



Interim Report 1 January to 31 March 2010

Overview of the Villeroy & Boch Group

	1 Jan. – 31 Mar.		Change	
	2010 €m	2009 €m	in €m	in %
Revenue (total)	177.9	182.2	-4.3	-2.4
Germany	47.0	46.0	1.0	2.2
Abroad	130.9	136.2	-5.3	-3.9
EBIT before restructuring expenses	3.7	-7.6	11.3	
Non-recurring restructuring expenses	-	-60.0	-	
Earnings before interest and taxes (EBIT)	3.7	-67.6	71.3	
Earnings before taxes	1.2	-70.1	71.3	
Group result	0.8	-57.7	58.5	
Investments	5.7	3.5	2.2	62.9
Employees (average)	8,943	9,738	-795	-8.2

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

ISIN: DE0007657207, DE0007657231

Villeroy & Boch AG • 66688 Mettlach, Germany

Tel.: 0049 (0)6864 - 81 1520 • Fax: 0049 (0)6864 - 81 7 1520

Internet: <http://www.villeroy-boch.com>

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

Global economic conditions

Following the dramatic economic downturn in 2008 and 2009, the global economy appears to have entered a phase of recovery. China and a number of other emerging economies are recording growth rates that are substantial in nature in some cases, whereas the economic upturn in western industrialised nations is only emerging gradually and is expected to proceed more slowly. In Germany, too, the slump appears to have bottomed out, with the joint economic forecast published by the leading economic research institutes predicting growth of 1.5% in 2010 and 1.4% in 2011.

However, this positive assessment is still subject to significant risks, such as the extremely high level of national debt around the world, the strained situation at a number of banks and the increasingly obvious problems affecting the commercial real estate market, the influence of which on the economy over the coming months cannot be estimated at present.

Report on profit or loss, financial position and assets and liabilities*:

In the first quarter of 2010, the Villeroy & Boch Group generated revenue of €77.9 million compared with €82.2 million in the same period of the previous year, a decrease of 2.4%.

Orders on hand increased by €4.2 million compared with 1 January 2010 to total €48.4 million as of 31 March 2010. Of this figure, 53.1% (previous year: 60.8%) was attributable to the Bathroom and Wellness Division.

In the first quarter of 2010, the Villeroy & Boch Group generated earnings before taxes (EBT) of €1.2 million, up €1.3 million on the prior-year figure of €10.1 million.

This development of profits reflects the restructuring and cost reduction measures initiated in the previous year, which have had a positive impact on staff costs and the level of external services in particular. In the area of staff costs alone, savings of €3.7 million were recorded compared with the same period of the previous year.

The Group's net liquidity is increased by €23.5 million year-on-year to €25.6 million, largely as a result of the significant reduction in inventories. Compared with the end of 2009, there was a seasonal decrease of around €1.8 million.

Development in the divisions

Bathroom and Wellness

The Bathroom and Wellness Division generated revenue of €13.4 million in the first quarter of 2010, up 2.9% (€3.2 million) on the previous year.

Development in the domestic and foreign markets was broadly similar.

In Germany, kitchen ceramics and the Sanipa bathroom furniture brand enjoyed particularly strong revenue growth.

By contrast, the markets in the USA, the Netherlands, Belgium and Italy remain difficult due to the strong reluctance to commit to new construction and renovation projects. In the markets of the Near and Middle East, which saw a boom in project business up until 2008, there is still no clear recovery in sight following the slump last year.

However, other regions enjoyed particularly positive development, with significant growth in Scandinavia, Russia, Eastern Europe and Asia in particular. The United Kingdom also returned to growth after two years.

*The earnings figures for the Group and the divisions for the previous year relate to the operating result before restructuring expenses in 2009. Non-recurring restructuring expenses amounted to €60 million as of 31 March 2009.

The Bathroom and Wellness Division recorded an operating result of €4.8 million, up €9.3 million on the previous year*. This improvement in the division's profitability was driven by revenue growth and, in particular, the cost reduction measures.

Visitor interest in Bathroom and Wellness products at the first trade fairs of 2010 was extremely high once again.

In light of the strong new products and the large number of current project tenders in Asia and the Middle East, revenue in the division is expected to continue to increase over the course of the year.

Tableware

Revenue in the Tableware Division amounted to €64.5 million in the first quarter of 2010, down €7.5 million or around 10% on the previous year. Adjusted for extraordinary transactions that were primarily realised in the first quarter of the previous year, revenue was essentially unchanged year-on-year at -0.8%.

The German market recorded significant growth. In Germany and other countries alike, the Group's individual retail transactions developed more successfully than in the previous year. In the division's markets outside Germany, there are signs of a recovery in the USA, the Netherlands, Russia and Asia in particular.

In the hotel and project business, which was hit particularly hard by the economic crisis, the downward trend of the previous year was halted. Some new projects, particularly in the United Arab Emirates and China, will provide further support for this recovery over the coming months.

In the first quarter of 2010, the operating result (EBIT) improved by €2.0 million year-on-year to €1.1 million*, with the cost savings and the substantial improvement in productivity starting to bear fruit.

The new Tableware products presented at the Ambiente in Frankfurt, the world's largest consumer goods trade fair, met with an extremely good response from national and international specialist retailers. In particular, the positive feedback on accessories and Christmas items suggest that Christmas business will be strong. All in all, revenue in the division is therefore expected to continue to grow over the course of the year.

Investments

The Villeroy & Boch Group made investments totalling €5.7 million in the first quarter of 2010 (previous year: €3.5 million). Additional information can be found in the notes.

Outlook for the rest of the 2010 financial year

Development in the first quarter was in line with expectations.

While revenue remained down on the previous year in January and February, it returned to positive territory for the first time in March. For the 2010 financial year as a whole, we still expect to generate consolidated revenue at the same level as the previous year and with more than €10.0 million a clearly positive operating result (EBIT).

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.

Report on significant transactions with related parties

V&B Fliesen GmbH is considered to be a related party. Additional information can be found on page 13 of this report.

* The earnings figures for the Group and the divisions for the previous year relate to the operating result before restructuring expenses in 2009.

Villeroy & Boch Group

Consolidated balance sheet as of March 31st 2010

Assets

in Euro Thousands	Notes	31.03.2010	31.12.2009
Non-current assets			
Intangible assets		39,825	39,128
Property, plant and equipment	1	171,753	170,378
Investment property		19,560	19,809
Investment accounted for using the equity method		1,301	1,087
Other financial assets		22,226	22,316
		254,665	252,718
Other non-current assets	4	665	758
Deferred tax assets		48,266	47,194
		303,596	300,670
Current assets			
Inventories	2	137,129	143,102
Trade receivables	3	115,423	106,299
Financial assets		20,906	20,600
Other current assets	4	23,905	21,538
Income tax claims		2,974	2,620
Cash and cash equivalents	5	57,573	78,783
		357,910	372,942
Total Assets		661,506	673,612

Shareholders' Equity and Liabilities

in Euro Thousands	Notes	31.03.2010	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		-16,567	-17,137
Valuation surplus	6	604	-2,024
		234,548	231,350
Equity attributable to minority interests		692	665
Total equity		235,240	232,015
Non-current liabilities			
Provisions for pensions		148,265	148,912
Non-current provisions for personnel	7	18,351	18,379
Other non-current provisions	8	6,047	5,877
Non-current financial liabilities		50,000	50,000
Other non-current liabilities	9	4,216	4,236
Deferred tax liabilities		15,195	14,867
		242,074	242,271
Current liabilities			
Current provisions for personnel	7	5,252	10,695
Other current provisions	8	57,219	62,146
Current financial liabilities		2,887	1,967
Other current liabilities	9	66,736	73,368
Trade payables		45,551	45,092
Income Tax liabilities		4,395	3,874
		182,040	197,142
Liabilities dedicated assets classified as held for sale		2,152	2,184
Total liabilities		426,266	441,597
Total equity and liabilities		661,506	673,612

Villeroy & Boch Group

Consolidated Income Statement as of March 31st 2010

in Euro Thousands	Notes	1st quarter 2010	1st quarter 2009
Revenue		177,911	182,236
Costs of sales		-106,195	-115,381
Gross profit		71,716	66,855
Selling, marketing and development costs	10	-56,824	-61,282
General and administrative expenses		-10,474	-12,063
Other operating income/expenses		-904	-61,158
(Thereof from restructuring)		(-)	(-60,000)
Result of associates accounted for using the equity method		214	30
Operating result (EBIT)		3,728	-67,618
(Operating result before restructuring, interest and taxes)		(3,728)	(- 7,618)
Financial results	11	-2,540	-2,441
Earnings before taxes		1,188	-70,059
Income taxes		-359	12,309
Group result		829	-57,750
Thereof attributable to			
minority interests		-34	-16
Villeroy & Boch AG shareholders		863	-57,734
		829	-57,750
EARNINGS PER SHARE in Euros			
Earnings per ordinary share		0.01	-2.21
Earnings per preference share		0.06	-2.16

There were no share dilution effects in the reporting periods.

Villeroy & Boch Group

Consolidated Statement of Equity as of March 31st 2010

in Euro Thousands Note	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		
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)				-57,734		-57,734	-16	-57,750
Other comprehensive income				-7,472	2,480	-4,992	1	-4,991
Total comprehensive income net of tax				-65,206	2,480	-62,726	-15	-62,741
Dividends				-		0		0
As of 31.03.2009	71,909	193,587	-14,985	22,599	-5,386	267,724	472	268,196
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)				863		863	-34	829
Other comprehensive income				-293	2,628	2,335	61	2,396
Total comprehensive income net of tax				570	2,628	3,198	27	3,225
Dividends				-		0		0
As of 31.03.2010	71,909	193,587	-14,985	-16,567	604	234,548	692	235,240

Villeroy & Boch Group

Consolidated Statement of Comprehensive Income as of March 31st 2009

	31.03.2010	31.03.2009
Group result (as per Consolidated Income Statement)	829	-57,750
On the equity recorded, realised other comprehensive income		
Gains or losses arising from translating the retained earnings of foreign operation	-234	-7,527
Other changes	-2	55
	-236	-7,472
On the equity recorded, unrealised other comprehensive income		
Gains or losses on hedging instruments in a cash flow hedge	260	-2,504
Gains or losses arising from translating the net investment in a foreign business operation	995	515
Gains or losses arising from translating the financial statements of foreign operation	1,333	4,303
Gains or losses arising from deferred taxes	44	167
	2,632	2,481
Other comprehensive income (Total of issues resulting in neither profit nor loss, recorded on the equity)	2,396	-4,991
Total comprehensive income net of tax	3,225	-62,741
Thereof attributable to		
Villeroy & Boch AG shareholders	3,198	-62,726
minority interests	27	-15
	3,225	-62,741

Villeroy & Boch Group
Consolidated Cash Flow Statement as of March 31st 2010

in Euro Thousands	1st quarter 2010	1st quarter 2009
Group result	829	-57,750
Depreciation of non-current assets	7,904	8,943
Change in non-current provisions	-2,596	-3,287
Profit from disposal of fixed assets	-23	-847
Change in inventories, receivables and other assets	-6,498	13,529
Change in liabilities, current provisions and other liabilities	-14,493	-27,860
Change in current provision for restructuring	-3,305	59,168
Other non-cash income/expenses	1,260	-7,018
Cash Flow from operating activities	-16,922	-15,122
Purchase of intangible assets, property, plant and equipment	-4,865	-3,493
Investment in non-current financial assets and cash payments for the acquisition of consolidated companies	-2	-1,605
Cash receipts from disposals of fixed assets	415	1,418
Cash Flow from investing activities	-4,452	-3,680
Change in financial liabilities	917	-4,220
Dividend payments	0	0
Cash Flow from financing activities	917	-12,169
Sum of cash flows	-20,457	-16,984
<i>Changes due to exchange rates</i>	-753	319
Net increase in cash and cash equivalents	-21,210	-16,665
Balance of cash and cash equivalents as of 01.01.	78,783	58,978
Balance of cash and cash equivalents as of 31.03.	57,573	36,275

Villeroy & Boch Group Segment Report as of March 31st 2010

	BATHROOM & WELLNESS		TABLEWARE		TRANSITION / OTHER		VILLEROY & BOCH GROUP	
	2010	2009	2010	2009	2010	2009	2010	2009
in Euro Thousands								
Revenue								
Segment revenue from sales to external customers	113,382	110,173	64,529	72,063	0	0	177,911	182,236
Segment revenue from transactions with other segments	80	198	0	0	-80	-198	0	0
Result								
Segment result before restructuring	4,844	-4,494	-1,116	-3,124	-	-	3,728	-7,618
Restructuring 2009	-	-40,923	-	-19,077	-	-	-	-60,000
Segment result	4,844	-45,417	-1,116	-22,201	-	-	3,728	-67,618
Financial result	-	-	-	-	-2,540	-2,441	-2,540	-2,441
Other information								
Segment assets	339,463	374,227	130,852	160,637	191,191	205,979	661,506	740,843
Segment liabilities ¹	98,867	97,279	38,218	42,317	289,181	333,051	426,266	472,647
Thereof restructuring 2009	-	-	-	-	43,573	59,168	43,573	59,168
Investments	2,770	2,720	2,964	773	-	-	5,734	3,493
Scheduled depreciation of segment assets	5,538	5,568	2,366	3,375	-	-	7,904	8,943

¹ Presentation of the restructuring liabilities similar to the annual report 2009 at TRANSITION/OTHER

Notes to the Interim Financial Statements of the Villeroy & Boch Group for the First 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 31 March 2010. It was approved for publication on 27 April 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

The basis of consolidation of the Villeroy & Boch Group was unchanged as against 31 December 2009 and consists of 62 companies.

Seasonal influences on business activities

The Tableware Division generally expects to generate a higher level of revenue and operating profit in the quarters containing Easter and, in particular, Christmas than in the two other quarters of the year. There are no other 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 €4,822 thousand (previous year: €3,122 thousand) was acquired in the period under review, mainly as part of replacement and rationalisation activities with a particular focus on the establishment of the cup die casting competence centre in Torgau. Property, plant and equipment with a carrying amount of €289 thousand (previous year: €261 thousand) was sold in the same period. Depreciation amounted to €7,267 thousand (previous year: €8,324 thousand). At the reporting date, the Villeroy & Boch Group had obligations to acquire property, plant and equipment in the amount of €4,273 thousand (31 December 2009: €6,218 thousand).

2. Inventories

At the balance sheet date, inventories were composed as follows:

in €thousands	31 Mar. 2010	31 Dec. 2009
Raw materials, supplies and merchandise	20,975	21,954
Work in progress	20,192	19,386
Finished goods and goods for resale	95,905	101,679
Advance payments	57	83
	137,129	143,102

The reduction in finished goods and goods for resale, which totalled €5,774 thousand, was attributable to the Tableware Division in the amount of €739 thousand and the Bathroom and Wellness Division in the amount of €5,035 thousand. Write-downs of inventories increased by a net amount of €365 thousand in the period under review, from €25,633 thousand to €25,998 thousand.

3. Trade receivables

Trade receivables are broken down by region as follows:

Company domiciled in	in €thousands	31 Mar. 2010	31 Dec. 2009
Germany		70,821	64,735
Eurozone excl. Germany		7,472	7,522
Other international destinations		37,130	34,042
Trade receivables		115,423	106,299

In the period under review, specific and portfolio-based valuation allowances on trade receivables increased by a net amount of €473 thousand to €6,927 thousand.

4. Other non-current and current assets

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

in €thousands	Carrying amount	Remaining term		Carrying amount	Remaining term	
	31 Mar. 2010	Less than 1 year	More than 1 year	31 Dec. 2009	Less than 1 year	More than 1 year
Deposits and advance payments	2,992	2,984	8	2,415	2,408	7
Changes in fair value of cash flow hedges (a)	3,065	2,408	657	2,288	1,558	730
Tax receivables	6,527	6,527	-	5,348	5,348	-
Other assets	11,986	11,986	-	12,245	12,224	21
	24,570	23,905	665	22,296	21,538	758

(a) At the reporting date, €1,529 thousand (31 December 2009: €754 thousand) and €1,536 thousand (31 December 2009: €1,534 thousand) was recognized for the marking to market of exchange rate hedges and raw material hedges respectively.

5. Cash and cash equivalents

Cash and cash equivalents are composed as follows:

in €thousands	31 Mar. 2010	31 Dec. 2009
Cash on hand incl. cheques	163	770
Current bank balances	504	30
Cash equivalents	56,906	77,983
	57,573	78,783

Bank balances were offset against matching liabilities in the amount of €6,881 thousand (31 December 2009: €4,941 thousand). Cash equivalents are fully covered by external guarantee systems.

6. Valuation surplus

The valuation surplus contains the following items:

in €thousands	31 Mar. 2010	31 Dec. 2009
Currency translation of non-current loans to Group companies classified as net investments	-4,547	-5,542
Gains on translation of financial statements of foreign operations	4,972	3,631
Changes in fair value of cash flow hedges	199	-47
Surplus for deferred taxes	-20	-66
	604	-2,024

7. Non-current and current provisions for personnel

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

8. Other current provisions

The decrease in other current provisions primarily relates to the utilisation of the restructuring provision.

9. Other non-current and current liabilities

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

in €thousands	Carrying	Remaining		Carrying	Remaining	
	amount	term	More than	amount	term	More than
	31 Mar.	Less than	1 year	31 Dec.	Less than	More than
	2010	1 year	1 year	2009	1 year	1 year
Advance payments received on orders	1,082	1,082	-	1,999	1,999	-
Bonus liabilities (a)	19,762	19,762	-	31,162	31,162	-
Personnel liabilities (b)	26,717	24,864	1,853	24,180	22,327	1,853
Changes in fair value of cash flow hedges						
(c)	2,071	2,071	-	1,629	1,629	-
Government grants (d)	2,077	1,168	909	1,351	422	929
Tax liabilities (e)	12,374	12,374	-	10,484	10,484	-
Other liabilities	6,869	5,415	1,454	6,799	5,345	1,454
	70,952	66,736	4,216	77,604	73,368	4,236

(a) Seasonal decrease

(b) Seasonal increase

(c) Increase primarily attributable to exchange rate hedges

(d) Increase due to the award of emission allowances for the 2010 financial year in the amount of €869 thousand

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

Notes on selected items of the consolidated income statement

10. Selling, marketing and development costs

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

in €thousands	Q1 2010	Q1 2009
Bathroom and Wellness	1,763	1,829
Tableware	742	552
	2,505	2,381

11. Net finance expense

Net finance expense can be broken down as follows:

in €thousands	Q1 2010	Q1 2009
Interest income	670	1,323
Interest expense	-1,183	-1,487
Interest expense on provisions	-2,091	-2,278
Other financial income and expense	64	1
	-2,540	-2,441

Other notes

12. Related party disclosures

As of the balance sheet date, the Group had net receivables in the amount of €1,547 thousand from V & B Fliesen GmbH (previous year: €1,570 thousand) for cost allocation for various services. These services are provided at arm's-length conditions.

The landfill site acquisition described in the 2009 Annual Report was completed in the first quarter. Ownership of the landfill site was transferred to Villeroy & Boch AG.

A heritable building right of Villeroy & Boch AG in the land held by a shareholder ended in the first quarter. The notarised termination agreement was concluded with the involvement of the Supervisory Board. 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.

13. Changes in the composition of the Supervisory Board of Villeroy & Boch AG

Mr. Eugen von Boch stepped down as a member of the Supervisory Board with effect from 31 January 2010. By order of the Saarbrücken Local Court, Mr. Francois Villeroy de Galhau was appointed to the Supervisory Board with effect from 1 February 2010 until the end of the General Meeting of Shareholders on 12 May 2010 in accordance with section 104 of the German Stock Corporation Act (AktG).

14. Notifications on voting rights

On 22 March 2010, the receiver of Schor-Invest S.A. (liquidated) informed us in accordance with section 21 (1) of the German Securities Trading Act (WpHG) that the interest in the voting rights of our Company fell below the threshold(s) of 5% and 3% on 26 July 2007 and amounted to 0.00% (no voting rights) at this date.

15. Events after the balance sheet date

With effect from 1 April 2010, the Villeroy & Boch Group sold all of its shares in VITAVIA ITALIA S.r.L., Castelraimondo, Italy, as part of its restructuring programme. The buyer intends to continue production with the workforce acquired and has assumed all resources and the corresponding liabilities to this extent. As this company was measured on the basis of the sale price as of 31 December 2009, it will not have an impact on earnings in the current financial year.

Mettlach, 29 April 2010

Manfred Finger

Frank Göring

Volker Pruschke

Financial calendar:

12 May 2010	General Meeting of Shareholders at Merzig Town Hall
29 July 2010	Report on the first half of 2010
28 October 2010	Report on the first nine months of 2010