15.0**	**-75.4**	**7.2**	**182.3**	**0.1**	**182.4**

Villeroy & Boch Group
Consolidated Cash Flow Statement as of September 30th 2012

in € million	**2012** **1st - 3rd quarter**	2011 1st - 3rd quarter
Group result	6.0	6.0
Depreciation of non-current assets	20.2	20.4
Change in non-current provisions	-11.9	-10.2
Profit from disposal of fixed assets	-2.2	-1.0
Change in inventories, receivables and other assets	-27.5	-23.9
Change in liabilities, current provisions and other liabilities	-11.0	-17.2
Other non-cash income/expenses	5.4	8.3
Cash Flow from operating activities	**-21.0**	**-17.6**
Purchase of intangible assets, property, plant and equipment	-15.8	-16.8
Investment in non-current financial assets and cash payments	-0.2	0.0
Cash receipts from disposals of fixed assets	10.7	9.9
Cash Flow from investing activities	**-5.3**	**-6.9**
Change in financial liabilities	-0.7	0.4
Dividend payments	-9.9	-6.2
Cash Flow from financing activities	**-10.6**	**-5.8**
Net increase in cash and cash equivalents	**-36.9**	**-30.3**
Balance of cash and cash equivalents as of 01/01/	59.2	37.0
Net increase in cash and cash equivalents	-36.9	-30.3
Balance of cash and cash equivalents as of 30/09/	22.3	6.7

Villeroy & Boch Group - Segment Report as of September 30th 2012

Consolidated Segment Report from January 1st to September 30th 2012

in € million	BATHROOM & WELLNESS		TABLEWARE		TRANSITION / OTHER		VILLEROY & BOCH GROUP	
	2012	2011	2012	2011	2012	2011	2012	2011
	01/01 - 30/09		01/01 - 30/09		01/01 - 30/09		01/01 - 30/09	
Revenue								
Segment revenue from sales to external customers	**355.9**	356.0	**187.4**	195.3	**0.0**	0.0	**543.3**	551.3
Segment revenue from transactions with other segments	**1.0**	0.8	**0.0**	0.0	**-1.0**	-0.8	**0.0**	0.0
Result								
Segment result	**20.3**	18.4	**-3.5**	-1.6	**-**	-	**16.8**	16.8
Financial result	**-**	-	**-**	-	**-8.2**	-8.2	**-8.2**	-8.2
Investments and depreciations								
Investments	**9.6**	10.6	**6.2**	6.2	**-**	-	**15.8**	16.8
Scheduled depreciation of segment assets	**13.6**	14.1	**6.6**	6.3	**-**	-	**20.2**	20.4
Assets and Liabilities	**30/09**	**31/12**	**30/09**	**31/12**	**30/09**	**31/12**	**30/09**	**31/12**
Segment assets	**319.2**	307.9	**145.2**	136.4	**115.9**	154.0	**580.4**	598.3
Segment liabilities	**112.9**	114.7	**42.1**	45.1	**243.0**	257.6	**398.0**	417.4

Consolidated Segment Report from July 1st to September 30th 2012

in € million	BATHROOM & WELLNESS		TABLEWARE		TRANSITION / OTHER		VILLEROY & BOCH GROUP	
	2012	2011	2012	2011	2012	2011	2012	2011
	01/07 - 30/09		01/07 - 30/09		01/07 - 30/09		01/07 - 30/09	
Revenue								
Segment revenue from sales to external customers	**110.6**	114.2	**69.5**	74.7	**0.0**	0.0	**180.1**	188.9
Segment revenue from transactions with other segments	**0.4**	0.3	**0.0**	0.0	**-0.4**	-0.3	**0.0**	0.0
Result								
Segment result	**2.8**	3.2	**2.1**	3.0	**-**	-	**4.9**	6.2
Financial result	**-**	-	**-**	-	**-2.7**	-2.7	**-2.7**	-2.7
Investments and depreciations								
Investments	**2.5**	3.0	**2.1**	0.0	**-**	-	**4.6**	3.0
Scheduled depreciation of segment assets	**4.8**	4.7	**2.3**	2.1	**-**	-	**7.0**	6.8

Notes to the Interim Financial Statements of the Villeroy & Boch Group for the Third Quarter of 2012

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, Bathroom and Wellness, and Tableware.

This interim report covers the period from 1 January to 30 September 2012. After the Management Board discussed the interim report with the Audit Committee of the Supervisory Board, it was approved for publication on 16 October 2012. 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 2011, which can be ordered via the Investor Relations section of the website www.villeroy-boch.com. In the period under review, the accounting and consolidation methods described in the 2011 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

The basis of consolidation of the Villeroy & Boch Group consists of 59 companies (31 December 2011: 58 companies). The changes to the Villeroy & Boch Group are as follows:

	Germany	Abroad	Total
As of 1 January 2012	**16**	**42**	**58**
Additions due to acquisition (a)	-	1	1
new formation (b)	1	-	1
Disposals due to merger (c)	-	-1	-1
As of 30 September 2012	**17**	**42**	**59**

(a) Additions due to acquisition:

With effect from 2 January 2012, the Group acquired 100% of the voting shares in the Finnish company Famelco Oy, which was subsequently renamed Villeroy & Boch Tableware Oy. The company is included in Villeroy & Boch's consolidated financial statements from this date. The net assets, which primarily consist of the acquired customer base, are carried at fair value. A purchase price of €0.5 million was paid in cash. Since being acquired by the Group, the company has generated revenue of €0.3 million.

(b) Additions due to new formation:

Sales Design Vertriebsgesellschaft mbH, Mettlach, was formed on 24 July 2012.

(c) Disposals due to merger

Villeroy & Boch Immobilier S.à.r.l., Paris (F), was merged into Villeroy et Boch S.A.S., Paris (F), with retrospective effect from 1 January 2012.

Dividend paid by Villeroy & Boch AG for the 2011 financial year

The Annual General Meeting on 16 May 2012 approved the dividend of €0.35 per ordinary share and €0.40 per preference share as proposed by the Supervisory Board and Management Board of Villeroy & Boch AG. The distribution corresponds to a dividend payment of €4.9 million for the ordinary share capital (previous year: €2.1 million) and €4.9 million for the preference share capital (previous year: €4.1 million). As in the previous year, the Villeroy & Boch Group held 1,683,029 preference treasury shares at the distribution date; these shares were not entitled to participate in dividends. The dividend was paid on 18 May 2012.

Seasonal influences on business activities

Due to Christmas business, the Tableware Division generally expects to generate a higher level of revenue and operating profit in the fourth quarter than in the other quarters of the year.

Notes on selected items of the consolidated balance sheet

1. Property, plant and equipment

Property, plant and equipment in the amount of €14.2 million (previous year: €16.0 million) was acquired in the period under review, with a particular focus on capacity expansion measures in Eastern Europe and Thailand (sanitary ware) and the further establishment of the competence centre in Merzig (tableware). Property, plant and equipment with a carrying amount of €0.6 million (previous year: €1.0 million) was sold in the same period. Depreciation amounted to €18.9 million (previous year: €18.9 million). At the reporting date, the Villeroy & Boch Group had obligations to acquire property, plant and equipment in the amount of €3.3 million (31 December 2011: €5.4 million).

2. Investment property

In the period under review, a location in Italy was sold for a purchase price of €1.0 million. The carrying amount was €0.8 million.

3. Inventories

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

in € million	**30 Sep. 2012**	31 Dec. 2011
Raw materials and supplies	21.7	23.0
Work in progress	16.0	16.9
Finished goods and goods for resale	118.5	106.1
	156.2	**146.0**

In the period under review, write-downs of inventories increased by €1.2 million to total €19.2 million.

4. Trade receivables

Trade receivables are broken down as follows:

by customer domicile / in € million	**30 Sep. 2012**	31 Dec. 2011
Germany	27.2	16.9
Rest of Euro zone	31.3	34.8
Rest of world	64.1	57.8
Gross carrying amount of trade receivables	122.6	109.5
Valuation adjustments	-3.0	-3.2
Trade receivables	**119.6**	**106.3**

5. Other non-current and current assets

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

	30 Sep. 2012		31 Dec. 2011	
in € million	**current**	**non-current**	current	non-current
Tax claims	5.3	-	5.6	-
Advance payments and deposits	2.9	0.0	2.0	0.0
Change in fair value of cash flow hedges (a)	2.0	0.6	1.6	0.4
Prepaid expenses	1.9	0.0	2.4	0.0
Other assets	10.1	0.1	7.5	-
	22.2	**0.7**	**19.1**	**0.4**

(a) At the reporting date, €2.5 million (31 December 2011: €2.0 million) was recognised for the marking to market of exchange rate hedges and €0.1 million (31 December 2011: -) was recognised for the marking to market of raw material hedges.

6. Cash and cash equivalents

Cash and cash equivalents are composed as follows:

in € million	**30 Sep. 2012**	31 Dec. 2011
Cash on hand incl. cheques	0.4	0.2
Other cash and cash equivalents	21.9	59.0
	22.3	**59.2**

The decrease in cash and cash equivalents is primarily attributable to seasonal effects such as the payment of customer bonuses and variable remuneration for 2011. Bank balances were offset against matching liabilities in the amount of €20.3 million (31 December 2011: €16.2 million). Cash equivalents are partially covered by external guarantee systems.

7. Non-current assets held for sale

Non-current assets held for sale are reported as follows:

in € million	**30 Sep. 2012**	31 Dec. 2011
Property	-	0.1
Saltillo production location (Mexico)	-	7.6
Investment	3.7	3.7
	3.7	**11.4**

On 29 February 2012, the ceramic sanitary ware plant in Saltillo, Mexico, was sold to the WoodCrafters Group. The buyer took over the property, the production facilities, raw materials and supplies and work in progress. WoodCrafters and the plant’s workforce of around 600 will focus on the manufacture of ceramic sanitary ware products for the DIY store sector in future.

Taking into account all costs and guarantees, the purchase price was €1.5 million higher than the net carrying amount of the assets and liabilities sold, which was around €7 million.

8. Valuation surplus

The valuation surplus contains the following items:

in € million	**30 Sep. 2012**	31 Dec. 2011
Currency translation of net investments in foreign business operations	0.9	-0.8
Currency translation gains from the financial statements of foreign operations	5.2	9.4
Change in fair value of cash flow hedges	1.2	-1.2
Reserve for deferred taxes	-0.1	-0.8
	7.2	**6.6**

9. Current provisions for personnel

The change in current provisions for personnel is primarily due to the payment of variable remuneration components for 2011.

10. Other current provisions

The decrease in other current provisions is primarily due to the utilisation of the provision for restructuring.

11. Other non-current and current liabilities

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

in € million	**30 Sep. 2012** current	**30 Sep. 2012** non-current	31 Dec. 2011 current	31 Dec. 2011 non-current
Bonus liabilities to customers (a)	30.8	-	36.3	-
Personnel liabilities	19.7	1.3	20.9	1.3
Tax liabilities	10.5	-	10.3	-
Change in fair value of cash flow hedges (b)	1.4	0.1	3.1	0.1
Government grants (c)	0.8	0.7	0.4	0.8
Advance payments received on orders	3.2	-	1.9	-
Other liabilities (a)	26.6	1.5	3.8	1.4
	93.0	**3.6**	**76.7**	**3.6**

(a) Seasonal change including intra-year deferrals

(b) Decrease due to the current exchange rate development of the exchange rate hedge

(c) Change primarily due to the addition of emission allowances for 2012

Notes on selected items of the consolidated income statement

12. Revenue

Revenue is broken down as part of segment reporting.

13. Selling, marketing and development costs

This item includes the following expenses for research and development in the period under review:

in € million	**2012** Q1-Q3	**2012** Q3	2011 Q1-Q3	2011 Q3
Bathroom and Wellness	-5.7	-2.2	-6.0	-2.1
Tableware	-3.2	-0.9	-2.7	-0.9
	-8.9	**-3.1**	**-8.7**	**-3.0**

14. Financial result

The financial result is broken down as follows:

in € million	**2012** Q1-Q3	**2012** Q3	2011 Q1-Q3	2011 Q3
Financial income	0.8	0.2	0.6	0.2
Finance expense	-3.0	-1.0	-2.8	-0.9
Interest expenses for provisions (pensions)	-6.0	-1.9	-6.0	-2.0
	-8.2	**-2.7**	**-8.2**	**-2.7**

Other notes

15. Related party disclosures

In the course of our operating activities, we purchase materials, inventories and services from a large number of business partners around the world. This includes business partners in which the Villeroy & Boch Group holds equity interests and that have relationships with companies or members of the executive bodies of Villeroy & Boch AG. All transactions are conducted at arm's-length conditions.

Transactions between Villeroy & Boch AG and the individual subsidiaries have been eliminated in accordance with the principles of consolidation and hence are not discussed further here. The pro rata transaction volume with affiliated companies defined as related parties is largely the same as in the 2011 annual financial statements. V&B Fliesen GmbH is no longer defined as a related party, as the Group can no longer exercise a significant influence on this company.

Related parties employed within the Villeroy & Boch Group receive compensation based on their position and/or function that is paid independently of the identity of the person in that position.

No material contracts were concluded with related parties in the period under review.

16. Events after the end of the reporting period

No significant events occurred up until the time the interim report was approved for publication.

Mettlach, 23 October 2012

Frank Göring　　Jörg Wahlers

Andreas Pfeiffer　　Nicolas-Luc Villeroy

Financial calendar:

8 February 2013	Annual press conference
22 March 2013	General Meeting of Shareholders, Merzig Town Hall
19 April 2013	Report on the first three months of 2013
18 July 2013	Report on the first half of 2013
21 October 2013	Report on the first nine months of 2013

This interim report is available in English, German and French. In the event of variances, the German version shall take precedence over any translations. Due to rounding differences, there may be slight discrepancies in the totals and percentages contained in this report. Percentages are generally shown as rounded whole numbers without decimal places. This interim report and further information is also available to download at www.villeroy-boch.com.