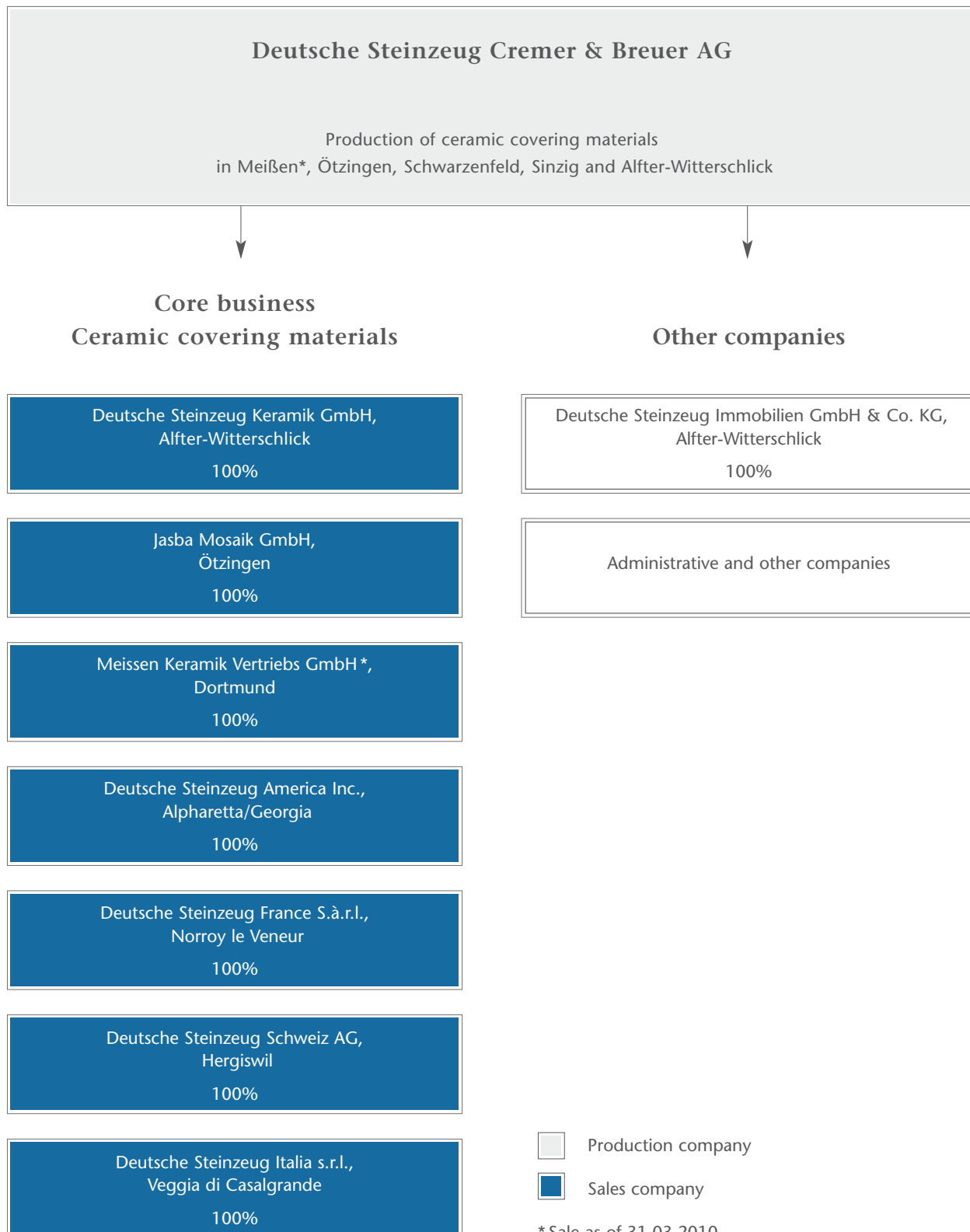




Annual Report 2009





Key indicators for the Deutsche Steinzeug Group

Fiscal year to 31 December		2009	2008	Change	
		€	€	€	%
Group sales	(mill.)	191.7	231.9	- 40.2	- 17.3
EBITDA (result before taxes, interest and depreciations)	(mill.)	15.4	4.0	+11.4	>+100.0
EBITDA before special effects	(mill.)	-1.3	9.2	- 10.5	<- 100.0
EBIT (result before taxes and interest)	(mill.)	-2.2	-7.6	+5.4	+71.1
EBIT before special effects	(mill.)	-9.6	1.3	- 10.9	<- 100.0
EGT (result from ordinary operations)	(mill.)	-13.8	-16.8	+3.0	+17.9
EGT before special effects	(mill.)	-19.8	-7.9	- 11.9	>- 100.0
Result incl. minority share	(mill.)	-10.1	-16.8	+6.7	+39.9
Result per share is	(Euro)	- 0.37	-0.61	+0.24	+39.9
Investments in intangible assets and property, plant and equipment					
	(mill.)	2.4	4.5	- 2.1	- 46.7
Investments in financial assets	(mill.)	0.7	2.6	-1.9	-73.1
Total depreciations	(mill.)	17.6	11.6	6.0	+51.7
Balance sheet total					
	(mill.)	148.1	180.2	- 32.1	- 17.8
<i>of which long-term assets</i>	(mill.)	78.5	98.3	- 19.8	- 20.1
<i>of which short-term assets</i>	(mill.)	69.6	81.9	- 12.3	- 15.0
<i>of which shareholders' equity</i>	(mill.)	29.9	44.1	- 14.2	- 32.2
<i>of which long-term liabilities</i>	(mill.)	86.8	99.2	-12.4	-12.5
<i>of which short-term liabilities</i>	(mill.)	31.4	36.9	- 5.5	- 14.9
Working capital	(mill.)	46.1	57.8	-11.7	-20.2
Net indebtedness to banks	(mill.)	57.7	68.2	-10.5	-15.4
Employees					
	(number)	1,529	1,605	- 76	- 4.7
EBITDA profit-sales ratio					
	(%)	8.03	1.74	+6.29	>+100.0
EBITDA profit-sales ratio before special effects					
	(%)	-0.68	3.97	- 4.65	<-100.0
EBIT profit-sales ratio					
	(%)	-1.15	-3.28	+2.13	+64.9
EBIT profit-sales ratio before special effects					
	(%)	-5.01	0.56	- 5.57	<-100.0
EGT profit-sales ratio					
	(%)	-7.20	-7.24	+0.04	-0.6
EGT profit-sales ratio before special effects					
	(%)	-10.33	-3.41	- 6.92	>+100.0
Number of shares giving entitlement to dividend					
	(number)	27,615,618	27,615,618	+ 0	+ 0.0
Dividend per share without tax credit adj.					
		0.00	0.00	+ 0.00	+ 0.0
Dividend per share with tax credit adj.					
		0.00	0.00	+ 0.00	+ 0.0
Price on last day of trading adj.					
		0.39	0.53	- 0.14	- 26.4
Market capitalization on last day of trading					
	(mill.)	10.77	14.64	- 3.87	- 26.0



Series Jasba - HIGHLANDS

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Letter from the Chairman of the Board of Management

Dear Shareholders, Business Partners
and Employees,



Dieter Schäfer,
Chairman of the Board of Management

Already in the last annual report it was mentioned that the world-wide economic development with all the distortions in the property markets would adversely affect the building industry. Another negative fact in this extreme situation is that the Company's financial structure in conjunction with a correspondingly high interest rate has burdened the changes in the brand and marketing policy announced last year in addition. This situation was still difficult until the end of 2009 although only partially affecting overall liquidity. Deutsche Steinzug is to a significant extent servicing the business segment of renovation / modernization and this sector especially depends on the positive economic sentiment of the markets. The renovation of a bathroom, the guest WC, the living-room or the outside terrace are so-called "may be" investments which due to the lifelong functionality of a ceramic tile covering can be postponed to times of greater economic security without any problems.

Overall economic environment

Due to the global financial market and international economic crisis and the consequential world-wide recession the German economy showed a decline in the gross domestic product (GDP) by 4.9 % last year, compared to a decline in the GDP in the entire Euro area by 4 %. For the first time since the sixties, the world economy has declined (-1.1 % in 2009). Due to the fact that the development in the export sector has recovered after the highest drop in the history of the Federal Republic of Germany (- 14.3 % in total compared to 2008) in the 1st quarter of 2009 until the end of the year 2009, a considerable surge in growth from the export sector is to be expected in 2010 (+ 8.4 % in total compared to 2009). As for gross domestic product, the estimates for 2010 range from 1.2 % to 2.5 %.

The massive distortions caused by the financial crisis had a noticeable effect on the domestic sales of the German building industry in the last year. While the building investments still showed a growth of 2.6 % in 2008 due to the lagging investments, a decline of 0.7 % is to be expected for 2009. The upward trend predicted by some market researchers already for the year 2010 is an increase of up to 3.8 % above all due to the anticipated infrastructure measures related to the government spending program to boost economic activity. In 2009, the number of building permits in the residential construction sector was well below that of the previous year. In the residential con-

struction sector, a massive decline of 24.1 % was to be noted in 2009. For 2010, we are expecting a moderate increase in the number of approved residential buildings but still at an extremely low level. In the non-residential construction sector, a slight decline is expected again.

The market of ceramic covering materials

In the area of the ceramic domestic market, a decline in the demand volume is to be noted for the twelfth year in succession. In 2009, the tile consumption in Germany decreased again by 9 per cent from 115 million m² to 105 million m². While the German market has been continuously declining in the last 10 years, which has resulted in almost a halving of the volume, the situation of the export markets deteriorated dramatically last year for the first time. The fact that for the first time all relevant sales markets of ceramics world-wide were affected, especially Asia, Eastern Europe inclusive of Russia as well as the USA and also all Western European countries – with an extremely negative special development in Spain and Italy – reflected the problematic general situation of the ceramic industry last year. This massive drop in the demand for ceramic covering materials has hit the Southern European competitors even more severely with an export share by far exceeding 50 per cent.

Development of turnover and result

In the assessment of the considerable decline in turnover, a distinction is to be made between a consciously accepted decrease of sales and turnover as a result of the price distortions in the market, and a decline in turnover which is due to the extreme economic situation above all in the export markets. While we have reduced the cost positions in our Company correspondingly for the planned decrease of turnover, the rest of the market development has had a considerable negative effect on our profit and loss statement. Last year, we reduced the personnel in production, administration and marketing by another approximately 100 employees. In addition, we have adapted ourselves to the changed turnover structures by a rigorous cost-cutting program concerning all sectors of production as well as the cost positions in administration and marketing. In total, however, the declines in sales and turnover have led to a massive drop in the overall company result, which could only be compensated by means of the explained capital and other restructuring measures.



Microsoft Campus, Shanghai/China

Series Home, AGROB BUCHTAL

One of the main reasons for the extreme decline in the result was the fact that we gave the highest priority to the safeguarding of liquidity practically during the whole year in order to realize the new financing structure, with the consequence of massive reductions in the Working Capital. The rigorous decision in favour of the safeguarding of liquidity with a negative effect on the current result has also considerably burdened the reported EBITDA for the year.

Future marketing policy

Against the background of the very difficult market situation, it is necessary for us to choose our marketing strategy in such a way that we will be able to ensure the market supply with the changes in the product portfolio in future and – after the very difficult economic development of the years 2008 / 2009 – to strengthen our marketing activities and as a result of the sales and turnover development. Consequently, the concentration on higher-value products and brand management was the necessary and right decision for our Company. Due to the extreme market distortions – which certainly nobody had expected with this intensity – the decision regarding the rigorous abandoning of the extreme “low-price range” in conjunction with a reduction of the production capacities (even including the closure of the Meißen factory with 100 per cent short-time working) was therefore reasonable and logically consistent. Therefore our clear marketing strategy, the existing flexible production resources, but also the absolute awareness that the cost leadership required for the aggressive pricing policy cannot be attained due to our structure justify – despite the significant decline in turnover – the strategic direction outlined above.

The example of the new market positioning of the brand Jasba Mosaik announced in the last annual report, however, highlights the problem with regard to the turnover development due to the timing and the economic environment. The high-quality room concept presentation together with the establishment of a separate Jasba Mosaik sales organization has been welcomed by the market with regard to product value and quality and have led – last but not least also because of a positive change in the product mix – to a significant improvement of revenue and income for us and our distributors since May / June of last year. Nonetheless, this paradigm shift by the turning away from pricing and storage pressure resulted in a massive decline in turnover in the first months of last year, which now must be persistently won back in the coming one to two years before we will be able to generate further growth again. The considerable potential in the German market with the rearranged product portfolio in conjunction



Series Cronos, AGROB BUCHTAL



Series Jasba - HIGHLANDS

with the capacity of the export markets for the newly created room concepts make us confident that the future development of the brand Jasba Mosaik on the whole will be very positive. Thus, we are expecting a continuous growth in Germany and abroad in the next years despite the difficult situation of the ceramic industry.

The concept of the “concentration of the brand Agrob Buchtal and joining of the distributive channels” requires a more differentiated view. Even though the special position in the Architectural Ceramics sector opens us the doors with regard to high-quality Residential Ceramics, it turns out – despite all the similarities concerning the design and the emotional positioning of the brand – that the separate market development is not to be disregarded. While the distinguishing position in the Architectural Ceramics sector due to the format and colour variety, the competence regarding design, as well as technical surfaces and the still extremely important advisory services of our in-house planning department, the positioning of these products as project planned in advance with appropriate preliminary services rendered by our Company facilitates our positioning at the distributive trade, Residential Ceramics remains – despite the high quality of the products – a product sector requiring an extensive and cost-intensive advisory service of our partners and distributors in the market, which can only be rendered with intensive sampling inclusive of appropriate exhibition furniture and preliminary work in the market.

Besides the undisputed product competence in the Architectural Ceramics sector, we have considerably intensified our design efforts for our Residential Ceramics products in the last years. Thus, we have significantly increased the product value, a fact which is also reflected by the great number of design prizes we have received. Our goal is to continuously improve the intensive support of the advisory service to the distributive trade by our sales organization and to further develop it as an important main item of our marketing activities in the Residential Ceramics sector. This means a positioning completely different from the one in the case of our products from the Architectural Ceramics sector. Another fact is that the concentration on a higher value of the ceramic products absolutely requires a consistent wall / floor design, which must be emphasized even more clearly from the point of view of production and marketing.

Taking into account all these factors and the necessary investments in the market, the discontinuation of the DIY sales sector effected by the end of the first quarter of 2010 is therefore absolutely logical and thus constitutes the consistent continuation of our marketing and production policy of the last years. With the extremely varied product range and the highly complex production sites in Germany, the cost leadership for ceramic wall and floor coverings cannot be realized. In the meantime, Deutsche

Steinzeug is supplying completely different target groups with regard to product value and product competence with requirements for the production which have changed correspondingly. Thus, it has become more and more clear that synergies from capacity utilization or cost advantages have become almost impossible with the DIY products, increasingly facing price pressure. The DIY sales sector, which supplied the DIY superstores mainly with products from the wall tile production of the Meißen site via an own marketing company was increasingly suffering from the fall in value of the tile range in this market segment. While the design of "lifestyle concept" requiring higher-value wall/floor combinations made it possible in the past to present a tile collection with reasonable revenues also in the DIY superstores, the economic distortions of the last one and a half years have finally led to a pricing policy of the DIY superstores which – at least in the tile sector – has exclusively oriented itself to the price-driven supply and demand behaviour which our Company was no longer able and willing to accept in this form. Thus, the discontinuation of the DIY sales sector and the production belonging to it is a further consistent step on our way of focussing on higher-value products.

The sale decision in favour of the Eastern European partner, the Cersanit Group, is of particular importance for Deutsche Steinzeug, particularly in regard to the responsibility for the Company's employees, as this strategic investor has committed itself to taking over the entire marketing and production personnel, i.e. approx. 120 employees.

Summary: market and marketing policy

It has been noticeable already for some years that the market is splitting up in two main sectors: on the one hand, the low-price segment with an aggressive price and cost orientation, and on the other hand, the segment of higher-value, emotional product and design quality. A consequence of this trend is that the medium-price segment has increasingly come under pressure – with the consequence that the product range has been continuously reduced. With our product range comprising of more than 15,000 articles we need an extremely complex and flexible manufacturing structure in order to be able to reliably supply the necessary modular system of colours and formats. As extensive partial segments thereof are directly available from our stock, this makes great demands on the logistic efficiency. Due to these high costs of production and logistics, cost leadership and thus the supply of the aggressive-price market segment are not possible for Deutsche Steinzeug. Consequently, the orientation towards higher-value products, the forcing up of and concentration on our brands Agrob Buchtal and Jasba Mosaik are logically consistent and show us the possibility of positioning our products emotionally but also with regard to prices in the market in such a way that both sides – we as the producer but at the same time also our distributors – can calculate and realize the necessary value added on this basis.

Factories and production

The investments already announced in the last report in the optimization of the batch sizes with the goal of considerably reducing the production batches and thus further improving the capital tied-up in the market on the one hand, but also the supply capability of our extensive product range on the other hand, have been consistently pursued. At the Schwarzenfeld site, we have separated the production of all extruded products and made it highly flexible and suitable for smaller batch sizes by laser-guided storage systems after the glazing and after the drying before the firing of the products. The precondition for this was a considerable enlargement and optimization of our shaping and glazing units. At the other sites, this process is also in the development stage. While



Private pool, Jakarta/Indonesia

we are also increasingly separating the shaping and glazing units at the sites Ötzingen for Jasba Mosaik and Witterschlick for the entire wall tile programme and reducing production to smaller batch sizes, the possibility of a small-batch production is still limited at present at our Sinzig production site with the extensive porcelain stoneware range, along with the more than 90 different coloured masses which, depending on the product, are mixed to obtain 10 – 12 different colour components. By the enlargement of the glazing lines and the further connection of decoration facilities before the driers and sharp-fire kilns, we hope for a significant optimization of production there as well in the next 24 months, along with the possibility of a further considerable increase in the quantity of high-quality, large-size, decorated porcelain stoneware.

As a result of the fact that we temporarily had to completely or partly operate short-time working in the factories due to the extreme drop in demand, both the production control and the quality assurance were extremely challenging last year. Despite all the careful planning and production control, disturbances in the market supply resulting from this could not be completely avoided. The generally problematic market demand and the fact that aggressive-priced products are no longer made available, have considerably impaired our sales activities in the market. Apart from that, the changeover to the pricing “ex works” required intensive advice and clarification at least in the first weeks of the year 2009. In connection with this, was the problem that we wished to continue to control the freight routes despite the “ex works” condition in order to efficiently bundle our products from different production sites as the collection is far more difficult for individual customers due to the diversity of our factories in comparison to our competitors. In Germany, we succeeded in carrying out almost 90 per cent of the freight deliveries by our freight forwarding company – despite the passing on of the cost position to the trade – as we could offer the customers attractive freight conditions with regard to price and period of delivery.



Series Jasba - HIGHLANDS

Financing

The waiver of claims outstanding in the amount of more than 30 million € already mentioned in our ad hoc announcement in December 2009 compensates for the extensive consumption of equity capital which is due to the restructuring measures, the special depreciations but also the development of the current business activity. The considerable interest rate cut at the same time as well as the additional loan grant in the amount of 5 million € means the protection of liquidity in an extremely difficult time, and the combination of a reduction of claims outstanding in conjunction with the granting of new credit lines is certainly extremely unusual and thus shows that the economic recovery of our Company is a particular matter of priority for our new universal lender.

The fact that the balance sheet restructuring was affected by the lenders and that the major shareholders were not willing or able to follow the waiver of debt outstanding and the interest rate cut, has led to the comprehensible conditions for the debt warrant. The fulfilment of the debt warrant already mentioned in our ad hoc announcement in December 2009 means that 75 per cent of the hypothetical profit for the year will be allocated to the servicing of the debt warrant. Thus, the scope for positive price movements of our share and future dividend payments respectively is certainly extremely limited. For the protection of our Company's liquidity but also for the implementation of necessary investment measures, however, no servicing of the obligations resulting from the debt warrant "in terms of cash" will follow. In addition, the servicing of the debt warrant will be suspended after 2012 for the time until the repayment of the "Senior Term Loan" will be ensured.

Perspectives of the Company

The fact that we were able to realize all restructuring measures including considerable social plan costs and special depreciations in the scope of the DIY transaction due to the income from the waiver of debt outstanding by the banks makes us optimistic with regard to the development in the current year 2010 and above all in 2011 despite a still difficult market situation. In addition, the renewal of the loan exposure until July

2013 shows that we have gained time for the strategic positioning of our Company both concerning the market image and with future-oriented investments in such a way that the strategic alliance with a partner of the same or a related branch of industry still strived for in the medium term could be realized without pressure of time.

Personnel

The fact that we have succeeded again in prolonging the "Company Alliance for Jobs" already existing for more than five years until the end of 2011 shows once again the mutual trust between the management and the personnel and its representatives. The very constructive support of the union representatives involved in the "Company Alliance for Jobs" must also be mentioned in this connection.

The necessary but certainly painful cuts with regard to special payments and also the continuation of the increase in working time without payment to 40 weekly hours are the result of an open information policy and the trusting co-operation of all parties involved in the agreement concerning the protection of the locations.

Thus, our very special thanks go to our employees which with above-average commitment and great performance are contributing to the continuation of the difficult way together with us. Moreover, we would like to thank our members of the bodies provided by the Works Constitution Act for the constructive and trusting co-operation during the last year, which was focused on the safeguarding of the Group at any time.

Frechen, 31 March 2010



Dieter Schäfer



Wellnessparadies, Frielendorf/Germany

Board of Management and Supervisory Board

Members of the Board of Management and the Supervisory Board



Ekehard Forberich and Dieter Schäfer

Board of Management

Dieter Schäfer

CEO

Swisttal-Miel

Businessman, 61 years old

Main fields of activity:

- Overall coordination of the development of Deutsche Steinzeug Group
- Marketing and distribution
- Production, technology and environmental protection
- Logistics
- Personnel
- Legal affairs
- Ceramic investments
- Appointed until 31.12.2012

Ekehard Forberich

Oberursel

Business school graduate,
graduate physicist, 43 years old

Main fields of activity:

- Finance
- Controlling
- Informatics
- Strategic purchasing
- General administration
- Other investments
- Appointed until 31.12.2011

Shares held by the organ members:

Board of Management: 16,097 shares

Supervisory Board: 1,200 shares

Supervisory Board

Wilfried Delker

Chairman
Königswinter
Vice-President (rtd.) of American Standard
Companies, Inc., Piscataway/USA

Professor Dr. Eckart Kottkamp

Deputy Chairman (as of 18.06.2009)
Großhandorf
- until 31.12.2009 -
Chairman of Supervisory Board
of Lloyd Fonds AG, Hamburg

Dr. Stephan Schelo

Deputy Chairman (as of 25.02.2010)
Meerbusch
Chief Executive of Marktkauf Holding GmbH,
Bielefeld, and Chairman of Managing Board
of SPAR Handels AG, Schenefeld and
Chief Executive of Lunar GmbH, Bielefeld

Dr. Hans-Peter Kohlhammer

Haag a. d. Amper
Management consultant

Brian Cook

- as of 14.01.2010 -
London
Management consultant

Frank Kernenbach*

Hennef
- as of 18.06.2009 -
Internal sales representative
Member of the Employees' Council, Witterschlick plant
Deutsche Steinzeug Cremer & Breuer AG

Karl Mailbeck*

Schwandorf
- as of 18.06.2009 -
Energy facility electrician
Chairman of the Employees' Council,
Schwarzenfeld plant
Deutsche Steinzeug Cremer & Breuer AG

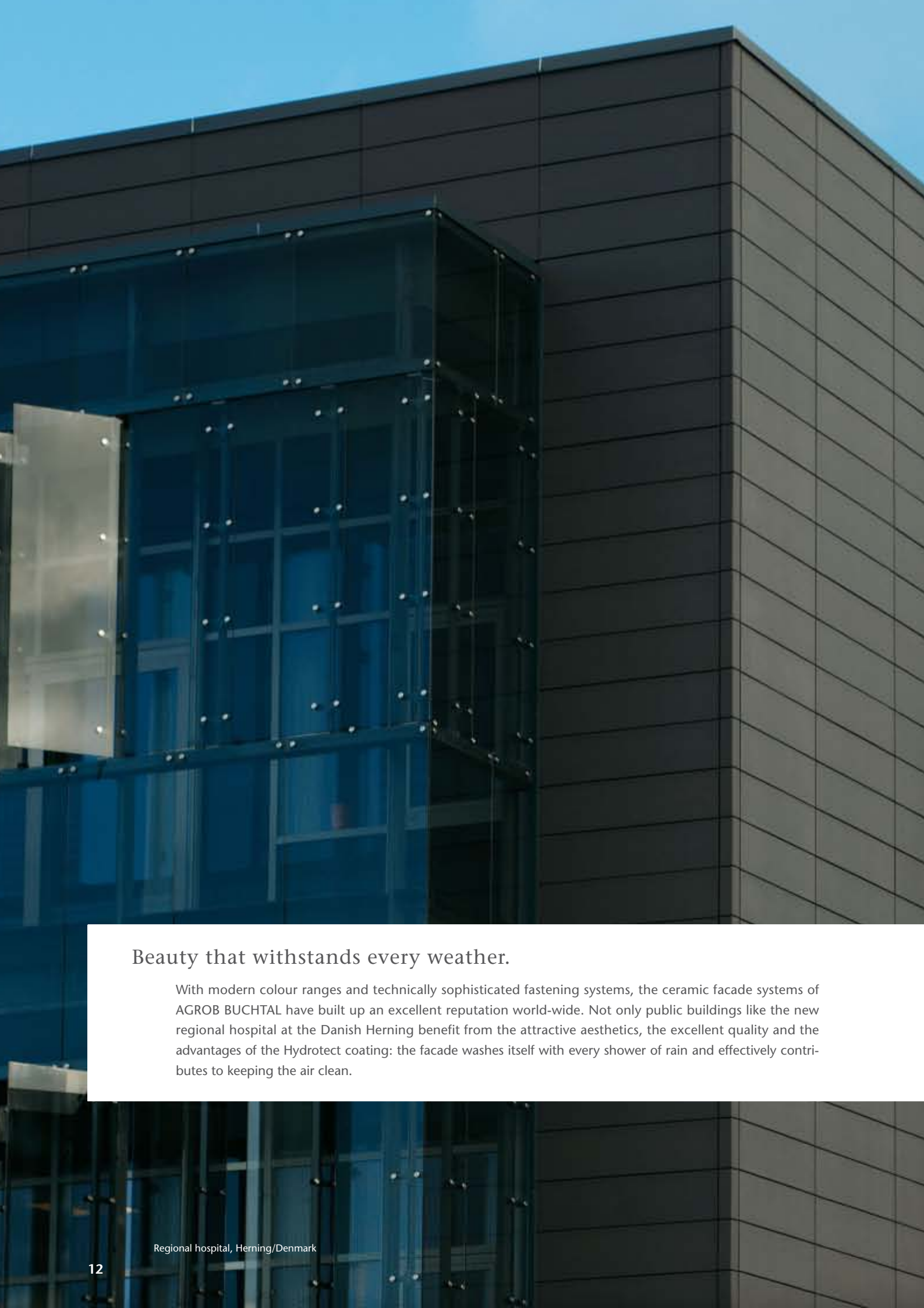
Gerd Schloßarek*

Deputy Chairman
Kamen
- until 17.06.2009 -
Master's degree in business economics
Director of the Ceramics and Glass Industrial Section at
the IG Bergbau, Chemie, Energie, Hanover

Rainer Kloft*

Hahn
- until 17.06.2009 -
Factory mechanic
Chairman of the Central Employees' Council of
Deutsche Steinzeug Cremer & Breuer AG,
Alfter-Witterschlick

* Employees' representative



Beauty that withstands every weather.

With modern colour ranges and technically sophisticated fastening systems, the ceramic facade systems of AGROB BUCHTAL have built up an excellent reputation world-wide. Not only public buildings like the new regional hospital at the Danish Herring benefit from the attractive aesthetics, the excellent quality and the advantages of the Hydrotec coating: the facade washes itself with every shower of rain and effectively contributes to keeping the air clean.



Lupinvej, Silkeborg/Denmark



University, Guelph/Canada



Residential building, Kilchberg/Switzerland

Report of the Supervisory Board



Wilfried Delker, Chairman of the Supervisory Board

In the fiscal year 2009, the Supervisory Board regularly monitored the work of the Board of Management and supported it with advice. The basis for this were the detailed written and oral reports of the Board of Management. The Supervisory Board also provided the Board of Management with comprehensive advice on all matters important to the Company, outside of the regular meetings and continuously informed itself about the economic situation of Deutsche Steinzeug Cremer & Breuer AG as well as its future orientation.

The Supervisory Board duly fulfilled its obligations pursuant to the law and the Articles of Incorporation in the fiscal year 2009. In seven meetings, the Supervisory Board was informed comprehensively about the economic and financial situation of the Company. The market development, the planning and implementation of the restructuring measures and the selling process regarding the DIY sector as well as the talks with the lenders concerning the reorganization of the financing structure were discussed in great detail.



Canteen, Ennepetal/Germany

As well as in the regular meetings, the Supervisory Board also had the Board of Management continually inform it orally and in writing concerning the current situation of the Company. All business transactions subject to approval were dealt with by the Supervisory Board and discussed and decided jointly with the Board of Management. Against the background of the difficult general economic situation and the extensive restructuring measures in the scope of the intensified strategic orientation towards the higher-quality product segments, the members of the Supervisory Board and especially the Chairman of the Supervisory Board were in close contact with the Board of Management over the entire year 2009 in order to provide advice and support.

The Audit Committee, formed on the basis of the recommendations of the German Corporate Governance Code, met twice in the reporting year. In addition, the Audit Committee in particular focused on the further improvement of the organization of the structure and implementation of the Company's risk management system by an increase in the integrated control and protective measures as well as their documentation and the monitoring of risks threatening the existence. Further focal points at the risk assessment by the Audit Committee were the reports of the auditing company, also in connection with the documentation of audit results and their catalogue of measures ("Management Letter") as well as the evaluations of results concerning special audit subjects which the Audit Committee predefines for the auditing company in the scope of the annual audit ("main audit subjects"). The Audit Committee also took suitable steps to ascertain and monitor the independence of the auditing company.

The HR Committee met twice in the reporting year. It dealt in particular with the changed management structures on the second level of management and in the management, which, however, had no effects on the division of responsibilities of the Board of Management. In addition, first talks were conducted concerning an increased orientation of the variable remuneration components to the Company's long-term goals. Due to the Board of Management's declared waiver of the variable remuneration, no decision had to be made for the current year.

Mercedes Car Dealership, Giubiasco/Swiss





Series Jasba - HIGHLANDS

The Supervisory Board continually monitored the compliance with and further development of the standards of the German Corporate Governance Code by Deutsche Steinzeug Cremer & Breuer AG. Last in December 2009, the Board of Management and the Supervisory Board made a statement concerning the compliance with the Code according to § 161 of the Stock Corporation Law (AktG) and made it permanently accessible to the shareholders on the website of the Company. With only a few exceptions, Deutsche Steinzeug Cremer & Breuer AG complies with the recommendations of the German Corporate Governance Code.

In June 2009, the Supervisory Board carried out an efficiency check according to the specifications of the German Corporate Governance Code. In this connection, further possibilities of making the work of the Supervisory Board even more efficient were intensively discussed.

The consolidated annual financial statement and the annual financial statement as of 31.12.2009, the Consolidated Management Report on Deutsche Steinzeug Cremer & Breuer AG and for the Group were audited by Dr. Glade, König und Partner GmbH, Wirtschaftsprüfungsgesellschaft, Steuerberatungsgesellschaft, Neuss, appointed as auditors by the General Meeting; they have expressed their unqualified opinion. The annual



Facade, Affoltern/Switzerland

financial statement, the consolidated annual financial statement, the Consolidated Management Report on the Company and for the Group as well as the auditors' reports were available to all members of the Supervisory Board. The relevant documents concerning the annual financial statements were discussed in detail in the Audit Committee and in the Annual Accounts Meeting of the Supervisory Board – in both Boards this being done in the presence of and following a report by the auditors. The Supervisory Board examined the annual financial statement, the Consolidated Management Report on the Company and for the Group as well as the consolidated annual financial statement. According to the final result of the examination by the Supervisory Board, there are no objections. Thus, the Supervisory Board approves the result of the audit. The Supervisory Board approved the annual financial statement and the consolidated annual financial statement prepared by the Board of Management. Thus, the annual financial statements are approved. The Supervisory Board is in agreement with the Consolidated Management Report on the Company and for the Group, and in particular with the assessment regarding the future development of the Company.

Finally, I would like to express my thanks on behalf of the entire Supervisory Board to the Board of Management, all employees and the members of the bodies provided by the Works Constitution Act for their performance in the interest of Deutsche Steinzeug. As it must be assumed that the general conditions in the construction industry will also remain challenging in the future, I would like to ask all of you to maintain your great commitment in order to succeed together in realizing our demanding goals for the current year.

Frechen, 29 April 2010



Wilfried Delker
Chairman of the Supervisory Board



Thermal bath, Lasko/Slovenia



reddot design award
winner 2010



Series Connect, AGROB BUCHTAL

Awards for products of Deutsche Steinzeug

Since Deutsche Steinzeug has participated in the competition for the internationally coveted red dot design award in 2008 for the first time and won this prize straight away with the series "Bosco", the streak of success goes on and on: one year later, "Reflex" and "Vision" were awarded the coveted prize, while Jasba succeeded in winning both the red dot and the iF product design award with "Natural Glamour".

And now the highlight: Agrob Buchtal, which participated in the iF award competition for the first time, was successful with all the four series taking part. A red dot for "Connect" and the Design Plus prize for "Reflex" complete the impressive overall result. This shows once again that design quality made in Germany is highly competitive also internationally.

Renowned design prizes provide valuable orientation aids for manufacturers and developers just as for potential buyers. And the focus is not only on formal criteria at all. Other aspects such as functionality, ecological compatibility, degree of innovation and durability play an important part at the decision of the jury members. The great demand for an independent judgement is proved by the constantly growing number of applications. So, for example, 3,231 products from 49 countries took part in the competition for the red dot design award in 2009. In 2010, it were already 4,252 products from 57 countries. This increase in number has resulted in an enormous intensification of the competition, and the series "Connect" was the winner of the very coveted prize. But this was not the only victory for the novelty inspired by natural slate structures.

Encouraged by the success of the past years, Agrob Buchtal for the first time participated in another top-class international design competition, the iF product design award, in 2010 – and won everything there was to win. A total of four series were submitted to the judgement of the jury: in addition to "Connect", these were the series

- "Magma", which picks up the structures of volcanic basalt stone
- "Rovere", which is reminiscent of wood and plant fibres, with its comfortable haptics
- "Walk", which is fascinating thanks to delicate variations and soft colour transitions in agate look



reddot design award
winner 2009



Series Vision, AGROB BUCHTAL

And the result was unbelievable: four series, four prizes! Still until August 2010, the award-winning products are being presented in the scope of the "iF exhibition" at the Hanover fair grounds, attracting approx. 300,000 visitors according to experience.

But the list of prizes can be further continued: the jury of the "Design Plus" prize, which was awarded on the occasion of the MATERIALVISION 2009 trade fair, decided in favour of the series "Reflex" as winner thanks to its structure resembling organic tissue and the matt-gloss effects obtained by a special finishing method.

Parallel to that, "Reflex" was nominated for the Design Prize of the Federal Republic of Germany, which is awarded by the Federal Ministry of Economy and Technology – an honour which should not be underestimated. Because this prize, which has been awarded for 40 years now, is the most important national prize of this type. Only those products can participate which have already won a relevant national or international prize – a good reason why it is frequently called the "most important of all prizes".



Series Walk, AGROB BUCHTAL



Series Home, AGROB BUCHTAL



Series Magma, AGROB BUCHTAL



Series Walk, AGROB BUCHTAL

Series Connect, AGROB BUCHTAL



Urbanity with innovative formats.

Sovereign design and superior quality made in Germany are the basis for the self-confident image of the brand AGROB BUCHTAL. The new series for the Residential and Architectural Ceramics sectors are characterized by urbane generosity. The fascinating tension between puristic, reduced stylistic devices and dynamic, emotional expressiveness is effectively underlined by representative formats up to the new 50 x 100 cm tiles.

Combined Management Report on Deutsche Steinzeug Cremer & Breuer AG and for the Group

Business trend 2009, overall economic environment

As a result of the recent world-wide economic crisis the Group turnover decreased by 40.3 million € to 191.7 million € in 2009. Export markets have been badly impacted by this recession and domestically our decision to concentrate on higher-value product segment in conjunction with reduced fixed costs in line with the lower turnover level are future-orientated measures. Thus, thanks to our well supported strategic positioning and with the help of the lenders, we succeeded in stabilizing the basis for the further equity capital development of the Company. In the last fiscal year, despite a decline in turnover, we negotiated a waiver of debt outstanding, reduced the credit volume, secured additional funds for the implementation of the cost-cutting measures and significantly reduced the interest rates to a more acceptable level. In addition, the process of focussing on the higher-value product segments was further accelerated with the sale of the DIY business sector in March 2010. Consequently, additional liquid funds for investments in the market, new products and the production could also be released by this.

Administration building, Krefeld/Germany

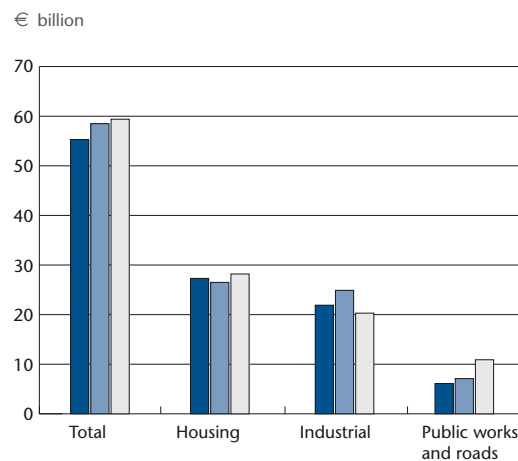




Drammensbadet, Drammen/Norway

Despite the decline in turnover, we have only moderately adjusted the field sales force to the lower level as in the past and focused the measures on the necessary reduction of the fixed costs in the fields of in-house service, internal logistics as well as administration and overheads in the factories. Thus, by various organizational measures, it was possible – taking into account the reduced production capacities – to achieve a considerable cost cutting once more. In this connection, a total of approximately 100 jobs were shed in a socially acceptable manner to both the company and the workforce. The sale of the DIY business sector inclusive of the Meißen factory has resulted in a further head count reduction of approx. 130 in 2010. Indeed, in 2009 despite 100 % short-time working, the Meißen factory still accounted for considerable costs as a result of maintenance measures for keeping up the general operating capability – which was as precondition for the sale. Deutsche Steinzeug will permanently employ a total of approx. 1,400 employees in the future. The benefit of the cost cuttings, however, becomes fully effective only in 2010, so that the costs – despite numerous short-term measures such as short-time working and budget cuts – could not yet be sufficiently realised in the year 2009. In addition, the initiatives in the procurement sector started in the second half-year of 2009 and will also become fully effective only in the course of the year 2010.

Completed accommodation units in Europe from 2007 to 2009





Managing Directors – Sales:
Alexandra Schmidt (Jasba Mosaik GmbH) and
Peter A. Wilson (Deutsche Steinzeug Keramik GmbH)

To be able to successfully realize the strategy of increasingly focussing on the high-price segment, the flexibility of the production processes above all at the Schwarzenfeld and Ötzingen factories was considerably further improved by appropriate investments, so that more and more smaller batch sizes can still be profitably produced also without negatively impacting change-over costs. In this way, it is possible to respond to individual customer wishes more efficiently and to realize the variety of variants disproportionately increasing in the high-quality segment without additional personnel. The higher flexibility concerning the production capacities, which partly has already been achieved and in other areas still is to be realized, has enabled us to adjust production to the actual demand resulting in a dramatic and permanent reduction in finished goods inventories in 2009. Furthermore, we have succeeded in complementing the product range in Residential sector by attractive designs and formats, which have been acknowledged in the market by the winning of several coveted design prizes. In the Architectural Ceramics sector, we have further improved the range for planners and architects by a consistent further development of our product portfolio. With this regard, above all, the development of the new facade system K20 stands out; which permits a considerably simplified and thus lower-cost fastening at the installation.

The sale of the DIY business sector has accelerated the development of Deutsche Steinzeug towards an exclusive supplier of high-quality Architectural and Residential Ceramics. While in 2010 our wall tile factory at Witterschlick will continue to supply the former DIY sector until late autumn, a significant drop in demand is to be expected from the end of the fourth quarter at the latest, when the Meißen factory is planned to recommence production according to the information of the new owner. With this in mind we are developing various concepts at Witterschlick which, among other things, will provide an increase in the production of large-size wall tiles and the intensified development of suitable wall/floor combinations matched to each other under the brand Agrob Buchtal.

Segment reporting

Segment reporting according to the primary characteristics – sales organization

For the annual financial statement 2009, the adoption of the regulations of IFRS 8 (Operating Segments) is mandatory for the first time. Corresponding to the internal control of Deutsche Steinzeug Group, it is therefore also reported in this annual report in addition to the regional subdivision concerning business development according to various distribution channels. This is at Parent Company level and includes all segments whose threshold value or segment assets is $\geq 10\%$ of the respective Group value.

Architectural Ceramics and specialized trade sector

With a turnover of approx. 170.0 million € in 2009, the sector of high-quality Architectural and Residential Ceramics represents the core business segment of the Company. The vast majority of these products are marketed under the brand names 'Agrob Buchtal' and 'Jasba'. The export share in this business segment amounted to approx. 43% in 2009. In the recent past, as already reported, extensive restructuring measures have been successfully implemented in the sales organization due to the lower turnover and the extreme price competition particularly in the low-price segment. Thus, the management and second level was partly replaced and responsibilities were reorganized. Moreover, an "ex works" pricing model was introduced to bring Deutsche Steinzeug in line with generally accepted market practices. Besides these operative measures, the brand profile was further developed, and the pretension of being a leading supplier of high-quality ceramics clearly becomes evident by the repeated winning of coveted design prizes. Thus, we have consistently further developed the product range in accordance with our brand image and have received positive feedback from our customers regarding this.

Vitasol Therme, Bad Salzuflen/Germany



However this success and increased focus and specialisation as a supplier of high-quality Architectural and Residential Ceramics has resulted in a decline in turnover in partial segments in favour of more consistent pricing and marketing policy. This was an intentional strategy in order to exit low price, unprofitable business. Another negative aspect contributing to the overall decline in turnover in Germany was an increasing trend from our customers to reduce their inventories as a response to tough economic and financial conditions. The corresponding result is that the demand from the distributive trade from the producers was lower in 2009 than the actual demand from the end consumers. In this connection, no further negative inventory clearing effect is expected for the current year 2010, which affects above all the Residential Ceramics and the Mosaic sectors.

Do-it-yourself sector

As in the preceding fiscal years, the distribution of ceramic covering materials to DIY superstore chains in Germany and abroad was operated and invoiced via Meissen Keramik Vertriebs GmbH. As in the previous year, this sector was particularly affected in 2009 by the extreme aggressive-price behaviour of East and South European manufacturers especially in the low-price segment. Due to the intentional abandoning of non-cost-covering parts of the range in the low-price segment, the turnover of the DIY business sector considerably decreased by approx. 8.1 million € to approx. 20.8 million €. At the same time, it has turned out that the DIY superstores have reduced the offering of comparatively high-quality tiles in the scope of integrated "life style concepts" in favour of aggressive-price standard products in large parts of their product mix policy. As there would have been the additional risk of being delisted at major customers in the DIY superstore sector in the medium term due to a missing wide product range in the low-price segment, the sale of the DIY sales organization was a logical and necessary step of the Company with regard to its declared focus on core competences in the high-quality Architectural and Residential Ceramics sectors. Along with this it was possible to sell the Meißen factory, which had mainly supplied the DIY business sector in the past, together with the marketing company, and the brand Meissen; which is important to the DIY business sector, and is necessarily connected with production at the Meißen site. In this way, a transition of all jobs at this factory threatened by closure to the new buyer could be offered (business transition pursuant to § 613a BGB).

Series Reflex, AGROB BUCHTAL





Series Jasba - HIGHLANDS

Producing parent company

The business segment of the producing parent company essentially comprises – besides the productions at Ötzingen, Schwarzenfeld, Sinzig and Witterschlick – the central purchasing, production planning and control, strategic brand management as well as the finance sector and IT. The marketing of the producing parent company is affected almost exclusively via the domestic and foreign subsidiary companies. In addition, the costs of services regularly rendered at the producing parent company are passed on to the subsidiary companies according to defined specifications. From 2009, external sales with customers outside the Group will be operated only in exceptional cases (e.g. the supply of our former DIY superstore sector from April 2010 until the end of the fiscal year), so that the turnover development of the producing parent company decisively depends on the development of the marketing subsidiary companies.

Segment reporting according to the secondary characteristics – regions

Germany

The massive distortions in the market caused by the financial crisis had a noticeable effect on the domestic sales of the German building industry in the last year 2009. While the building investments still showed a growth of 2.6% in 2008 due to lagging investments, a decline of 0.7% is to be expected for 2009. In 2009, the number of building permits in the residential and non-residential construction sectors was approximately at previous year's level. In the area of the ceramic domestic market, a decline in the demand volume was to be noted in the twelfth year in succession, i.e. by approx. 9% to 105 million m².

In 2009, the turnover declined by approx. 26.8 million € compared to the previous year to 111.3 million €. Besides the cyclical effects on the demand, this development is above all due to the widely and intentional abandoning of the low-price segment. Due to the Europe-wide enormous overcapacities in conjunction with the extreme aggressive-price competitive behaviour of competitors from East European non-Euro-countries as well as of Turkey because of the strong Euro, a cost-covering turnover can hardly be realized in sectors in which the buying decision is exclusively determined by the price. This development affects above all the DIY superstore sector, but the low-price segment was also partly reduced with regard to our customers in the specialized trade, which by no means was appreciated by all of the customers. On the other hand the "ex works" pricing, introduced in 2009, continued to provide extensive control of the freight routes.

For 2010, a moderate growth at a consistent low level is expected in the case of the approved residential buildings, while a slight decline is expected again in the non-residential construction sector. An upward trend predicted by some experts already for the year 2010 again will depend upon infrastructure measures taken due to the government spending programs to boost economic activity. Thus, we are expecting a marginal decline in turnover for the year 2010 in Germany (without DIY business sector) which despite the positive market data in the first quarter of 2010 is above all due to the fact that in the crisis year 2009 a smaller number of projects were planned. This fact will become noticeable by a lower demand for tiles only in 2010, as these products are normally being used only at the end of a building project.



Rozadol, Bratislava/Slovakia

Other EMU

This segment includes important countries such as Austria, Italy, France and the Netherlands. The cyclical drop in demand was increasingly noticed from the second half-year of 2008 and was even stronger in 2009 due to the world-wide economic and financial crisis. As a result of this, the turnover in this segment decreased from 41.6 million € to 38.0 million €, and the percentage declines per country were very different. In this connection, the important export countries France and the Netherlands must be positively emphasized as the turnover could be kept at previous year's level on the whole. Deutsche Steinzeug still benefits from the many years of intensive market penetration, especially in the case of commercial applications together with the respective architects and project managers, so that – in case of an economic recovery – an increase in turnover should be expected again.

Thanks to our niche positioning in these markets, we are expecting a slight increase in turnover for the year 2010. The Spanish market which has particularly declined due to the financial crisis does not really affect this view as this market was almost exclusively supplied by domestic producers also at boom times in the past. Despite a massive



Canteen, Ennepetal/Germany

decline in production, the aggressive pricing policy of the Spanish manufacturers, however, becomes noticeable in some of our traditional export markets. All in all, it will also be decisive with regard to the development in the "Other EMU" countries that the trust of the consumers and real estate investors in a stable economic development will grow again despite a sometimes unsatisfactory new situation with regard to the solidity of the budget financing of some EMU states. The consequence of such development may well extend or influence the various economic stimulus programs announced for the future.

Rest of world

In contrast to the preceding year, the former growth markets like Russia, Eastern Europe or the Middle East have rather mitigated the decline in total turnover rather than – as in the previous year – compensated the turnover development in countries like the USA or Great Britain. In this connection, above all the fact that many orders already projected could not be carried out for lack of financing possibility on the part of the customers has caused us considerable concern. Only in Switzerland and a few smaller countries, could the turnover be slightly increased. Thus, the total turnover in this segment declined by approx. 9.8 million € to 42.4 million €. Due to the turnover development, but also the expectation for the coming years, we have adjusted the cost structure especially at our sales organization in the USA and carried out a marketing-focused reorganization.

For 2010, we expect in this segment – in particular as regards the regions of Asia, Russia and the Middle East – that the financing possibilities of our customers will considerably improve, so that in this segment – similar to the EMU segment – a moderate growth compared to the previous year is expected. In addition, we expect that we will be able to stabilize the turnover situation of our subsidiary company in the USA at the level reached by the reorganization of the marketing personnel. All in all, we are confident that we are still well positioned in these markets with our high-quality products for commercial and private applications in conjunction with "Hydrotect" and "Made in Germany" in line with the scope of our niche strategy.



Series Caudex, AGROB BUCHTAL



Series Jasbo - HIGHLANDS



Impressions from the Highlands.

With a striking colour range and an inspiring variety of formats, the mosaic specialist Jasba arouses associations with a landscape full of natural vigour, which also stands for an attitude to life that has been missing for a long time: the series Jasba-HIGHLANDS combines characteristic colour impressions from the Scottish Highlands with the clear, rhythmically recurrent forms of the borders. The result is an overall impression which is both timeless and stylish.



Profit and assets situation



Series Jasba - HIGHLANDS

In the fiscal year 2009, Deutsche Steinzeug realized a consolidated turnover of 191.7 million € (AG: 148.8 million €) with 1,529 employees on average (AG: 1,315), which corresponds to a decline in Group turnover of approx. 17% for strategic and cyclical reasons. The decline in turnover was seen in both domestic and export areas, which account for approximately equal percentage shares. The dramatic drop in demand in export was above all the result of a declining economic activity in conjunction with a significant rise of the Euro compared to other important export currencies. The result led to an extremely deteriorated import financing of many foreign customers and hence a reduction in their volumes. The major part of the decline in turnover in Germany was our decision to exit the low-price product sector. As a result of this, the increase in average revenues in Germany of 22% was considerably higher than in the export sector where the average revenues rose by 7%. The passing on of the freight charges since 2009, which is common practice internationally, certainly has also contributed to this positive development.

As a result of the turnover development declining more significantly than expected in 2009, the fixed costs could not be reduced as quickly as necessary despite intensively making use of the control option of short-time working, especially as the funds required for this had to be raised first. For this reason specifically, the liquidity protection was given priority over the development of the result, which, among other things, resulted in an inventory change of -7.1 million €, which burdened the result correspondingly. The entire reduction of inventories amounted to approx. 11.0 million € in 2009. Thus, an EBITDA before special effects of -1.3 million € was realized in total in 2009. Including special effects such as the waiver of claims outstanding with debt warrant of our lenders and the special burdens on the balance sheet from the sale of the DIY superstore sector, the EBITDA for the Group amounts to 15.4 million €. As a result of the extraordinary depreciations and the slightly increased interest expense in 2009 compared to the previous year, the net loss for the year after taxes amounts to -10.2 million € for the Group (AG: -10.6 million €).



Pirbadet, Trondheim/Norway

After it had become increasingly apparent in the course of the second quarter of 2009 that the realization of the initial turnover targets for the entire year seemed to be more and more unlikely and thus the inventories built up in expectation of a turnover recovery were no longer acceptable, we started already in June to decrease inventories by a reduction of the production capacity in the scope of short-time working and a general adjustment of production. Apart from that, the concepts already developed beforehand for the case of a more significant decline in turnover were further concretized. In addition to rigorous short-term spending cuts, a restructuring concept was worked out which is to generate a profitable development of the Company in case of a permanently considerably lower turnover level compared to the past. The realization of the restructuring concept discussed with the essential lenders was started in the fourth quarter. This also included the waiver of debt outstanding (with debt warrant) in the amount of 24.6 million € (AG: 31.5 million €) granted by the lenders in November 2009. With regard to this, the remaining loans (except for smaller partial redemptions) were extended until July 2013 as part of the extensive restructuring concept which was agreed just prior to year end and which resulted in interest rates being considerably reduced. In the course of March 2010, Deutsche Steinzeug could announce in addition



Casino of KfW-Bank, Frankfurt/Germany

that a strategic buyer had been found for the DIY business sector which had made a loss in 2009. The deal included the take over of the Meißen factory which had been threatened by closure. The sale concluded on 31 March 2010 and the resultant financial situation of Deutsche Steinzeug was considerably strengthened. Additional benefits included firstly, the repayment of a high-interest credit tranche and secondly, the liquidity scope has been enlarged to such an extent that investments in the market and the factories are fundable.

Due to the declining turnover development and the capacity adjustment for the reduction of inventories for the protection of liquidity, the total operating performance for the Group decreased by approx. 42.5 million € to approx. 185.0 million € (AG: 142.2 million €) in 2009.

The costs for material usage and purchased services for the Group (before special effects), above all due to the capacity adjustments and a reduced quantity of merchandise, decreased by approx. 19.9 million € compared to the previous year to 89.6 million € in the year 2009. Thus, the material costs rate slightly improved with 47.7% referred to the total operating performance (before special effects) in comparison with the previous year (48.1%) despite the less favourable peripheral conditions due to short-time working.

As in the previous year, by a number of measures such as the reduction of limited employment contracts, cutbacks in staff and above all by short-time working – along with a prolongation of the “Company Alliance for Jobs” – the personnel expenses could be reduced by approx. 5.5 million € (AG: 4.0 million €) compared to the previous year to 63.9 million € (AG: 50.9 million €) despite an increase of standard wage.

In 2009, the EBITDA for the Group according to IFRS amounted to approx. 15.4 million € and to approx. -1,3 million € with special effects excluded, which means an operative decline in result of approx. 10.5 million € compared to the previous year. The special effects from the restructuring measures and the income from the waiver of debt outstanding (with debt warrant) granted by the lenders on 18 November 2009, have



Grammar school, Dörpen/Germany

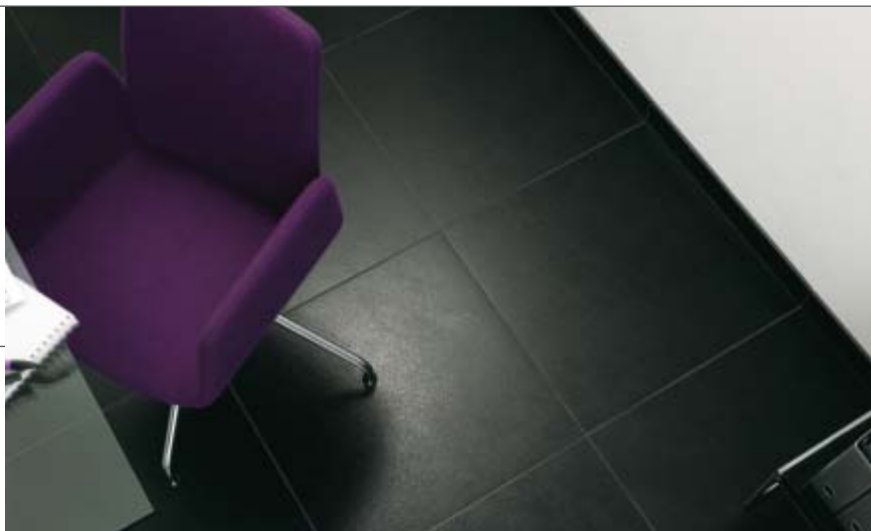
an important influence on the assessment of the operative earning power. The special effects concerning the EBITDA and EBIT respectively according to IFRS Group accounting will be explained in more detail later in the following.

Due to the higher interest rates on average compared to the previous year, the net finance expenditure increased by approx. 1.0 million € (AG: 1.5 million €) to 10.2 million € (AG: 10.2 million €) in 2009.

In 2009, the loss for the year within the Group amounts to approx. 10.2 million € (AG: -10.6 million €).

Details on the special effects of 2009 within the Group

Position	Comment	Group (IAS) million €
Inventory change	Impairment of value by inventories from own production due to product range clean up in the scope of the sales and marketing reorganization	-2.8
Cost of materials	Impairment of value of purchased goods due to product range clean up in the scope of the sales and marketing reorganization	-0.8
Personnel expenses	Restructuring expenses, e.g. severance payments, continued wage payments during the dismissal notice period etc.	-2.2
Other operating expenses	Mainly restructuring expenses as well as expenses in the scope of the organizational repositioning, the new loan structure and the sale of the DIY sector	-2.1
Other operating income	Waiver of debt outstanding with debt warrant	24.6
Special effects burdening the EBITDA		16.7
Depreciations of tangible fixed assets and financial assets	Depreciations of Investment Properties as well as in the scope of the sale of the DIY sector and of Jasba Goodwill as a result of the restructuring measures in the first half-year of 2009	-10.6
Total	Special effects	6.1



Series Connect, AGROB BUCHTAL

Additional explanations concerning the waiver of debt outstanding with debt warrant

With effect from 18 November 2009, the lenders have granted the AG a waiver of debt outstanding in the amount of approx. 32.8 million €. This amount is composed of debt outstanding as of 18 November 2009 of 31.5 million € and an additional waiver of interest payable until the end of the year 2009 by the amount of 1.3 million €. This waiver of debt outstanding, however, is connected with a debt warrant in such a way that in the following years always 75 % of an annual net profit prior to the application of the debt warrant regulations will revive as liability due to the lenders. The respective amount, taking into account an interest rate of 5.5 % since the waiver of debt outstanding, is determined and recorded as expense in the profit and loss statement and thus decreases the future result correspondingly. This procedure will be applied until the initial waiver of claims outstanding will have been finally repaid.



Casino of KfW-Bank, Frankfurt/Germany



Series Jasba - HIGHLANDS

As according to IFRS accounting the present value of the expected future payments from the debt warrant is to be reported as long-term liability due to the lenders, the waiver of debt outstanding at Group level amounting to 24.6 million € is by 6.9 million € lower compared to the accounting at corporate level according to HGB (German Commercial Code). In this connection, it must be taken into consideration that – with the exception of the obligations arising in the years 2010 to 2012 and becoming due as of 31 July 2013 – further burdens from the debt warrant affecting liquidity will not arise before a so-called Senior Loan Tranche in the initial amount of approx. 32.8 million € will have been repaid.



Series Chroma II PLAY!, AGROB BUCHTAL

Declaration on Corporate Governance



Tucher Bräu, Fürth/Germany

Relevant Information on Corporate Governance pursuant to § 289a HGB (German Commercial Code)

Shareholders and General Meeting: The shareholders of the Company exercise their rights at the Company's General Meeting. The Annual General Meeting takes place in the first six months of the fiscal year. The General Meeting is chaired by the Chairman of the Supervisory Board. The General Meeting decides on all tasks assigned to it by law. To make it as easy as possible for the shareholders to participate in the General Meeting, all documents subject to publication requirements are published in advance on the internet at www.deutsche-steinzeug.de (Investor Relations). For the General Meeting, a voting proxy of the Company is appointed for the shareholders who can be authorized by shareholders to exercise the voting right according to their instructions.

Supervisory Board: The Supervisory Board of the Company consists of six members, out of which four representatives of the employer are elected at the General Meeting. Two members are elected by the Company's employees. The Chairman of the Supervisory Board and the Deputy Chairman are elected from among the members of the Supervisory Board. At the Extraordinary General Meeting 2006, the representatives of the employer of the Supervisory Board was elected for a period of five years. The Supervisory Board appoints the members of the Board of Management. It controls and advises the Board of Management at the conduct of the Company's business. Essential decisions of the Board of Management require the consent of the Supervisory Board. The Supervisory Board meets at least five times per year. The Board of Management participates in the meetings of the Supervisory Board if not otherwise decided by the Chairman of the Supervisory Board. The Supervisory Board has established an Audit Committee and a HR Committee. In addition, it approves the annual financial statement and the consolidated annual financial statement.

Board of Management: The Board of Management manages the Company under its own responsibility. The Supervisory Board decides on the number of members on the Board of Management and whether there is to be a Chairman, names them and decides whether substitutional members or a Deputy Chairman are to be appointed. At present, the Board consists of two members. The Chairman of the Board of Management is responsible for the operative business with the focus on marketing and production;

the second member of the Board of Management is also closely involved in the operative activities and manages, among other things, the finance sector as well as the IT and purchase departments. The Board of Management informs the Supervisory Board on a regular basis, promptly and comprehensively about all relevant questions concerning the business development, the planning, the financing and the current business situation.

Co-operation of Board of Management and Supervisory Board: The Board of Management and the Supervisory Board are closely co-operating for the benefit of the Company. As successfully practiced in the past, coordination talks were conducted on a regular basis between the Supervisory Board, and especially its Chairman, and the Board of Management. The future strategic orientation of the Company, taking into account the difficult market environment, as well as the operative and financial restructuring measures resulting from that and the refinancing requirements were discussed particularly intensively. In addition, essential items on the agenda of the subsequent Supervisory Board meetings were discussed together with the Board of Management in separate preliminary meetings of the representatives of the shareholders and the employees on the Supervisory Board.

Conflicts of interest: In the fiscal year 2009, no consulting or other service agreements were concluded with members of the Supervisory Board. With regard to conflicts of interest on the Board of Management, the Supervisory Board and any other management level, the Company pays attention to the compliance with the legal regulations and the requirements of the sections 4.3 and 5.5 of the German Corporate Governance Code.

Director's dealings: In the fiscal year 2009, the members of the Board of Management and the Supervisory Board did not buy or sell any shares of the Company.

Transparency and financial publicity: Investors can obtain information about current Group developments via internet at any time. All investors are treated equally as regards disclosure of information. A compilation of the publications of Deutsche Steinzeug Cremer & Breuer AG is being made available for inspection on the internet at www.deutsche-steinzeug.de (Investor Relations) at the same time as the publication of this Annual Report.

Queen Alexandra Hospital, Portsmouth/England



Accounting and audit of the annual financial statements: The consolidated annual financial statement and the quarterly reports are based on the IFRS accounting principles, the annual financial statement of the parent company Deutsche Steinzeug Cremer & Breuer AG on the provisions of the HGB (German Commercial Code). The audit committee of the Supervisory Board and the plenum of the Supervisory Board have satisfied themselves that the auditor has the required professional qualification and independence. The auditor has presented a statement of independence to the Supervisory Board. There were no clues giving rise to suspicion about the sufficient independence of the auditor.

Appropriate remuneration of the Board of Management and the Supervisory Board: The remuneration of the Board of Management consists of fixed and variable components which comprise Company-specific targets as well as targets for the individual members of the Board of Management. At the end of each fiscal year, the Chairman of the Supervisory Board redefines, in consultation with the HR Committee, the variable remuneration parameters for the subsequent year based on separate targets for the Board of Management. Attention is paid to the fact that no incentives for taking unreasonable risks are created especially by the variable remuneration components. Beyond that, pension commitments secured by reinsurances and company cars aligned to the tasks and functions concerned are granted. For the fiscal year 2009, the Board of Management has waived variable remuneration components due to the difficult economic situation of the Company.

The members of the Supervisory Board receive a fixed remuneration of 25,000 € p.a. plus the possible turnover tax to be allotted to this amount. In addition to the fixed remuneration, the members of the Supervisory Board receive an annual variable remuneration in the amount of 10,000 € plus the possible statutory turnover tax to be allotted to this amount if the result planned for the respective year before interest and depreciations (EBITDA) is achieved. If the planned EBITDA is exceeded by more than 10 %, the variable remuneration increases by 5,000 € up to a maximum of 15,000 €. If the result falls below the planned EBITDA by more than 5 %, the variable remuneration decreases by 5,000 € to 5,000 €. If the result falls below the planned EBITDA by more than 10 %, no variable remuneration is paid. For 2009, no variable remuneration has been paid. The Chairman of the Supervisory Board receives one and a half times, the Deputy Chairman one and a quarter times the amount of the total remuneration. In addition, the necessary expenses of the members of the Supervisory Board are refunded.



Aqua Olsberg, Olsberg/Germany



reddot design award
winner 2010



Series Connect, AGROB BUCHTAL

Compliance: Deutsche Steinzeug runs its business responsibly and in compliance with the legal regulations and official provisions in the countries in which we are operating. Moreover, we have done justice to our pretension with regard to correct behaviour patterns for our employees by appointing a lawyer of confidence who is available to all employees, customers and suppliers as confidential person to contact in the case of suspicion of corruption.

Compliance statement pursuant to § 161 AktG (German Stock Corporation Law):

As in the past, the Company continues to strive to comply with the Corporate Governance Code as far as possible and to deviate from the recommendations only to the extent that the adaptation to the requirements of a medium-sized company of the order of magnitude such as ours appears justified under feasibility considerations. The compliance statement for 2009 is published under the address www.deutsche-steinzeug.de (investor relations).

In the cases listed in the following, the Company deviates from the recommendations of the German Corporate Governance Code for justified reasons:

- The Company has concluded a D&O insurance for the members of the Board of Management and the Supervisory Board to the necessary extent. As the amount of the annual insurance premium is the same also if a retention is agreed, a formal retention of the Board of Management and the Supervisory Board was waived out of consideration for the employees' representatives on the Supervisory Board. The consideration behind this measure is that – in case of insurance premiums in the same amount – that contract should be concluded which provides the best service in return. When concluding future D&O insurance contracts, the Company will comply with the regulation of § 93 sect. 2 AktG (German Stock Corporation Law), which came into force on 05 August 2009, in conjunction with section 3.8 of the German Corporate Governance Code, and agree a retention of at least 10 per cent of the damage up to at least one and a half times the amount of the fixed annual remuneration of the member of the Board of Management.



Serie Rovere, AGROB BUCHTAL



Serie Jasba - HIGHLANDS



- For reasons of practicability, the remuneration system for the Board of Management inclusive of the essential contractual elements are decided and regularly reviewed by the HR Committee of the Supervisory Board, and not by the Supervisory Board plenum. Thus, this HR Committee had the required competence for the assessment of the appropriateness of the remuneration of the Board of Management. In future, as a result of the implementation of the amendment of § 107 sect. 3 clause 3 AktG (German Stock Corporation Law), which came into force on 05 August 2009, the Supervisory Board plenum will exclusively decide on the fixing of the remuneration of the Board of Management. Also pursuant to § 107 sect. 3 clause 3 AktG, there is the possibility of having the fixing of the remuneration of the Board of Management prepared and reviewed by the HR Committee. This possibility will be made use of also in future.
- Until now, the variable component of the remuneration of the Board of Management is not based on a multi-year assessment. It is intended, however, in accordance with the directory provision of § 87 sect. 1 clause 3 AktG, which came into force on 05 August 2009, to work out a multi-year assessment basis.
- For members of the Board of Management, no capping of severance payments (caps) is provided in case of premature termination of the management activity without important reason and as a result of a change of control as the termination of the management activity in the case of a change of control is mostly effected on the initiative of the new majority shareholder. If, however, the member of the Board of Management has not taken the initiative for the termination of the activity by itself or has not given an important reason for this, there is also no reason for capping the severance payment in such cases.
- For members of the Board of Management, no age limit is provided in order to have maximum freedom with regard to the appointment of members of the Board of Management and above all to give priority to the aptitude of a member of the Board of Management.
- Due to the small number of members, the Supervisory Board did not establish a nomination committee, and the proposed candidates for the chairmanship of the Supervisory Board are not announced to the shareholders.

- The application for the court appointment of the member of the Supervisory Board Dr. Hans-Peter Kohlhammer made in the year 2008 was not limited in time until the next General Meeting, as the court appointment took place immediately before the Annual General Meeting of the Company and a corresponding amendment to the agenda concerning the confirmation of Mr. Dr. Kohlhammer as member of the Supervisory Board would not have been possible any more.
- The remuneration of the members of the Supervisory Board comprises a fixed and a variable component. Due to the small number of members of the Supervisory Board as well as due to the fact that – with the exception of one representative of the employees – each of the members of the Supervisory Board is also a member of a Committee and all essential results of the work of the Audit Committee are also discussed in the Supervisory Board plenum, the remuneration of the members of the Supervisory Board does not take into account the membership in Committees. The remuneration of the members of the Supervisory Board is individually reported in the Notes to the annual financial statement of the AG.
- For reasons of practicability, semi-annual and quarterly reports of the Company are discussed by the Chairman of the Supervisory Board and the Board of Management prior to their publication, but not by the entire Supervisory Board or its Audit Committee.
- The consolidated financial statement is published by the Company approximately 30 days after the time limit specified in the Code as the audit normally is not finished before April. On principle, however, we strive for coming closer to the time limit provided by the Code.

Information pursuant to §§ 289 sect. 4 HGB, 315 sect. 4 HGB and explanatory report:

1. Information pursuant to §§ 289 sect. 4 no. 1 HGB, 315 sect. 4 no. 1 HGB

The Company's subscribed capital (capital stock) amounting to 27,615,618 € consists of 27,615,618 bearer share certificates with a total calculated share in the capital stock of 1.00 € each. The shares have been fully paid in and issued in the form of bearer shares. Each share entitles to one vote.

School Centre, Neu Wulmstorf/Germany





Centrin Data Centre, Beijing/China

2. Information pursuant to §§ 289 sect. 4 no. 2 HGB, 315 sect. 4 no. 2 HGB

The Company and three of its essential shareholders, i.e. Deutsche Bank AG, ELQ Investors Ltd. and Lone Star International Finance Limited, concluded on 30 March 2006 a so-called Accession Agreement in which the shareholders ELQ Investors Ltd. and Lone Star International Finance Limited have acceded to an existing Investment Agreement between the Company and Deutsche Bank AG. In this Accession Agreement, these three of the Company's shareholders (investors) have agreed mutually on the following restrictions as regards the transferability of their shares in the Company.

- a) If an investor (**transferring investor**) sells the shares it holds in the Company to a third party who is not a party to the Accession Agreement (**purchaser**), the investors not transferring their shares (**remaining investors**) have a preemption right to the shares to be transferred on a pro rata basis to their participations in the Company. The preemption right may only be exercised subject to the conditions agreed between the transferring investor and the purchaser.
- b) If the preemption right is not exercised, the remaining investors may demand of the transferring investor to ensure that the purchaser acquires also the shares held by them in the Company, acquired in the scope of the 2006 Company recapitalization, under the same conditions as have been agreed between the transferring investor and the purchaser (**tag-along right**).
- c) If the preemption right is not exercised and if the tag-along right is not exercised either, the transferring investor may require the remaining investors additionally to co-sell the above-mentioned shares in the Company to the purchaser (**drag-along right**). The purchase price to be paid in this context must correspond on principle to the market value of the shares being sold. The drag-along right is subject to various conditions. It depends, amongst other things, on the purchaser's acquiring at least 50.1 % of the Company's share capital from the investors.
- d) Neither the preemption right nor the tag-along right, nor the drag-along right takes effect if one of the investors only sells the first 10 % of the shares it holds, which it acquired in the scope of the 2006 Company recapitalization, to diverse shareholders via the Stock Exchange. This applies accordingly to the sale of other packages of 10 % of these shares, which can be effected at two-month intervals, however provided that the transferring investor must previously offer to the other investors the shares to be sold, and at market price.

There are no further restrictions by act of the parties known to the Company's Board of Management which concern the votes or the transferability of the shares. In the cases of the §§ 136, 142 sect. 1 clauses 2 and 3 AktG (German Stock Corporation Law), the voting right is excluded by law.

3. Information pursuant to §§ 289 sect. 4 no. 3 HGB, 315 sect. 4 no. 3 HGB

According to the German Securities Trading Law, every investor which attains, exceeds or falls below certain shares of the Company's votes by acquisition, disposal or in any other way, must notify the Company and the German Federal Financial Supervisory Authority of this. The lowest threshold value for this duty to notify is 3 %. Direct or indirect participations in the capital of Deutsche Steinzeug Cremer & Breuer AG which attain or exceed 10 % of the votes have been announced to us as follows:

Holder of the participation	Degree of participation	Type of participation
Goldman Sachs, Petersborough Court, 133 Fleet Street, London, EC4A 2BB, Great Britain	55.31%	22.51% direct participation and 32.8% attributable in acc. to § 22 sect. 2 WpHG [German Securities Trading Law]
Deutsche Bank AG London, Winchester House, 1 Great Winchester Street, London EC2N 2 DB, Great Britain	55.31%	17.25% direct participation and 38.06% attributable in acc. to § 22 sect. 2 WpHG [German Securities Trading Law]
Lone Star International Finance Limited, 1st Floor, 25-28 Adelain Road, Dublin 2, Republic of Ireland	55.31%	15.55% direct participation and 39.76% attributable in acc. to § 22 sect. 2 WpHG [German Securities Trading Law]

The information presented in the above table regarding the allocation of participations pursuant to § 22 sect. 2 WpHG is exclusively based on the appropriate publications of the owners of the participations in the year 2006. The Company is not aware of any coordination truly still to be effected by the holders of the participations.

4. Information pursuant to §§ 289 sect. 4 no. 4 HGB, 315 sect. 4 no. 4 HGB

The Company has not issued shares carrying special rights or control authorities.



Private swimming pool, Bremen/Germany

5. Information pursuant to §§ 289 sect. 4 no. 5 HGB, 315 sect. 4 no. 5 HGB

Employees participating in the Company's capital decide themselves on the exercising of their voting and control rights according to the legal regulations and the Articles of Incorporation.

6. Information pursuant to §§ 289 sect. 4 no. 6 HGB, 315 sect. 4 no. 6 HGB

According to the German Stock Corporation Law (§ 84 AktG) and the Articles of Incorporation of Deutsche Steinzeug Cremer & Breuer AG (§ 6 of the Articles of Incorporation), the members of the Board of Management are appointed by the Supervisory Board. The number of members of the Board of Management is determined by the Supervisory Board; according to the Articles of Incorporation, the Board of Management consists of at least one person. The Supervisory Board can appoint a member of the Board of Management as Chairman of the Board of Management. If a required member of the Board of Management is not available, the competent local court must appoint the member at the request of a person involved in urgent cases.

Each amendment of the Articles of Incorporation requires a resolution of the General Meeting (§ 179 AktG). The authority to make amendments to the Articles of Incorporation which only concern the wording, like, for example, changes in the share capital as a result of the utilization of approved capital, has been assigned to the Supervisory Board in the Articles of Incorporation of Deutsche Steinzeug Cremer & Breuer AG (§ 15 of the Articles of Incorporation).

According to the Articles of Incorporation, the resolutions of the General Meeting are adopted by simple majority of votes and, as far as an equity majority is required in addition, by the simple majority of the share capital represented at the adoption of such resolutions unless otherwise compellingly stipulated by law or the Articles of Incorporation. Amendments to the Articles of Incorporation come into effect by the entry in the Commercial Register (§ 181 sect. 3 AktG).

7. Information pursuant to §§ 289 sect. 4 no. 7 HGB, 315 sect. 4 no. 7 HGB

Authorities of the Board of Management with regard to the possibility of issuing or buying back shares besides the authorities stipulated by law do not exist.



Administration building, Dortmund/Germany



Series Avorio, AGROB BUCHTAL

8. Information pursuant to §§ 289 sect. 4 no. 8 HGB, 315 sect. 4 no. 8 HGB

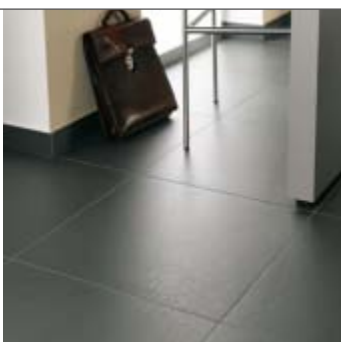
On 18 December 2009, the Company, together with Jasba Mosaik GmbH, Meissen Keramik Vertriebs GmbH, Deutsche Steinzeug Keramik GmbH (each of them as borrower and guarantor) and Deutsche Steinzeug Immobilien GmbH & Co. KG (as guarantor), concluded a loan agreement with ECO Luxembourg S.à r.l. and ECR Luxembourg S.à r.l.. The loan agreement amounts to a total volume of 54,600,000.- € and has redeemed the loan agreement in the amount of 74,600,000.- € concluded by the Company and various subsidiaries on 18 February 2009. The loan agreement valid now stipulates that waived debt claims together with interest of the lenders in the total amount of approx. 32.8 million € will revive under certain circumstances (debt warrant). The loan agreement must be considered as an essential agreement of the Company.

The loan agreement requires that a change of control at the Company has the following legal consequences:

- a) A change of control according to the loan agreement is deemed to exist if a person who is not a party to the loan agreement, or a group of such persons, who act jointly or come to an agreement amongst themselves within the meaning of §§ 2 sect. 5, 30 sect. 2 AktG (German Stock Corporation Law), acquires over 50 % of the Company's share capital.
- b) If there is a change of control within the meaning of the loan agreement, the loan agreement is considered as terminated, causing all outstanding credits, interest or other amounts under the loan agreement and related financing agreements – plus a prepayment fee of 5,000,000.- € – to become due and payable within four-and-a-half months and interest in the amount of 10 % to accumulate on debt claims reviving after the debt warrant.

9. Information pursuant to §§ 289 sect. 4 no. 9 HGB, 315 sect. 4 no. 9 HGB

No indemnification agreements have been concluded by the Company to the benefit of members of the Board of Management or employees as regards the case of a take-over offer



Series Walk, AGROB BUCHTAL

Risk report



Eifeltherme Zikkurat, Mechernich/Germany

Like in the previous year, our risk policy is in line with our striving for a long-term increase in the corporate value. This means on the one hand that we attempt to avoid inappropriate risks as regards our mid- and long-term target range, but on the other hand, that we are all the more prepared to take risks which are reasonable and to a manageable extent controllable, if these can strengthen our core sector of Ceramic Covering Materials. Besides, the Company is exposed to external risks both on the sales and procurement side, as these are typical for a company in our industry and of our size. Further details regarding this are provided in the reports on the development of business as well as the profit and assets situation and the outlook.

Deutsche Steinzeug disposes of a functional risk management which is based essentially on our efficient and detailed reporting and the meetings with the risk officers at monthly or even shorter intervals. To that extent, we are provided with a sufficiently qualified tool which responds promptly, thus enabling us to detect and deal with all the essential risks which might threaten the Company.

Liquidity risks: The liquidity management constitutes an integral part of the internal control and monitoring system of Deutsche Steinzeug. The Company plans, prepares and monitors a liquidity forecast at weekly – if necessary daily – as well as monthly intervals for the respective periods of time. Moreover, a rolling twelve-month liquidity planning always taking into account the latest information available is prepared. A twenty-four month forecast is prepared always in the middle of the year.

Interest risks: The new loan agreement concluded with the existing lenders in February 2009 stipulated fixed and no variable interest rates, so that there were no interest rate risks resulting from fluctuations in the market interest rate in 2009. Thus, like in the previous year, no special precautions had to be taken in the year 2009. In the scope of the loan agreement amended on 18.12.2009, variable interest rates in the meaning of a uniform markup on the 1-month-Euribor were agreed for the major part of the loan amount for the fiscal year 2010. At the present time, hedging measures against risks which might result from an increase of the 1-month-Euribor have not been taken yet above all for cost reasons.

In the scope of the new syndicated loan agreement in accordance with the LMA (Loan Market Association) standard which was concluded on 19 February 2009 and amended in December 2009, so-called Financial Covenants have to be complied with. These concern compliance with certain financial ratios, reporting obligations and rules of conduct

which are not uncommon in such type of loan agreements. Should this not be possible in the long run for no matter which reasons, e.g. in case of a deterioration of the order flow, the banks granting the loans can insist on principle on immediate repayment of the loans. As a matter of form, we would like to point out that in such cases it is good practice to come to an agreement on the continuation of the loans in the scope of a so-called waiver.

Exchange rate risks: Approximately half of the foreign currency transactions of Deutsche Steinzeug is performed in US \$. In 2009, the receipts in US \$ and the expenses in US \$ approximately balanced each other, so that the Company was only exposed to marginal currency risks with regard to the US \$. In addition, further important foreign currency transactions are carried out in Japanese Yen, which, however, were not hedged for cost reasons.

Operational risks: The business environment of Deutsche Steinzeug is influenced by the domestic and world-wide macroeconomic boundary conditions which affect the construction industry especially. Due to the ongoing world-wide competitive pressure, which was even more severe in the fiscal year gone by, unforeseeable risks for our Company's sales opportunities may arise from the economic boundary conditions and from the conduct of individual competitors on the markets in question. On the supplier side, risks may result in the subcontracting area and as regards energy and raw material costs. Should a subcontractor's supply capability cease at short notice, it may not be possible to find an equivalent replacement immediately. Thus, sales opportunities might be lost or penalties incurred, or Deutsche Steinzeug might be compelled to purchase overpriced products from third parties to ensure its supply capability. On principle, the Company strives to take possible risks in this context only where this is justified by actual business opportunities. As the energy sector constitutes a significant part of the purchasing volume, there are always operative risks due to the temporarily considerably fluctuating prices both in the electrical power and in the gas sector. By the purchase or the fixing of prices of partial quantities for different periods of time in the future, a protection is achieved in order to enhance planning security. Despite temporarily considerably lower gas prices compared to the average figures of 2009, Deutsche Steinzeug expects rising cost prices for electrical power and gas long-term, which can not be prevented by the structured purchase of energy either. On principle, it is expected for such a scenario that all tile manufacturers will have to scale up their sales prices at least medium-term, as the increasing energy costs affect all providers world-wide. This also applies to the costs for procurement of raw materials, whose generation or extraction requires huge amounts of energy, and to services, e.g. in the transport sector.

As in the previous years, almost all claims against our customers are covered by a credit insurance with an appropriate retention or by letters of credit. Where this is not possible, e.g. in the case of some Eastern European or Russian customers, we cooperate closely with the customers and credit insurance providers and – if necessary and justified – take manageable risks with defined internal credit limits. By means of this approach, we have succeeded in limiting the default rate to a very low level also in 2009, as in the previous year.

Moreover, Deutsche Steinzeug has concluded insurance contracts to the extent usual in its industry to cover the risks of product liability resulting from production. These are reviewed once per year, including the assistance of external experts. This also applies to all the other essential insurance policies such as for fire damage and business interruption. As in previous years, the Company has taken out a D&O insurance for members of the Group's bodies.



Series Home, AGROB BUCHTAL



Swimming pool specialist in great demand world-wide.

Excellent know-how and a convincing product range are the reasons for AGROB BUCHTAL's global leading position in swimming pool construction. The spectrum extends from the luxurious private pool to wellness and thermal baths and on to sports facilities suitable for official competitions. So, for example, the sports pool for the Summer Olympics 1976 at Montreal, which was realized with tiles of a competitor, has now been extensively renovated – with tiles of AGROB BUCHTAL.



Vitasol Terme, Bad Salzungen/Germany



Thermal bath, Lasko/Slovenia



Former Olympic sports facility, Montreal/Canada



Investments, environment, research and development

In 2009, the investment program of the last years with the focus on a continuous improvement of the quality and flexibility of production along with the consistent utilization of cost-cutting potentials was continued with a volume of approx. 5.3 million €. Especially by the realization of numerous investments for the reduction of the batch sizes, the inventories could be considerably optimized last year and thus the Working Capital be reduced. Despite that, significant investments in the development of modern, trendy products and designs were also made last year again.

Essential investment projects

In the fiscal year gone by, the major investment project was realized at the Schwarzenfeld site, which consisted in considerably enhancing the quality of production of large formats, in separating the production processes and thus increasing their flexibility. In this connection, an operating unit previously in a separate place at the site was closed, or rather integrated in the top-modern operating unit for extruded material.

This measure comprised the installation of new driers and storage facilities with automatic feeding and discharge systems. Thanks to the laser-guided flexible control of the storage vehicles, it is possible now to react to individual customer wishes even better, which above all in the case of the Architectural Ceramics system Chroma has contributed to considerably reducing the minimum batch sizes and also the stockkeeping which will be very cost-intensive in this sector in future. In the scope of this project, all kilns in this manufacturing sector now have the possibility of coating the products with the high-quality, exclusive Hydrotect surface, so that the flexibility in production was also significantly increased by this measure.

In addition, it has become possible by the installation of a clay-pressing-line that in the same production hall – far more efficiently than in the past - formats up to a size of 120 x 120 cm can also be produced now.



reddot design award
winner 2010



Series Connect, AGROB BUCHTAL

At Sinzig, the second Architectural Ceramics site, the essential investment project consisted in making preparations for satisfying the rising demand for high-quality, integrally coloured and decorated porcelain stoneware by installing an additional decoration line with connection to the roller-type kiln 5 and a second calibration plant. Furthermore, an increase in quality was achieved by numerous small investment measures in the second half-year. A further investment measure concerned a reduced stockkeeping in the packaging sector by the modification of a packaging line.

At Witterschlick, the investments were limited to smaller replacement and optimization measures which all contributed to maintaining the high quality standard. By the installation of a new dosing system for liquefiers, the quality of the prepared mass could be increased, and the liquefier and recycling costs could be considerably reduced in this sector. Due to the new dosing system, an improvement from the environmental point of view could also be achieved in so far as a significantly smaller quantity of liquefiers must be cleaned by our in-house sewage treatment plant and thus less sewage water gets in the environment.



Centrin Data Centre, Beijing/China

The essential investment at the Ötzingen site was the installation of an automatic sorting and laying machine for 1x1 cm micro-mosaics. In this way, works previously outsourced to sub-contractors could be saved and the total cost of production at these articles be reduced; in addition, the quality of the sorting as well as the ability to react to short-term fluctuations in demand could be significantly increased. Apart from this, it is possible now to realize customer inquiries concerning the design of pictures or ornaments in the micro-mosaic sector. Thanks to that, the competence of the brand Jasba but also of the Architectural Ceramics sector was strengthened.

Investments and environmental protection

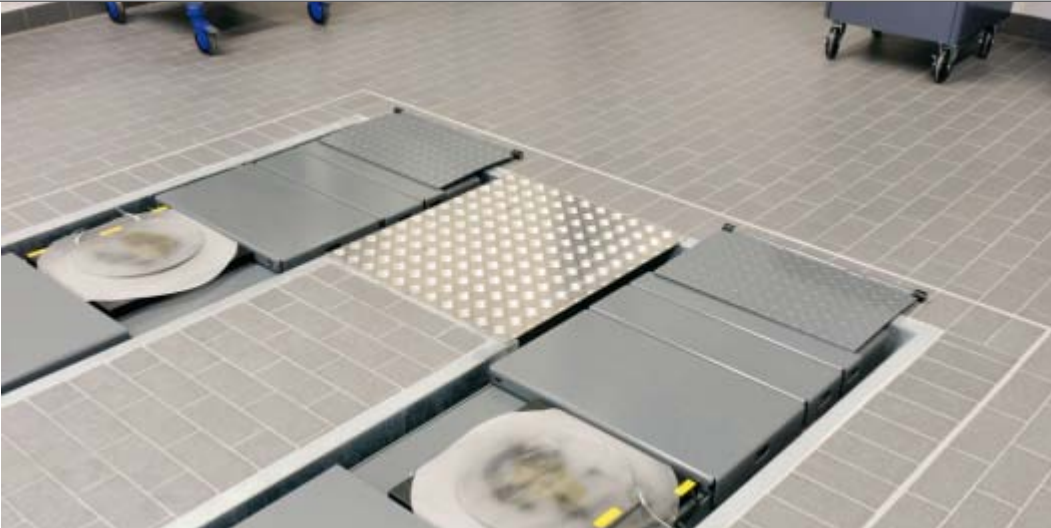
Deutsche Steinzeug continually endeavours to develop and implement new strategies for enduring environmental protection. For our production sites, this means a continuous monitoring and adjustment of the production processes to the requirements of an environment-friendly production. The efficient use of resources and the reduction of emissions are one of the top priorities at our investment decisions. That is why we optimized energy-intensive processes at all sites last year by some low-cost investments which enabled us to considerably reduce the energy consumption and thus the CO₂ emissions.

Research and development

As in the past, the focus in the field of research and development was on the development of new products. For these activities, Deutsche Steinzeug spent approx. 5.1 million € in 2009, which corresponds to more than 2.7 % (previous year: 2.5 %) of the turnover, despite the difficult market environment in order to safeguard its leading design competence.

Vitasol Therme, Bad Salzuflen/Germany





VW Academy, Wolfsburg/Germany

The consistent fostering of the brands Agrob Buchtal and Jasba also becomes apparent by the further intensified brand management and the commissioning of external designers and style consultants. Thus, Deutsche Steinzeug continues its successful course by consistently forcing up the further development also with regard to design and style, which is increasingly also reflected by the sales success of these high-quality series.

For the brand Agrob Buchtal, the novelties Walk, Rovere, Connect and Magma won the if award; the series Connect won the red dot award in addition.

In 2009, technical innovations and systems were introduced in the various sectors. In the facade sector, the system K20 newly developed in 2008 has passed the most important tests, and the corresponding certificates are now available, for example the approval of the construction supervising authority for Germany, the CWCT test for Great Britain and the earthquake test for China. With regard to the specific design requirements of architects, the system Spectra View with nine colour families could be launched, which had been developed in co-operation with a colour designer. Moreover, the new facade format with a length of 1.35 m meets the demand of the market for longer facade panels.

In the swimming pool sector, it was possible to optimize the System Finland in co-operation with experts. The new design of the handhold-piece, a new grooved tile as well as a new coved gutter tile permit an enormous simplification at laying and thus constitute a competitive advantage.

In the sector of design-oriented floor tiles, the format of 45 x 90 cm available in several series could be successfully introduced in the market. In addition, the new lappato surface technique was applied in the case of novelties. With lappato it is possible to partially polish the surface without damaging the firing skin, which results in new, sophisticated effects for the look.

Employees

As of 31.12.2009, Deutsche Steinzeug Group had a total headcount of 1,499 employees, whereas 1,570 employees had been working in the Company at the same time in the previous year. This decline mainly results from the realization of the restructuring concept decided in the course of the year. In the scope of the implementation, the personnel expenses of 69.5 million € in the previous year (AG: 54.9 million €) could be reduced to 63.9 million € (AG: 50.9 million €) in the fiscal year 2009. In relation to this, it must be emphasized in particular that the reduction in personnel was realized on principle by socially acceptable solutions, for example by early retirement schemes, part-time models or the termination of temporary employment contracts. At the same time, a reduction of distribution costs was also effected in the scope of the realization of the restructuring concept, among other things by a moderate adjustment of the marketing structures to the lower turnover expectations due to massive market declines as well as a further adjustment in the sectors of production, administration and logistics. In addition, the "Alliance for Jobs" was prolonged until 31.12.2011 with the bodies provided by the Works Constitution Act.

Temporary short-time working for reducing inventories

Due to the general economic situation and the need to balance inventories, we reacted with temporary short-time working at all sites. The downtimes were efficiently used for maintenance measures in production and partly also for the qualification of the employees. At the Meißen site, short-time working was operated at 100 % in the calendar year 2009.



Dr. Thomas Hammer (plant manager at Witterschlick and Ötzingen), Reinhold Walber (plant manager at Sinzig), Bernd Mannheim (plant manager at Schwarzenfeld) and Peter Heinevetter (head of Central Technical Coordination), f.l.t.r.



Collective wage agreement East

The parties to the collective agreement for the fine-ceramic industry East agreed in the period under review that an increase in pay for wages, salaries and trainee compensations of 2% is effected as of 01 August 2009. As of 01 July 2010, the parties agreed on a further increase by 2% with a term until 31 December 2010.

Training and transfer of trainees into the Company's workforce

Also in this reporting year, we could fulfil our social obligations with 13 new recruitments at 2 sites in technical and commercial jobs requiring training, but also satisfy our own requirements regarding future qualified employees. Despite the very difficult economic situation, we offered 13 trainees a temporary start into working life after they had successfully passed their examinations.

Thanks to our staff

Especially in this difficult economic environment, our very special thanks go to our employees. With their above-average commitment and motivation, they decisively contribute to coping with the current difficulties together with us. Moreover, we would like to thank our members of the bodies provided by the Works Constitution Act for the constructive and trusting cooperation in the last year, which was characterized by the awareness of the joint responsibility for the safeguarding and restructuring of the Group.





Series Bosco, AGROB BUCHTAL

Deutsche Steinzeug shares

In the year 2009, the stock markets were considerably affected above all by the global financial crisis. At the beginning of the year, the indexes took up the negative development of 2008 world-wide. Continuing alarming economic data characterized the situation on the stock exchanges all around the globe. The nervousness of the market operators led to a further drop in prices and a continued high volatility of the markets. The share of Deutsche Steinzeug Cremer & Breuer AG also could not evade this negative development. The share price continued to be under massive pressure.

As a result of the general negative news situation, the all-time low of 0.15 € was quoted on 3 March 2009. In the time following, the financial sector, which is considered to be responsible for these unprecedented global economic distortions, however also gave the starting signal for a far-reaching recovery of the capital markets world-wide. In addition, the G20 states initiated multi-billion economic stimulus programs. The rising number of orders received, increasing building investments and the improving economic outlook supported the hope burgeoning at the beginning of the second quarter and decisively contributed to the recovery of the international stock markets.

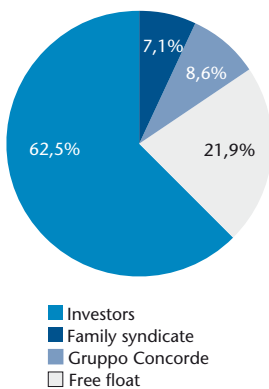
With the publication of the business figures for the year 2008, the interest of the investors could also be directed to the share of Deutsche Steinzeug Cremer & Breuer AG again. Thus, a considerable price performance of the share of more than 130 per cent was to be noted from March until April 2009. Nevertheless, the daily trading volume remained extremely low. Regarding this, the apparent reluctance of the investors was also noticeable. The publication of the business figures for the first half-year of 2009 did not cause an excessive reaction concerning the share. However, it was clearly recognizable that continuous selling orders prevented a more significant rise in price. Thus, the annual all-time high was at 0.57 € on 17 April 2009. The share of Deutsche Steinzeug Cremer & Breuer AG could not completely reflect the upward trend in the capital markets which had begun as of April 2009.

In an ad hoc announcement, Deutsche Steinzeug Cremer & Breuer AG informed about the conclusion of a new loan agreement by the end of the year and thus the medium-term financing of the Company. This announcement in conjunction with the extensive restructuring measures also contributed to the fact that the share price finally reached a reasonable level by the end of the year 2009. At the end of the year 2009, the share was quoted with a price of 0.42 €. Compared to the previous year's closing price of 2008, this meant a change of -16 per cent.



Series Jasba - HIGHLANDS

Shareholders structure



In total, the share was subject to an extremely high volatility in 2009. The difference between the annual all-time low and the annual all-time high was more than 270 per cent.

Designated Sponsoring

In the year 2009, too, the stock listed in the General Standard was supervised by a Designated Sponsor in order to guarantee the continuous quotation on Xetra.

While in the entire year 2008 still 4,732,715 shares were traded on all stock exchanges, the reluctance of the investors in 2009 is very clearly recognizable. On all German stock exchanges, only 1,886,410 shares were traded last year. This decline in trading volume on the stock exchanges, however, was to be noted in all branches of industry. The market capitalization of Deutsche Steinzeug Cremer & Breuer AG amounted to 11.599 million € by 31 December 2009.

Shareholder structure

On 17 September 2009, the consortium V of the family shareholders notified the Company that the shareholding of this consortium had decreased to 7.09 % of the share capital. The Company published this notification according to § 26 WpHG (German Securities Trading Law). Apart from that, Deutsche Steinzeug Cremer & Breuer AG is not aware of any information which indicates any other change in the Company's shareholder structure in the fiscal year gone by. 62.5 % of the shares are still held by the financial investors Deutsche Bank, Goldman Sachs, Lonestar and BNP. Gruppo Concorde continues to hold 8.6 %.

The Board of Management is not aware of circumstances requiring a report of dependency pursuant to § 311 et seq. AktG.

Result per share (weighted mean)

The Group result per share amounts to -0,37 € in 2009.

Business development 2010 and outlook



Series Jasba - HIGHLANDS

The essential operative measures for the restructuring of the Company were either initiated or already largely finished in the last fiscal year. In December, a medium-term financing until the middle of 2013 was concluded with the lenders, the equity capital development was stabilized and additional funds were provided for the financing of the cost-cutting measures. With the sale of the marketing company for the DIY superstore sector inclusive of the factory at Meißen, additional liquid funds for the Company's operative development could be generated and a credit tranche be repaid. With these measures, the Company expects an only slightly negative result after taxes at a generally stable turnover development. Assuming a slight increase in turnovers as a result of intensified marketing efforts and further investments in attractive products and efficient production processes as well as a stable world-wide economic development, a return into the profit zone is expected for the following years.

Despite the stabilization of the overall economic situation since the fourth quarter of the previous year at the latest, the tile industry and thus also our Company will have to cope with an extremely difficult market situation in Germany and abroad in the coming months. While the demand starts to recover at a low level, there are enormous overcapacities world-wide and especially in Southern and Eastern Europe, which above all in the lower price segments result in an extreme price competition. In so far, our strategy of abandoning the DIY sector has turned out to be right, especially as the enormous pricing pressure is further intensified for manufacturers from countries of the European Monetary Union by an increased import pressure due to the appreciation of the Euro in particular compared to Eastern European currencies.

Despite or especially as a result of the general economic crisis, Deutsche Steinzeug has further sharpened its image and increasingly focused on coherent wall/floor combinations in particular at the product development. Above all in the case of the brand Jasba, the concept of designing rooms with high-quality and attractive tiles and mosaics has already been successfully realized. Thus, Jasba has achieved an increasing average selling rate with considerably higher average revenues at the same time since the second half-year at the latest. This trend is to be continued also in 2010, and an additional surge in growth is expected above all from abroad. Due to the very high value of the



Underground, Cologne/Germany

products, especially Jasba is particularly suitable for selected export markets. In the Architectural Ceramics sector, the product range was also complemented by large formats with a very promising future. The same also applies to the Residential Ceramics product portfolio. The new development in the facade sector, which permits a far easier installation on the buildings than in the past, also opened up new marketing opportunities.

All in all, Deutsche Steinzeug hopes for a stabilization of the turnover level due to the very positive response of the customers to our product novelties. Apart from this, it becomes apparent that our innovative Hydrotect surface coating fully meets the trend of the grown environmental awareness and thus is increasingly accepted by architects and planners as well as end consumers.

Consequently, Deutsche Steinzeug is well positioned with regard to its strategic orientation and accepted in the market, so that – in case of an international overall construction activity which is stable again or moving up – a positive result after taxes will be realized again from 2011 at the latest due to the implemented rationalization measures at the production and marketing fixed costs, especially as then no significant special effects burdening the result will also no longer have to be expected.

Beginners' pool, Wilhelmsdorf/Germany



Development at the beginning of 2010 burdened by economic and weather conditions

In the first months of 2010, the turnover was still slightly below previous year's level, but some major orders in the export sector were postponed into the second quarter. Thus, the planned targets for the current year were also not completely achieved, although the domestic turnover (without DIY sector) has still developed very constantly. In general, the turnover development at the beginning of the year still is not satisfactory above all due to the harsh winter in Europe, but also in important export markets like Eastern Europe and China. As regards the costs, above all the reduction in personnel expenses as well as an improved material costs rate are noticeable. Besides a higher production quality compared to the previous year, intensified efforts in the field of strategic purchasing also become noticeable. Moreover, especially compared to the previous year, the further cost-cutting measures with regard to items of the other operating expenses such as e.g. freight and fairs also show effect.

Outlook to the result of 2010

Against the background of the developments of the economic and sales situation in the domestic market as well as the most important export markets, which are not seriously foreseeable, and the order volume by our former DIY superstore sector, which is difficult to estimate until the end of the year, a forecast for the current fiscal year 2010 is subject to considerable uncertainty. Thus Deutsche Steinzeug with the restructuring measures carried out in 2009 and the sale of the DIY sector has prepared itself for a sustainable turnover level of between 175 and 200 million €. For the current year, a percentage return on sales referred to the operative EBITDA in the amount of approx. 6 % is strived for on this basis.

Series Jasba - HIGHLANDS





Aquapark, Oberhausen/Germany

Deutsche Steinzeug disposes of adequate controlling instruments as well as – due to the excellent market positioning – of world-wide contacts to customers and other market participants which permit to early realize noticeable chances and risks and to react accordingly.

Apart from that, we have continuously invested in our factories in line with the high-quality market positioning in order to be able to meet the greater demands with regard to design and quality. At the same time, we have paid attention to further increasing the flexibility of our production to be able to react to fluctuations in demand even better.

Frechen, 31 March 2010

Two handwritten signatures in blue ink. The first signature is 'D. Schäfer' and the second is 'E. Forberich'.

Dieter Schäfer

Eckehard Forberich



Facades cleaning the air that we breathe.

The unique Hydrotect tile coating not only reduces cleaning costs and works but also contributes to the preservation of a healthy environment. And that even in two respects: Hydrotect makes aggressive cleaning agents superfluous and filters pollutants out of the polluted air. A ceramic facade area of 1,000 m² has a filtering effect which corresponds to that of 70 medium-sized deciduous trees.



The advantages of Hydrotect

- Decomposition of fungi, algae and moss
- Decomposition of bacteria, germs and odours
- Improvement of the room climate
- Reduction of the maintenance and cleaning costs
- Minimum care requirements
- Up to 50 % less cleaning agents
- Lifelong guarantee
- Protection of the environment

Details on financial analyses

In order to inform our shareholders even more comprehensively and provide them with further insights into our commercial evaluations, we have compiled the following details on financial analyses.

Deutsche Steinzeug Group income statement without special effects

	2009 € '000	2008 € '000	Change € '000
Sales	191,670	231,947	-40,277
Changes in finished goods and work-in-progress	-4,293	-2,623	-1,670
Own work capitalized	393	160	+233
Total turnover and operating result	187,770	229,484	-41,714
Cost of materials	89,570	109,491	-19,921
Gross trading profit	98,200	119,993	-21,793
Personnel expenses	61,719	67,844	-6,125
Other operating expenses	47,117	52,122	-5,005
Other operating income	9,355	9,177	178
Other operating expenses / income	37,763	42,945	-5,182
EBITDA before special effects	-1,281	9,204	-10,485
Depreciation	8,291	7,951	340
EBIT before special effects	-9,572	1,253	-10,825
Net interest result	-10,214	-9,175	-1,039
EBT (net operating income/loss) before special effects	-19,786	-7,922	-11,864
Special effects (on EBITDA/EBIT level)	7,336	-8,839	+16,174
Special effects (depreciations of financial assets)	1,330	0	+1,330
Income taxes	-66	27	-93
Deferred taxes	3,749	-70	+3,819
Net result incl. minority share	-10,097	-16,803	+6,706

Serie Home, AGROB BUCHTAL



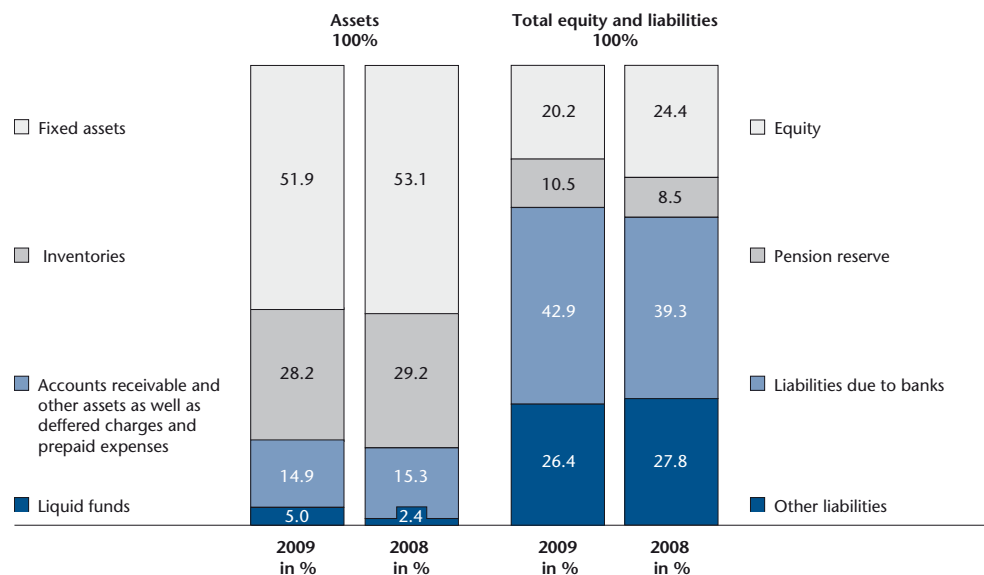


Terraced thermal baths, Bad Colberg/Germany

Deutsche Steinzeug Group Cash Flow Statement

	2009 € '000	2008 € '000
Result incl. minority share	-10,097	-16,803
Depreciations/write-ups on fixed assets	18,919	11,618
Change in the accruals for pensions	-599	-1,177
Other expenditure and revenues without effect on payment and earnings of essential importance	-21,836	46
Profits/losses arising from the disposal of fixed assets	-435	-959
Change in the inventories	10,961	8,550
Change in the other accruals	606	-1,828
Change in the accounts receivable and other assets	4,872	-675
Change in other liabilities	-7,184	-846
Cash flow arising from current business operations (1)	-4,793	-2,074
Investments in intangible assets	-5	0
Investments in property, plant and equipment	-2,439	-4,483
Investments in financial assets	-706	-2,554
Cash in-flow from disinvestments	412	1,393
Cash flow arising from investment activity (2)	-2,738	-5,644
Repayment of liabilities from finance-lease contracts	-172	0
Payment to AGROB AG for the assumption of pension obligations	0	0
Change in liabilities due to banks	10,921	3,998
Cash flow arising from financing activity (3)	10,749	3,998
Changes in the companies consolidated and currency-related changes (4)	-54	192
Changes in liquid funds/securities (1-4)	3,164	-3,528
Liquid funds/securities by 1 January	4,260	7,788
Liquid funds/securities by 31 December	7,424	4,260

Balance sheet structure



Consolidated Balance Sheet as of 31.12.2009 Deutsche Steinzeug Cremer & Breuer AG

Assets	Note number	31.12.2009 €'000	31.12.2008 €'000
Long-term fixed assets			
Intangible assets	1	9,026	14,952
Property, plant and equipment	2	58,523	69,509
Real estate held as financial investment	3	9,293	10,253
Other financial assets	4	51	1,051
		76,893	95,765
Other long-term assets	5	804	1,981
Deferred taxes	6	805	596
Total long-term fixed assets		78,502	98,342
Short-term assets			
Inventories	7	41,737	52,699
Accounts receivable, trade	8	15,420	19,792
Accounts due from affiliated companies	9	49	1,647
Other accounts receivable and assets	10	4,036	3,458
Liquid funds	11	7,424	4,259
Assets held for sale	12	952	0
Total short-term assets		69,618	81,855
Total assets		148,120	180,197

Liabilities and shareholders' equity	Note number	31.12.2009 €'000	31.12.2008 €'000
Shareholders' equity			
Subscribed capital	13	27,616	27,616
Earnings reserves	14	12,354	33,238
Minority share in the result	15	107	0
Group result	16	-10,204	-16,803
Total equity capital		29,873	44,051
Long-term liabilities			
Accruals for pensions and similar obligations	17	15,598	15,260
Other long-term accruals	18	1,396	1,331
Banks loans and overdrafts	19	63,367	70,341
Accounts payable, trade	20	1,688	1,732
Other long-term liabilities	21	2,528	4,517
Deferred taxes	6	2,225	6,030
		86,802	99,211
Short-term liabilities			
Other short-term accruals	18	10,541	10,000
Banks loans and overdrafts	19	224	432
Accounts payable, trade	20	12,648	17,783
Other short-term liabilities	21	8,032	8,720
		31,445	36,935
Total liabilities		118,247	136,146
Total shareholders' equity and liabilities		148,120	180,197

Consolidated Profit and Loss Statement as of 31.12.2009 Deutsche Steinzeug Cremer & Breuer AG

	Note number	2009 €'000	2008 €'000
Sales	22	191,670	231,947
Change in finished goods and work-in-progress		-7,081	-4,616
Other own work capitalized	23	393	160
Total operating performance		184,982	227,491
Other operating income	24	33,951	9,803
Cost of materials	25	90,372	109,491
Personnel expenses	26	63,922	69,458
Depreciations	27	17,588	11,619
Other operating expenses	28	49,287	54,311
		187,218	235,076
Earnings before interest and taxes (EBIT)		-2,236	-7,585
Result from investments		-1,330	0
Net interest income		175	165
Interest expenses		-10,389	-9,340
Financial results	29	-11,544	-9,175
Net operating result		-13,780	-16,760
Taxes on income	30	-3,683	43
Group result incl. minority share		-10,097	-16,803
Allocation to the minority share	15	-107	0
Net profit/loss	16	-10,204	-16,803
		€	€
The result per share is	31	-0.37	-0.61

Consolidated Statement of Income and Accumulated Earnings as of 31.12.2009
Deutsche Steinzeug Cremer & Breuer AG

	2009 €'000	2008 €'000
Group result	-10,204	-17,596
Allocation to the minority shares	107	0
Depreciation of goodwill	-3,367	0
Actuarial result	-937	1,133
Deferred taxes accumulating hereon	281	-340
Differences from the currency conversion of transactions of foreign companies	-58	152
Overall result after taxes	-14,178	-16,651
thereof allocable to:		
Deutsche Steinzeug Cremer & Breuer AG	-14,285	-16,651
Minority shareholder	107	0

The Group result for 2008 was adjusted by -793,000 € because of retrospectively allocating the actuarial profits/ losses to the equity capital of the Company in 2009 for the first time according to IAS 19.93A.

Consolidated Statement of Changes in Equity Capital as of 31.12.2009

	Subscribed capital	Earnings reserve	Differences from currency conversion	Expenses/income recorded in equity capital without effect on the result	Minority share in the result	Group result	Total equity capital
	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Status as of 01.01.2008	27,616	29,615	-221	1,685	0	2,009	60,704
Reclassification of previous year's result	0	2,009	0	0	0	-2,009	0
Group result	0	0	0	0	0	-16,803	-16,803
Actuarial result	0	0	0	1,133	0	-1,133	0
Deferred taxes accumulating hereon	0	0	0	-340	0	340	0
Change in consolidated companies	0	-2	0	0	0	0	-2
Currency change	0	0	152	0	0	0	152
Status as of 31.12.2008	27,616	31,622	-69	2,478	0	-17,596	44,051
Status as of 01.01.2009	27,616	31,622	-69	2,478	0	-17,596	44,051
Reclassification of previous year's result	0	-17,596	0	0	0	17,596	0
Group result	0	0	0	0	0	-10,204	-10,204
Actuarial result	0	0	0	-937	0	0	-937
Deferred taxes accumulating hereon	0	0	0	281	0	0	281
Allocation to minority share	0	0	0	0	107	0	107
Depreciation of goodwill	0	-3,367	0	0	0	0	-3,367
Change in consolidated companies	0	0	0	0	0	0	0
Currency change	0	0	-58	0	0	0	-58
Status as of 31.12.2009	27,616	10,659	-127	1,822	107	-10,204	29,873

Deutsche Steinzeug Group Cash Flow Statement

	2009	2008
	T€	T€
Result after taxes	-10,097	-16,803
Depreciations/write-ups on fixed assets	18,919	11,618
Change in the accruals for pensions	-599	-1,177
Change in the other accruals	606	-1,828
Other expenditure and revenues without effect on payment and earnings	-21,836	46
Profits / losses arising from the disposal of fixed assets	-435	- 959
Change in the inventories	10,961	8,550
Change in the accounts receivable	4,872	-675
Change in liabilities (without liabilities due to banks)	-7,184	-846
Cash flow arising from current business operations	-4,793	- 2,074
Cash in-flow from disposals of Anlagenabgängen	412	1,393
Cash out-flow for investments in		
- intangible assets	-5	0
- Property, plant and equipment	-2,439	- 4,483
- Financial assets	-706	- 2,554
Cash flow arising from investment activity	-2,738	- 5,644
Repayment of liabilities from finance-lease contracts	-172	0
Change in the liabilities due to banks	10,921	3,998
Cash inflow arising from financing activity	10,749	3,998
Changes in the companies consolidated and currency-related changes	-54	192
Changes in liquid funds and securities	3,164	-3,528
Liquid funds/securities on 01.01.	4,260	7,788
Liquid funds/securities on 31.12.	7,424	4,260

Deutsche Steinzeug Group Cash Flow Statement

	Continued operations		Discontinued operations		Total Group	
	2009	2008	2009	2008	2009	2008
	€'000	€'000	€'000	€'000	€'000	€'000
Result after taxes	-10,211	-18,116	114	1,313	-10,097	-16,803
Depreciations/write-ups on fixed assets	18,916	11,618	3	0	18,919	11,618
Change in the accruals for pensions	-599	-1,177	0	0	-599	-1,177
Change in the other accruals	406	-1,158	200	-670	606	-1,828
Other expenditure/revenues without effect on payments and earnings	-21,836	46	0	0	-21,836	46
Profits/losses from the disposal of fixed assets	-435	-959	0	0	-435	-959
Change in the inventories	10,961	8,550	0	0	10,961	8,550
Change in the accounts receivable	3,861	-1,262	1,011	587	4,872	-675
Change in liabilities (without due to banks)	-5,856	388	-1,328	-1,234	-7,184	-846
Cash flow arising from current business operations	-4,793	-2,070	0	-4	-4,793	-2,074
Cash in-flow from fixed asset disposals	412	1,393	0	0	412	1,393
Cash out-flow for investments in						
- intangible assets	-5	0	0	0	-5	0
- property, plant and equipment	-2,439	-4,467	0	-16	-2,439	-4,483
- financial assets	-706	-2,554	0	0	-706	-2,554
Cash flow arising from investment activity	-2,738	-5,628	0	-16	-2,738	-5,644
Repayment of liabilities from finance-lease contracts	-172	0	0	0	-172	0
Change in the liabilities due to banks	10,921	3,998	0	0	10,921	3,998
Cash inflow arising from financing activity	10,749	3,998	0	0	10,749	3,998
Changes in the companies consolidated and currency-related changes	-54	192	0	0	-54	192
Changes in liquid funds and securities	3,164	-3,508	0	-20	3,164	-3,528
Liquid funds/securities on 01.01.	4,260	7,768	0	20	4,260	7,788
Liquid funds/securities on 31.12.	7,424	4,260	0	0	7,424	4,260

Group Notes 2009

Deutsche Steinzeug Cremer & Breuer AG

General

Deutsche Steinzeug Cremer & Breuer AG is a stock corporation registered in the Commercial Register of the Cologne Local Court (Germany) with headquarters in Frechen near Cologne. As top parent company in the Group, Deutsche Steinzeug Cremer & Breuer AG is responsible for the management of the Group, whose core business is the production of ceramic covering materials.

The consolidated financial statement of Deutsche Steinzeug Cremer & Breuer AG as of 31.12.2009 has been prepared according to the International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) in consideration of all interpretations of the International Financial Reporting Interpretations Committee (SIC or IFRIC). The accounting principles have been taken into account which are binding in the European Union for the fis-

cal year beginning on 1 January 2009. The previous year's figures have been determined according to the same principles. The supplementary provisions stipulated under Commercial Law are applied; thus, the consolidated financial statement has a discharging effect according to international accounting standards.

In addition to the balance sheet, the profit and loss statement, the statement of income and accumulated earnings and the statement of changes in equity capital according to IAS 1, the financial statements include a capital flow statement according to IAS 7. Individual items of the balance sheet as well as of the profit and loss statement are summarized for a clearer representation and are explained in the notes. The profit and loss statement is subdivided according to the total cost method.

New or changed standards

In the current fiscal year, the compliance with the following standards and interpretations passed by the IASB was obligatory for the first time:

- IAS 1 – “Representation of the Financial Statement” results in a restructuring of the parts of the financial statement and a partial adjustment of the names and terms.
- IFRS 8 – “Operating Segments” results in a restructuring of the segment representation. According to the Management Approach, Deutsche Steinzeug Group has a Three-Segment-Structure.

In addition, the following standards and interpretations were to be adopted for the first time in the current fiscal year, without this having essential effects on the representation in the consolidated financial statement.

- IFRS 1 / IAS 27: Costs of acquisition of subsidiary companies, joint ventures and associated companies

- IFRS 2: Share-based payments – exercise conditions and cancellations
- IFRS 4: Insurance contracts
- IFRS 7 / IAS 39: Reclassification of Financial Instruments – first-time adoption
- IAS 7: Allocation of the cash flow from the change in lease assets to the cash flow from business operations – change
- IAS 23: Borrowing Costs, capitalization of allocable borrowing costs in the case of qualified assets – change
- IAS 1 / IAS 32: Redeemable financial instruments and obligations arising from liquidation
- IFRIC 9 / IAS 39: Revaluation of embedded derivatives
- IFRIC 11 / IFRS 2: Transactions with own shares and shares of Group companies
- IFRIC 13: Customer Loyalty Programmes
- IFRIC 14 / IAS 19: The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

New or changed standards not adopted

The following standards and interpretations were already published by 31.12.2009, but their adoption was not yet obligatory on this effective date, not yet

included in European law or are not relevant for consolidated financial statement of Deutsche Steinzeug Cremer & Breuer AG:

Standards

- IFRS 1 – First-time Adoption of the IFRS, as of 01.01.2010
- IFRS 1 – Further exceptions in case of first-time Adoption, as of 01.01.2010
- IFRS 1 / IFRS 5 – Improvements 2008, as of 01.01.2010
- IFRS 2 – Share-based payments of Group companies, as of 01.07.2010
- IFRS 3 / IAS 27 – Business combinations / consolidated financial statement, as of 01.01.2010

- IFRS 9 – Financial Instruments: classification and valuation, as of 01.01.2013
- IAS 24 – Affiliated persons and companies, as of 01.01.2011
- IAS 32 – Classification of subscription rights, as of 01.01.2011
- IAS 39 – Risk position qualifying for the Hedge Accounting, as of 01.01.2010
- Collective standard – Improvements to IFRSs, as of 01.01.2010

Interpretations

- IFRIC 12 – Service Franchise Agreements, as of 01.01.2010
- IFRIC 14 – IAS 19, The Limit on a Defined Benefit Asset, changes, as of 01.01.2011
- IFRIC 15 – Agreements for the Construction of Real Estate, as of 01.01.2010
- IFRIC 16 – Hedges of a Net Investment in a Foreign Operation, as of 01.10.2010

- IFRIC 17 – Distributions of Non-cash Assets to Owners, as of 01.01.2010
- IFRIC 18 – Transfers of Assets by a Customer, as of 01.01.2010
- IFRIC 19 – Extinguishing Financial Liabilities with Equity Instruments, as of 01.01.2010

The possibility of an early adoption was not made use of. No essential consequences for the consolidated

financial statement are expected from the application of the above standards and interpretations.

Accounting and valuation methods

Intangible assets

According to the regulations of the IAS 38, an intangible asset is an identifiable, non-monetary asset without physical substance. The definition criteria with regard to the possibility of identification are only met if the asset is separable or arises from contractual or legal rights. The possibility of identification is the

distinguishing feature between an identifiable asset and a goodwill. A goodwill results from the excess of the cost of acquisition over the attributable current values of the identifiable assets, debts and contingent liabilities in the case of a group of companies.

Intangible assets acquired for a consideration are valued at cost of acquisition. At the follow-up valuation, a distinction is made between intangible assets with limited and unlimited period of usefulness. The assets with limited period of usefulness are depreciated on schedule according to the straight-line method and in addition, if required, on the basis of an impairment test. In most cases, the period of usefulness is between three and five years.

Assets with unlimited period of usefulness such as e.g. goodwill are depreciated on the basis of an impairment test only when required. Since 01.01.2005, a goodwill acquired for a consideration is no longer depreciated on schedule due to the application of the IFRS 3. The value of this asset has to be checked by an impairment test to be carried out once per year according to IAS 36. For this, the book value of the goodwill is compared with the amount that can be realized. The amount that can

be realized is the higher one of the two amounts of net value on realization and utility value. The net value on realization corresponds to the amount that can be realized from the sale of an asset at fair market conditions, minus the costs on sale.

The utility value was determined by discounting future cash flows (Discounted-Cash-Flow method) before taxes on income with a risk-adapted discount interest rate (WACC). The basis for this is the corporate planning of the management; for the following years, a perpetuity adapted to the market situation was assumed.

If the book value is higher than the amount that be realized, the book value of the asset must be reduced to its amount that can be realized. This reduction constitutes an expense due to impairment of value and is recorded as item affecting the current-period result.

Property, plant and equipment

Tangible fixed assets are capitalized at cost of acquisition or of production and regularly depreciated by the straight-line method in the following periods according to the expected economic period of usefulness.

The costs of acquisition are defined by the amount of the purchase price minus purchase price reductions and the incidental expenses required to put the asset in an operational state. The costs of production consist of the directly allocable direct cost as well as prorated indirect material and manufacturing overhead inclusive of depreciations. Maintenance and financial expenses are always recorded as items affecting the current-period result. Subsequent costs of acquisition or of production are capitalized if the valuation criteria are met.

The applied economic periods of usefulness are checked every year, and the future rates of depreciation are adapted if changes occur. In the Deutsche Steinzeug Cremer & Breuer AG Group, the following periods of usefulness form the basis:

Asset class	Period of usefulness in years
Premises	15 – 50
Kilns	15 – 20
Technical equipment and machines	3 – 15
Other fixtures and fittings	3 – 15
Vehicles	2 – 6

Should there be any grounds for an impairment of value of an asset, an impairment test according to IAS 36 is carried out. The asset is depreciated affecting current-period result if the utility value or net value on realization of the asset concerned has fallen below the depreciated cost of acquisition or of production. Should the grounds for an impairment of value no longer exist at a later time, a reinstatement of original values affecting current-period result is made, which must not exceed the depreciated cost of acquisition or of production which would have been determined at this time without the previous impairment of value.

As of 2008, the additions of low-value items up to 150 € are fully depreciated. Low-value items of the fixed assets over 150 € and up to 1,000 € are allocated to a collective item and depreciated by the straight-line method over the period of usefulness of 5 years.

Other financial assets

Financial assets

According to IAS 39, investments are classified as "assets to be held up to the final maturity". These financial assets are regularly checked for their value. They are balanced at depreciated cost of acquisition if no quoted market price is available. If a market price can be determined and this one is permanently lower than the book value of the asset, there is an expense due to impairment of value. A determined expense due to impairment of value is recorded as

Real estate held as financial investment

Land and buildings held for realizing rentals and/or for the purpose of increase in value have to be reported as real estate held as financial investment according to IAS 40. This real estate is not used within the scope of ordinary operations. The real estate held as financial investment is reported in the balance sheet separately from the assets used within the scope of ordinary operations. The assets are balanced according to the historical cost concept

Construction in progress and advance payments are balanced at cost of acquisition. Only after the asset concerned has been completed and is in an operational state, it is depreciated.

If assets are rented or leased and the lessor takes all essential risks and chances related to the property, the rental expenses or leasing installments are directly recorded as expense in the profit and loss statement. For cases in which the essential risks and chances are borne by one of the Group companies, the asset is allocated to the lessee according to IAS 17.

The consequence of this is that the asset must be capitalized at the company with its attributable current value or the lower cash value of the leasing installments. The depreciation is divided up over the corresponding economic period of usefulness or, if shorter, over the term of the leasing contract. The corresponding payment obligations from the future leasing installments must be carried as liability.

item affecting the current-period result. Should it turn out in the following periods that the reason for the impairment of value recorded in the previous years does no longer exist, a write-up affecting current-period result is made. The write-up must not exceed the amount of the impairment of value recorded in the previous years. Loans are balanced at depreciated cost of acquisition.

at depreciated cost of acquisition, and the buildings are regularly depreciated over the same period of time as the buildings in the fixed assets. The current market values are determined on the basis of official plans of benchmark land prices (Bodenrichtwertkarten), own calculations and existing offers. More detailed information about this is given in the explanation of the item under number 3.

Deferred taxes

Deferred taxes are formed for temporary differences between the valuations in the consolidated balance sheet and the tax balance sheet. These can be taxable temporary differences (deferred tax liabilities) and deductible temporary differences (deferred tax assets). As regards temporary differences, a distinction must be made between unlimited and limited differences; tax deferrals can be formed only for the limited differences. In the Deutsche Steinzeug Cremer & Breuer AG Group, the deferred taxes are calculated with a consolidated earnings-tax rate of 30 %. Changes of

the deferred taxes are always recorded as item affecting the current-period result. This applies except for the deferred taxes accumulating on actuarial profits/losses at the pension obligations, which are set off against the equity capital without effect on the operating result. According to IAS 12, deferred taxes must not be reported as short-term items and can not be discounted. Provided that the requirements of the IAS 12 are met, an offset of the deferred tax receivables and liabilities has been made.

Inventories

Inventories are assets held for sale, in the production for sale or as raw materials and supplies for consumption at the production. According to IAS 2, they have to be valued at their cost of acquisition or of production if their net selling value is not lower. The costs of acquisition include the purchase price minus reductions in price and the incidental expenses. The directly allocable direct cost and the overhead to be allocated to the production process are included in the costs of production. Finance charges are not taken into

account. The net selling value is defined as sales revenue expected to be realized, minus the costs having accumulated up to the time of sale. Independent of this, value adjustments are made for inventory risks resulting from the period of storage and/or reduced utility value. Subsequent reinstatements of original values are recorded as reduction of the materials usage or of the acquisition cost of the sold goods.

Accounts receivable and other assets

Accounts receivable and other assets are balanced at depreciated cost of acquisition. Recognizable risks of nonpayment are taken into account by adequate value adjustments, i.e. by individual value adjustment or

lump-sum valuation adjustment. If the reasons for the valuation adjustment cease to apply, a write-up is made. Accounts receivable and other assets are separately reported according to their remaining term.

Liquid assets

The liquid assets include cash in bank and cash in hand.

Accruals and accrued liabilities

Accruals for pensions

According to IAS 19, accruals for pensions have to be formed for obligations arising from current pensions, expectancies and obligations similar to pensions as well as their safeguarding. The accruals are reported according to the present value of an expectancy (Projected-Unit-Credit-Method) on the basis of actuarial expert opinions of HEUBECK AG. In the case of this method, future increases of salaries and pensions to be expected are also taken into account in addition to the pensions and acquired expectancies known on the balance sheet date. The expense for hours of service is allocated to the personnel expenditure, thus affecting the current-period result. On the balance sheet date 31 December 2009 for the first time, Deutsche Steinzeug Group made use of the option of recording the actuarial profits and losses under the

position of earnings reserves in the equity capital. As stipulated by IAS 8, the change of method was carried out retrospectively by changing the previous year's opening balance sheet without effect on the operating result. Thus, all actuarial profits and losses since the time of the changeover to IFRS have been transferred to the item "Other Comprehensive Income" – regarding this, also see the statement of changes in equity capital attached to the financial statements. The deferred taxes having accumulated thereon have also been transferred to this item. The interest expense related to the pension obligations is included in the financial result. Existing reinsurances, which meet the conditions for scheduled assets, are balanced out with the corresponding pension obligation.

Other accruals and accrued liabilities

According to IAS 37, other accruals and accrued liabilities have to be formed for legal and de facto obligations to third parties arising from past events. The performance of the obligations must be probable and their amount must be reliably assessable.

The accruals are assessed at the expected amount of performance. In the case of long-term accrued liabilities, a discounting is made if this is not of secondary importance.

Liabilities

Liabilities are assessed at the amount repayable including discounts.

Financial instruments

Financial instruments can be financial assets or debts which according to IAS 39 have to be allocated to a valuation category at the time of their additions.

There are the following categories:

- Financial assets held or debts which are recorded with effect on the current-period result at the attributable current market value: This category comprises financial assets which are held for trading purposes or irrevocably allocated to this category.
- The category “Financial investments to be held until the final maturity” includes assets with fixed or determinable payments and a fixed period of maturity which a business enterprise wants to or can hold until the final maturity.
- “Loans and accounts receivable” or “liabilities” which are valued at depreciated cost of acquisition. These are exclusively primary financial instruments such as accounts receivable, trade or liabilities due to banks.

- “Financial assets held for sale” constitutes a residual category including all financial instruments to be valued according to IAS 39 which can not be allocated to any of the three first categories. At present, the fixed assets of the Meißen production site are allocated to this category – also see numbers 2 and 12.

In this way, financial instruments are to be distinguished from intangible and tangible assets or rights and duties which are not directly or indirectly geared to the exchange of means of payment. Thus, in Deutsche Steinzeug Group, the intangible assets, the tangible fixed assets, shares in associated companies, inventories, deferred taxes, reserves, accruals and deferrals and all accounts receivable and liabilities without a contractual claim are not subject to the adoption of IAS 39. All the positions subject to the adoption of IAS 39 belong to the category “Loans and accounts receivable” and are valued at depreciated cost of acquisition or at nominal value.

Contingent liabilities

A contingent liability is a possible or already existing obligation whose implementation is unlikely. Contingent liabilities are regulated under IAS 37. Contingent

liabilities are not reported in the balance sheet, but are explained under number 35.

Income and expense realization

Sales as well as other operating income are recorded at the time of the provision of supplies and services and if the inflow of the economic benefit is probable. The sales are reduced by sales deductions. Operating expenses are affecting net income at the time of the

utilization of services rendered or at the time of their causing. The other interest is recorded as current-period expense or income. Interest expenses arising in connection with the acquisition or production of assets are not capitalized.

Net earnings per share

According to IAS 33, the statement of the net earnings per share is also part of an annual financial statement. The net earnings per share correspond to the Group

result after taxes on income divided by the weighted, average number of shares issued during the fiscal year.

Distinction between short-term and long-term items

According to IAS 1, the balance sheet must be subdivided into short- and long-term assets as well as short- and long-term liabilities. An asset or a liability is reported as short-term item if it meets at least one of the following criteria:

a. its realization/amortization is expected within the normal course of business,

b. it is primarily held for trading purposes,
c. its realization/repayment is expected within twelve months after the balance sheet date, or
d. it is a means of payment or equivalent to it, unless the exchange or the use of the asset for the fulfillment of an obligation are not restricted for a period of at least 12 months after the balance sheet date.

Use of estimates and assumptions

The preparation of the IFRS consolidated financial statement requires estimates and assumptions which have an influence on the valuation of assets and liabilities, the statement of contingent liabilities as of the balance sheet date as well as the reporting of income and expense. The actual amounts determined may differ from the amounts resulting from estimates and assumptions. The estimates and assumptions

were made according to the information currently available at the time of preparing the financial statement. Essential estimates and assumptions were made especially at the determination of the Group's uniform periods of depreciation, the value adjustments on inventories and accounts receivable, the parameters for the valuation of the pension accrual and the other accruals.

Consolidated companies

Apart from Deutsche Steinzeug Cremer & Breuer AG, 9 domestic and 4 foreign subsidiary companies are included in the consolidated financial statement of Deutsche Steinzeug. A further 3 companies which belong to the consolidated companies, each in itself and jointly, are of subordinate significance for the obligation of presenting an image of the asset, financial and earnings position of the Group in correspondence with the actual situation. About this, a survey of the companies belonging to the Group is attached as appendix to these notes.

Deutsche Steinzeug Cremer & Breuer AG, as the controlling company, has concluded controlling and

profit-transfer agreements with Deutsche Steinzeug Keramik GmbH, Meissen Keramik Vertriebs GmbH as well as Jasba Mosaik GmbH.

The following fully consolidated affiliated German companies in the legal form of a corporation have met the conditions of § 264 (3) and make use of the exemption regulation:

- Deutsche Steinzeug Keramik GmbH, Alfter-Witterschlick
- Meissen Keramik Vertriebs GmbH, Dortmund
- Jasba Mosaik GmbH, Ötzingen

Consolidation principles

Audited and inspected by auditing companies, the individual annual financial statements of all domestic companies as well as the individual annual financial statements, inspected by the Group auditors, of the foreign companies included in the consolidated financial statement form the basis for the consolidated

financial statement. Loans, accounts receivable and liabilities as well as expenditures and revenues between the included companies are eliminated as well as intra-group profits arising from intra-group trade. The eliminations are based on statements of balance between the companies.

Currency conversion

In the individual financial statements with the Euro as national currency, all business transactions in foreign currency are assessed at the rate at the time of the first entry. Accounts receivable and liabilities in foreign currency outstanding on the balance sheet date are valued at the rate on the balance sheet date.

According to IAS 21, the individual balance sheets of the Group companies whose national currency is not the Euro are converted into Euro according to the concept of the functional currency. At all companies, the functional currency is the respective national currency, because all companies operate their business independently in financial, economic and organizational respect.

The items of the fixed assets are converted at the rates on the balance sheet date, as are the other balance sheet items. Depreciations, increases and decreases in inventories and annual results are converted at the rate on the balance sheet date. Currency differences resulting from this are reported in a separate item in the equity capital. All other positions of the profit and loss statement are converted with the average rate and entered with effect on the current-period result in the other operating income or expenses. In the fiscal year gone by, expenses in the amount of 12,000 € (previous year: 53,000 €) accumulated from the conversion of the positions of the profit and loss statement.

Currency (1 Euro =)		Rate on bal. sheet date		Average rate	
		2009	2008	2009	2008
US-Dollar	USD	1.4406	1.3917	1.3948	1.4708
Swiss Franc	SFR	1.4836	1.4850	1.5100	1.5874

The consolidated financial statement of Deutsche Steinzeug Cremer & Breuer AG was prepared in

Euro; all amounts are stated in thousands € (€'000) if not separately specified.

Explanations of the consolidated balance sheet

Long-term assets

The long-term assets consist of the fixed assets, long-term accounts receivable and the deferred taxes receivable. In the long-term assets, no assets governed by the regulations of the IFRS 5 are included.

Fixed assets

The itemization of the asset positions and their development in 2009 are presented as appendix 1 to these notes (Analysis of fixed assets). From all capitalized assets, a future economic benefit is expected.

1 Intangible assets

The development of the intangible assets presents itself as follows:

	Trademarks and licenses €'000	Goodwill €'000	Total €'000
Accumulated historical costs			
Status as of 01.01.2008	2,819	19,041	21,860
Currency changes	0	0	0
Additions 2008	0	0	0
Disposals 2008	0	0	0
Transfers	0	0	0
Status as of 31.12.2008	2,819	19,041	21,860
Status as of 01.01.2009	2,819	19,041	21,860
Currency changes	0	0	0
Additions 2009	5	0	5
Disposals 2009	19	0	19
Transfers	0	0	0
Status as of 31.12.2009	2,805	19,041	21,846
Accumulated depreciations			
Status as of 01.01.2008	2,652	4,174	6,826
Currency changes	0	0	0
Additions 2008	82	0	82
Disposals 2008	0	0	0
Transfers	0	0	0
Status as of 31.12.2008	2,734	4,174	6,908
Status as of 01.01.2009	2,734	4,174	6,908
Currency changes	0	0	0
Additions 2009	64	5,867	5,931
Disposals 2009	19	0	19
Transfers	0	0	0
Status as of 31.12.2009	2,779	10,041	12,820
Remaining book values			
Status as of 31.12.2009	26	9,000	9,026
Status as of 31.12.2008	85	14,867	14,952

According to IFRS 3.55, the regular depreciation of the capitalized goodwill is no longer permitted since 01.01.2005; it now has to be checked for a possible impairment of value every year according to the regulations of the IAS 36. At the check of the value (Impairment-Test) of the capitalized goodwill, depreciation requirements in the amount of 5,867,000 € have resulted in 2009. From this, an amount of 3,367,000 € has been directly written off via the equity capital, as the goodwill was also set off against the consolidation excess at its capitalization without effect on the operating result. The remaining impairment of value expense in the amount of 2,500,000 € is reported under the non-scheduled depreciations – also see number 27. The depreciation in the amount of 3,367,000 € concerns the goodwill on the marketing subsidiary Meissen Keramik Vertriebs GmbH, whose full depreciation results from the expected revenue on the sale of this company – also see number 38.

2 Property, plant and equipment

In the item “Land, leasehold, rights and buildings”, only the assets used for operating purposes are included. Land and buildings which do not belong to this category are recorded in the item “Real estate held as financial investment” according to IAS 40. More detailed information about these assets is provided in number 3.

The liabilities due to banks in the amount of 48,451,000 € are secured by mortgages on

As of the balance sheet date, the value of the capitalized “Jasba” goodwill was checked. For this, the present value of the future payment surpluses from this brand was ascertained in accordance with the planning. The predicted payment flows until 2011 – taking into account a risk markup on the market risk premium and the interest rate on borrowed capital to be applied – were discounted with an interest rate (WACC) of 7.2%. The assumed market risk premium amounted to 5.5%. In the previous year, the discounting was made with 6.3% and an assumed market risk premium of 4%. With approx. 9,000,000 €, the present value determined in this way was by 2,500,000 € below the book value of the previous year and resulted in a corresponding impairment of value.

Like in the previous year, no assets are included in the intangible assets which are subject to a limited property right.

land and buildings. In addition, there is a first land charge in favour of Pensionsversicherungsverein, Cologne, in the amount of 6,000,000 € (prev. year: 6,000,000 €) – on the balance sheet date, the liability to be secured amounts to 3,683,000 €. Besides that, a book value of 40,015,000 € (previous year: 44,711,000 €) of the movable tangible fixed assets (technical plants and machines as well as office and plant equipment) has been pledged for liabilities due to banks.

Leasing

Since the fiscal year 2009, there are also Finance-Lease contracts in the Group in addition to the predominant Operating-Lease contracts. None of the Operating-Lease contracts provides for a favourable purchase option or a transfer of ownership after its termination. The Group rents office rooms for the marketing companies and leases movable assets. These are mainly vehicles, IT and office equipment as well as technical plants and machines.

The contracts provide for a basic rental period between 15 and 96 months.

In the fiscal year 2009, the rental and leasing expenses amounted to 4,503,000 € (prev. year: 4,186,000 €).

The obligations from Operating-Lease relationships are subdivided as follows:

	Total €'000	up to 1 year €'000	1 to 5 years €'000	over 5 years €'000
Payment obligations	5,172	2,078	3,003	91

The obligations from Finance-Lease relationships are subdivided as follows:

	Total €'000	up to 1 year €'000	1 to 5 years €'000	over 5 years €'000
Payment obligations	1,325	351	974	0
accrued interest share thereon	293	77	216	0
Cash value	1,032	274	758	0

	31.12.2009 €'000	31.12.2008 €'000
Book value of the technical plants and machines	3,461	0

The fixed assets used for operating purposes developed as follows:

	Land and buildings	Technical equip., plant and machinery	Other equipment, operational and office equipment	Advance payments and construction in progress	Total
	€'000	€'000	€'000	€'000	€'000
Accumulated historical costs					
Status as of 01.01.2008	98,161	223,621	23,352	288	345,422
Currency changes	3	0	85	0	88
Change in consolidated companies	0	0	0	0	0
Additions 2008	316	3,067	380	720	4,483
Disposals 2008	187	2,293	181	50	2,711
Transfers	-5,391	31	14	-99	-5,445
Status as of 31.12.2008	92,902	224,426	23,650	859	341,837
Status as of 01.01.2009	92,902	224,426	23,650	859	341,837
Currency changes	-2	0	-14	0	-16
Change in consolidated companies	0	0	0	0	0
Additions 2009	113	4,760	406	61	5,340
Disposals 2009	11,630	30,602	1,928	2	44,162
Transfers	156	500	18	-674	0
Status as of 31.12.2009	81,539	199,084	22,132	244	302,999
Accumulated depreciations					
Status as of 01.01.2008	66,353	179,203	21,097	0	266,653
Currency changes	2	0	76	0	78
Change in consolidated companies	0	0	0	0	0
Additions 2008	5,333	5,595	609	0	11,537
Disposals 2008	31	2,283	132	0	2,446
Transfers	-3,494	0	0	0	-3,494
Status as of 31.12.2008	68,163	182,515	21,650	0	272,328
Status as of 01.01.2009	68,163	182,515	21,650	0	272,328
Currency changes	-1	0	-11	0	-12
Change in consolidated companies	0	0	0	0	0
Additions 2009	5,480	8,913	632	0	15,025
Disposals 2009	11,294	29,744	1,827	0	42,865
Transfers	0	0	0	0	0
Status as of 31.12.2009	62,348	161,684	20,444	0	244,476
Remaining book values					
Status as of 31.12.2009	19,191	37,400	1,688	244	58,523
Status as of 31.12.2008	24,739	41,911	2,000	859	69,509

The land includes clay pits with a book value in the amount of 524,000 € which are exclusively used for own operational purposes. They are valued at cost of acquisition minus the impairments of value resulting from the extraction, which in the fiscal year 2009 amounted to 20,000 € (previous year: 33,000 €). The depreciations include non-scheduled depreciati-

ons in the amount of 6,797,000 € on the fixed assets of the Meißen production site, which result from the expected revenue from the sale of the production site, minus the costs of the sale.

Due to the planned sale, the remaining book value was transferred to the position "Assets held for sale" – also see number 12.

3 Real estate held as financial investment

The real estate held as financial investment can be subdivided into three groups:

1. Real estate suitable for commercial use
2. Residential land with buildings
3. Agricultural and forestry areas

The real estate suitable for commercial use is subject to a development programme with the intention of selling this real estate. The book value of this group in the consolidated financial statement amounts to 7.6 million € (prev. year: 8.6 million €). The current market value, however, is 10.3 million €. Due to the further development in the current fiscal year, a value of 0.7 million € was capitalized in addition for a plot of land; the sale of two plots of land has the contrary effect with 0.3 million €. The cost of finance having accrued in connection with the further development was recorded as interest expense affecting the current-period result. One plot of land was sold at book value; in the case of the second plot of land, a revenue on sale of 9,000 € was realized. Due to lower revenue expectations in the case of sale as well as the development costs still to be paid in one case, a depreciation in the total amount of 1.2 million € was made on two real properties. In the case of one plot of land, another depreciation in the amount of 0.1 million € became necessary in connection with the sale of the Meißen site. The book values correspond to the depreciated cost of acquisition. The difference compared to the book values in the individual financial statements of the Group companies results from eliminations of intra-group profits, because individual plots of land were sold within the Group in the past.

The group of residential land with buildings and the group of agricultural and forestry areas include the historically grown property of land and buildings in the Group.

The book value of the residential land amounts to approx. 0.1 million €; the current market values, however, amount to about 0.2 million €. The book values correspond to the depreciated cost of acquisition. The reported current market values are based on a determination of the earning power. In the fiscal year, a rental income of 4,000 € (prev. year: 5,000 €) was realized.

The book value of the agricultural and forestry areas is 1.6 million €, whereas the current market values amount to 2.6 million €. The book values correspond to the historical cost of acquisition. The stated current market values have been determined by using official plans of benchmark land prices (Bodenrichtwertkarten) of the local authorities. In the fiscal year, a rental income of 16,000 € (prev. year: 17,000 €) was realized.

The current expenses for the real estate with rental income amounted to 6,000 € (prev. year: 6,000 €) and for the real estate without rental income to 396,000 € (prev. year: 454,000 €). The costs for the real estate without rental income mainly result from the real estate company (Immobilien-gesellschaft) for the commercial real estate at Frechen.

A valuation by an external expert as recommended by IAS 40 was abstained from for cost reasons.

4 Other financial assets

The disposal in the shares in affiliated companies results from the liquidation of a foreign company.

The other financial assets developed as follows:

	Shares in affiliated companies	Other investments	Real estate held as financial investment	Other loans	Total
	€'000	€'000	€'000	€'000	€'000
Accumulated historical costs					
Status as of 01.01.2008	2,561	0	7,516	0	10,077
Currency changes	0	0	0	0	0
Change in consolidated companies	-1,038	0	0	0	-1,038
Additions 2008	0	0	2,554	0	2,554
Disposals 2008	472	0	718	0	1,190
Transfers	0	0	5,445	0	5,445
Status as of 31.12.2008	1,051	0	14,797	0	15,848
Status as of 01.01.2009	1,051	0	14,797	0	15,848
Currency changes	0	0	0	0	0
Change in consolidated companies	0	0	0	0	0
Additions 2009	0	0	707	0	707
Disposals 2009	1,000	0	338	0	1,338
Transfers	0	0	0	0	0
Status as of 31.12.2009	51	0	15,166	0	15,217
Accumulated depreciations					
Status as of 01.01.2008	17	0	1,050	0	1,067
Currency changes	0	0	0	0	0
Change in consolidated companies	0	0	0	0	0
Additions 2008	0	0	0	0	0
Disposals 2008	17	0	0	0	17
Transfers	0	0	3,494	0	3,494
Status as of 31.12.2008	0	0	4,544	0	4,544
Status as of 01.01.2009	0	0	4,544	0	4,544
Currency changes	0	0	0	0	0
Change in consolidated companies	0	0	0	0	0
Additions 2009	0	0	1,330	0	1,330
Disposals 2009	0	0	1	0	1
Transfers	0	0	0	0	0
Status as of 31.12.2009	0	0	5,873	0	5,873
Remaining book values					
Status as of 31.12.2009	51	0	9,293	0	9,344
Status as of 31.12.2008	1,051	0	10,253	0	11,304

5 Other long-term assets

The other long-term assets and accounts due from affiliated companies in the total amount of 804,000 €

(prev. year: 1,981,000 €) are explained in numbers 9 and 10.

6 Deferred taxes

The deferred tax assets in the amount of 805,000 € (prev. year: 596,000 €) and the deferred tax liabilities in the amount of 2,225,000 € (prev. year: 6,030,000 €) result from temporary differences in the valuations between the consolidated balance

sheet and the tax balance sheet. The deferred taxes were formed on the level of the individual companies; thus, satisfying the requirement of IAS 12.71 and IAS 12.74, the deferred tax assets and liabilities have been balanced out.

The deferred taxes concern the following balance sheet positions:

	number	Deferred tax assets		Deferred tax liabilities	
		31.12.2009 €'000	31.12.2008 €'000	31.12.2009 €'000	31.12.2008 €'000
Intangible assets	1	0	0	884	1,666
Fixed assets	2	0	0	6,573	6,620
Financial assets	3 / 4	0	0	0	0
Inventories	7	189	139	0	31
Other assets	5 / 8 / 9 / 10	1,970	1,595	0	25
Pension accruals	17	218	97	241	426
Other accruals	18	306	280	0	51
Liabilities	19 / 20 / 21	2,503	57	0	33
Losses carried forward		1,092	1,250	0	0
Balancing		-5,473	-2,822	-5,473	-2,822
Balance sheet item		805	596	2,225	6,030

Taking into account the minimum taxation, the domestic losses carried forward in the amount of 87,235,000 € can be carried forward without limitation in time; the losses carried forward of the subsidiary Deutsche Steinzeug America in the amount of 237,000 € will expire in the years 2015 to 2027, the losses carried forward of the subsidiary Deutsche Steinzeug Italia in the amount of 56,000 € are limited to 5 years. The specific regulations of the individual countries were taken into consideration at the valua-

tion accordingly. On the basis of the expected taxable income of the following three years and in consideration of the expenses for the debt warrant, the discounted advantage resulting from the continued use of the tax loss carryforwards was capitalized as of 31.12.2009.

The individual balance sheet positions are explained under the stated number; for further details on the deferred taxes, see number 30 "Taxes on income".

Short-term assets

The short-term assets include the inventories, short-term accounts receivable as well as securities and liquid assets.

7 Inventories

	31.12.2009	31.12.2008
	€'000	€'000
Raw materials and supplies	6,539	6,703
Work in process	3,622	3,735
Finished goods and merchandise	31,576	42,261
	41,737	52,699

The inventories are pledged in the amount of 41,728,000 € (previous year: 52,690,000 €) as security for liabilities due to banks. Of the total

inventories, 17,907,000 € (previous year: 18,893,000 €) are capitalized at net value on realization.

The value adjustments of the inventories developed as follows:

	2009	2008
	€'000	€'000
Accumulated value adjustments as of 01.01.	16,066	14,137
Expense in the period under review	5,333	5,939
Write-up / utilization	-7,460	-4,010
Accumulated value adjustments as of 31.12.	13,939	16,066

8 Accounts receivable, trade

The accounts receivable, trade are all due within one year and developed as follows in the fiscal year 2009:

	31.12.2009	31.12.2008
	€'000	€'000
Accounts receivable, trade	15,420	19,792

For recognizable non-payment risks, value adjustments in the amount of 1,183,000 € (previous year:

1,387,000 €) were reported as of 31 December 2009, which developed as follows:

	2009			2008		
	Indiv. case €'000	Portfolio €'000	Total €'000	Indiv. case €'000	Portfolio €'000	Total €'000
Status as of 1 January	984	403	1,387	691	426	1,117
Allocations	322	13	335	594	0	594
Exchange differences	-1	0	-1	-11	0	-11
Utilizations	-362	0	-362	-256	0	-256
Closings	-67	-109	-176	-34	-23	-57
Status as of 31 December	876	307	1,183	984	403	1,387

The accounts receivable, trade are pledged by blanket assignment as security for the liabilities due to banks.

The situation analysis as of the balance sheet date 31.12.2009 shows the following:

	31.12.2009	31.12.2008
	€'000	€'000
(Net) book value as of 31 December	15,420	19,792
Value adjustments	1,183	1,387
Book value before adjustment as of 31 December	16,603	21,179

Thereof:

Neither depreciated nor overdue as of the balance sheet date	13,970	16,394
Account receivable becomes due within 30 days	8,499	7,900
Account receivable becomes due in 31 to 60 days	3,107	4,322
Account receivable becomes due in 61 to 90 days	1,413	2,236
Account receivable becomes due after 91 days	951	1,936

Thereof:

Not depreciated but overdue as of the balance sheet date	616	2,743
Customer in default for max. 30 days	485	2,563
Customer in default for between 31 and 60 days	63	10
Customer in default for between 61 and 90 days	6	0
Customer in default for more than 90 days	62	170

Thereof:

Depreciated but not overdue as of the balance sheet date	103	50
Account receivable becomes due within 30 days	51	0
Account receivable becomes due in 31 to 60 days	52	50
Account receivable becomes due in 61 to 90 days	0	0
Account receivable becomes due after 91 days	0	0

Thereof:

Depreciated and overdue as of the balance sheet date	1,913	1,992
Customer in default for max. 30 days	208	654
Customer in default for between 31 and 60 days	366	182
Customer in default for between 61 and 90 days	169	341
Customer in default for more than 90 days	1,170	815

9 Accounts due from affiliated companies

The accounts due from affiliated companies have developed in the fiscal year as follows:

	Accounts due from affiliated companies as of 31.12.2009	Accounts due from affiliated companies as of 31.12.2008
	€'000	€'000
with a remaining term of		
up to 1 year	49	1,647
more than 1 year	0	0
Total	49	1,647

Accounts in foreign currency open on the balance sheet date were valued at the rate on the balance sheet date.

10 Other accounts receivable and assets

The other accounts receivable and assets include other accounts receivable and assets, securities and accruals. In contrast to the Commercial Code (HGB), IAS 1 does not provide for a separate position for the

deferred charges. That is why they are allocated to the other assets.

The values developed as follows:

	Value on 31.12.2009	with a remaining term of		Value on 31.12.2008	with a remaining term of	
	€'000	up to 1 year €'000	over 1 year €'000	€'000	up to 1 year €'000	over 1 year €'000
Other accounts receivable and assets	4,012	3,648	364	4,560	2,579	1,981
Deferred charges	828	388	440	879	879	0
	4,840	4,036	804	5,439	3,458	1,981

The position "Other accounts receivable and assets" includes in particular rent deposits and other security deposits, tax receivables, accounts due from em-

ployees and outstanding accounts payable. The interest for leasing contracts is included in the position "Deferred charges".

11 Liquid funds

	31.12.2009	31.12.2008
	€'000	€'000
Checks and cash on hand	19	45
Cash in bank	7,405	4,214
	7,424	4,259

The cash on hand and the cash in bank are balanced at nominal amount; cash equivalents are not held. The day-to-day cash in bank is pledged as security

for guarantees received and import documentary letters of credit in the amount of 1,464,000 €.

12 Assets held for sale

As of the balance sheet date 31.12.2009, the fixed assets of the Meißen production site were transferred

to this position as this site was sold with economic effect as of 31 March 2010 – also see number 38.

Shareholders' equity

The equity capital of Deutsche Steinzeug Group includes:

- the share capital and the statutory reserves of Deutsche Steinzeug Cremer & Breuer AG
- the reserve provided for by the Articles of Incorporation of Deutsche Steinzeug Italia s.r.l.

- the reserves for own shares of the consolidated companies since belonging to the Group and
- the effects of the consolidation measures

The development of the equity capital is shown in a statement of changes in equity capital as appendix to the financial statements.

13 Subscribed capital

The subscribed capital of Deutsche Steinzeug Cremer & Breuer AG is 27,615,618.-- € (previous year: 27,615,618.-- €) and is divided up into

27,615,618 (previous year: 27,615,618) individual share certificates with an accounting par value of 1.-- €. The shares are in the name of the owners.

14 Earnings reserves

The reserves for own shares of the Group in the amount of 12,354,000 € (previous year: 33,238,000 €) include the prorated losses made by the consolidated companies since belonging to the Group as of 31.12.2003. The Group net losses having accumulated since 01.01.2004 (IFRS opening balance sheet) have been carried forward to this position. The depreciation of a goodwill in the amount of 3,367,000 € in the fiscal year was

directly posted to the earnings reserves as the goodwill was also formed via this position without effect on the operating result. In addition, foreign currency influences and the statutory reserve of Deutsche Steinzeug Cremer & Breuer AG are included in this item. In the year 2009, the Company for the first time made use of the option of recording actuarial profits/losses directly via the equity capital without effect on the operating result – also see number 17.

15 Minority share in the Group result

The minority share concerns the share of Friatec AG, Mannheim, in the profit for the year of the BAK

special assets. In the previous year, a balanced result was realized for these special assets.

16 Group result

This position includes the net loss for the fiscal year 2009 in the amount of 10,204,000 €.

Long-term liabilities

17 Accruals for pensions and similar obligations

The accruals for pensions are formed for obligations arising from expectancies and current pensions in respect of former and active employees of the Group as well as their surviving dependants.

The contractual age limit is reached upon completion of the 65th year. The old-age pension can be claimed before reaching this age limit if and as long as the person entitled to it receives the premature old-age pension of the statutory pension insurance fund. The old-age and disability pension corresponds to the product of the personal increment and the number of eligible years of service. The waiting period in the various pension plans is between 10 and 15 years. For every month of premature claiming of the old-age pension, a deduction of 0.4 % to 0.5 % per month, however not more than 9.6 % of the old-age pension calculated in this way, is made. The widow's pension and pension expectancies amount to 60 %.

The accruals for pensions are calculated according to IAS 19 on the basis of actuarial assumptions. With regard to the life expectancy, Klaus Heubeck's 2005G Actuarial Tables were used. A fluctuation was not taken into account, as the company pension systems had been closed in 1984/1996. The Defined Benefit Obligation (DBO) is carried as liability, taking into account scheduled assets. Reinsurances serve as scheduled assets.

From the fiscal year 2009, the actuarial profits/losses for the first time are recorded in the equity capital without affecting net income. With this change of method, the Company follows the literature in which the amortization affecting the operating result in the current fiscal year is considered to be extremely critical. Moreover, the application of this method is an adaptation to the meanwhile common practice of many listed companies. The actuarial profits/losses are recorded at net value – after deferred taxes – in the earnings reserves.

For the calculations, the following parameters were used:

	31.12.2009	31.12.2008
	%	%
Assumed rate of interest	5.50	6.00
Expected yield on scheduled assets	4.50	4.50
Salary trend	up to 1.75	up to 1.75
Pension trend	1.50	1.50

The balanced pension obligations exclusively exist at domestic companies; the discount rate applied for this is determined on the basis of first-rate, fixed-interest bearing industrial bonds. At the estimation of the future salary and pension trends, the duration

of the employment in the company and other factors of the labor market are taken into account. The pension obligations are fully financed by the companies; none of the obligations is financed via a fund.

The accrual for pensions and the pension expenses developed as follows:

	Status 01.01.2009	Change 2009	Status 31.12.2009	Status 01.01.2008	Change 2008	Status 31.12.2008
	€'000	€'000	€'000	€'000	€'000	€'000
Accrual for pensions	15,260	338	15,598	16,437	-1,177	15,260
Current service cost			103			163
Interest expense			1,145			1,121

The pension expenses are included in the personnel expenditure – the interest expense is reported pro ratio in the financial result.

The change of the Defined Benefit Obligation (DBO) as well as the scheduled assets results as follows:

	31.12.2009	31.12.2008
	€'000	€'000
Pension obligation (DBO) by 01.01.	19,503	20,267
Current service cost	103	163
Interest expense	1,145	1,121
Pension payments	-1,104	- 942
Actuarial profits (-)/losses	967	- 1,133
Transfer of pension obligations	-379	27
Pension obligation (DBO) by 31.12.	20,235	19,503
Scheduled assets by 01.01.	4,243	3,830
Revenue from scheduled assets	17	-116
Employers' contributions	377	529
Scheduled assets by 31.12.	4,637	4,243
Pension obligation (DBO) by 31.12.	20,235	19,503
minus scheduled assets by 31.12.	4,637	4,243
Pension reserve acc. to balance sheet as of 31.12.	15,598	15,260

5-year survey of the accruals for pensions

	31.12.2005	31.12.2006	31.12.2007	31.12.2008	31.12.2009
	€'000	€'000	€'000	€'000	€'000
Pension obligation DBO	68,347	22,826	20,267	19,503	20,235
Scheduled assets by	2,712	3,160	3,830	4,243	4,637
Pension reserve acc. to balance sheet	65,635	19,666	16,437	15,260	15,598
Actuarial profits (-)/losses on the pension obligation	-779	-4,520	-3,416	-1,133	967
Actuarial profits (-)/losses on the scheduled assets	0	0	0	0	30
Surplus / deficit (-) from scheduled assets	105	48	95	-117	17

18 Long- and short-term other accruals

The long- and short-term other accruals developed as follows in the fiscal year:

	Status 01.01.2008	Currency changes	Transfer 2008	Addition to conso- lidated companies	Utilization 2008	Retransfer 2008	Status 31.12.2008
	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Long-term accruals	1,311	0	20	0	0	0	1,331
Taxes	998	2	8	0	836	72	100
Personnel	2,437	2	2,964	0	2,211	101	3,091
Guarantees and other remunerations	5,384	1	3,377	0	4,495	328	3,939
Others	3,034	3	2,574	6	2,401	346	2,870
	13,164	8	8,943	6	9,943	847	11,331

	Status 01.01.2009	Currency changes	Transfer 2009	Addition to conso- lidated companies	Utilization 2009	Retransfer 2009	Status 31.12.2009
	T€	T€	T€	T€	T€	T€	T€
Long-term accruals	1,331	0	81	0	9	7	1,396
Taxes	100	0	4	0	79	1	24
Personnel	3,091	-1	2,983	0	2,776	140	3,157
Guarantees and other remunerations	3,939	0	3,763	0	2,856	684	4,162
Others	2,870	-2	2,900	0	2,421	149	3,198
	11,331	-3	9,731	0	8,141	981	11,937

The long-term accruals include obligations concerning the recultivation of areas as well as the reserve for the preservation of business records.

The tax accruals of the previous year included a reserve for trade tax for the fiscal year 2007 which was used in the fiscal year gone by after the assessment. The current tax accruals still include values for trade tax at a foreign subsidiary company and smaller individual risks.

The accruals for personnel include outstanding profit-sharing bonus and redundancy payments, contributions to trade associations as well as obligations arising from vacation and leisure time entitlements of employees.

In the accruals for guarantees and other remunerations, the obligations arising from the usual product guarantees are included as well as outstanding bonus payments.

In the other accruals, the accruals for restructuring costs, audit fees, invoices not yet received, litigation risks as well as further individual items are recorded.

19 Long- and short-term liabilities due to banks

The liabilities due to banks are subdivided into long- and short-term liabilities as follows:

	Value by 31.12.2009	Value by 31.12.2008
	€'000	€'000
Long-term liabilities due to banks	63,367	70,341
Short-term liabilities due to banks	224	432
	63,591	70,773

Of the liabilities due to banks, 63,383,000 € are secured by mortgages in the amount of 48,451,000 € (previous year: 28,364,000 €) and the rest by blanket assignment of trade receivables. Concerning the parent company, the liabilities due to banks are secured in addition by pledging of the inventories and the non-real-estate fixed assets as well as the shares in four subsidiary companies. In addition, all present and future brands, patents, rights of use, copyrights and all present and future cash in bank are pledged. These securities are provided by the companies Deutsche Steinzeug Cremer & Breuer AG, Deutsche Steinzeug Keramik GmbH, Jasba Mosaik GmbH, Meissen Keramik Vertriebs GmbH as well as Deutsche Steinzeug Immobilien GmbH & Co. KG. At the American subsidiary company, the entire actual assets are pledged as security for the liabilities due to banks of this company in the amount of 208,000 € (previous year: 146,000 €). The subsidiary company Deutsche Steinzeug Immobilien GmbH & Co. KG concluded

an interest rate hedge agreement for a one-time payment in the amount of 9,000 € by which an interest rate upper limit (interest cap) was fixed for a part of its loans and the variable interest rate was changed into a fixed interest rate (interest swap) for another part of its loans. In the case of a premature termination of the interest rate hedge agreement, a payment obligation in the amount of 105,000 € would have resulted on the balance sheet date of 31 December 2009. The interest cap has a term until 30 March 2011, and the interest swap has a term until 30 December 2012.

In the liabilities due to banks, a repayment obligation in the amount of 6,897,000 € from the waiver of claims outstanding of the lenders is balanced – also see number 35.

Liabilities due to banks with a remaining term of more than 5 years do not exist.

20 Accounts payable, trade

In the accounts payable, trade, the obligations from supplies and services received as well as the bills of exchange payable related to them are shown.

	Value by 31.12.2009	with a remain. term of		Value by 31.12.2008	with a remaining term of	
	€'000	u. t. 1 year	over 1 year	€'000	u. t. 1 year	over 1 year
	€'000	€'000	€'000	€'000	€'000	€'000
Accounts payable, trade	14,336	12,648	1,688	19,515	17,783	1,732
- of which bills of exchange payable	0	0	0	32	32	0

Trade accounts payable in foreign currency open on the balance sheet date were valued at the rate on the balance sheet date. The reported amounts

correspond to the attributable current values. Accounts payable, trade with a remaining term of more than 5 years do not exist.

21 Long- and short-term other liabilities

The long- and short-term other liabilities include the accounts due to affiliated companies, the other liabilities and the accruals and deferrals. As already

mentioned under number 10, IAS 1 does not provide for a separate position for the deferred income in the balance sheet.

	Value by	with a remain. term of		Value by	with a remain. term of	
	31.12.2009	u. t. 1 year	over 1 year	31.12.2008	u. t. 1 year	over 1 year
	€'000	€'000	€'000	€'000	€'000	€'000
Accounts due to affiliated companies	84	84	0	1,791	1,791	0
	84	84	0	1,791	1,791	0
Liabilities from taxes	455	455	0	401	401	0
Liabilities in the scope of social security	577	312	265	765	547	218
Other liabilities	9,408	7,145	2,263	10,225	5,926	4,299
Deferred income	36	36	0	55	55	0
	10,476	7,948	2,528	11,446	6,929	4,517
	10,560	8,032	2,528	13,237	8,720	4,517

The liabilities from taxes essentially include the liabilities resulting from wage and church tax as well as solidarity surcharge on income tax. Liabilities from taxes with a remaining term of more than 5 years do not exist.

The liabilities in the scope of social security essentially include the liability from the change of the financing method due to Pensionssicherungsverein. Of the liabilities in the scope of social security, an amount

of 116,000 € has a remaining term of more than 5 years.

The other liabilities include the compensating payment to Pensionssicherungsverein. Furthermore, liabilities due to employees in the amount of 1,406,000 € (previous year: 901,000 €) are included in this position. Of the other liabilities, an amount of 274,000 € has a remaining term of more than 5 years.

Explanations of the consolidated profit and loss statement

	Business segments to be continued		Abandoned business segment		Total Group	
	2009 €'000	2008 €'000	2009 €'000	2008 €'000	2009 €'000	2008 €'000
Sales	170,888	203,109	20,782	28,838	191,670	231,947
Change in finished goods and work-in-progress	-7,081	-4,616	0	0	-7,081	-4,616
Other own work capitalized	393	160	0	0	393	160
Total operating performance	164,200	198,653	20,782	28,838	184,982	227,491
Other operating income	33,635	9,563	316	240	33,951	9,803
Cost of materials	74,395	87,986	15,977	21,505	90,372	109,491
Personnel expenses	62,749	68,261	1,173	1,197	63,922	69,458
Depreciations	17,585	11,616	3	3	17,588	11,619
Other operating expenses	45,482	49,424	3,805	4,887	49,287	54,311
	166,576	207,724	20,642	27,352	187,218	235,076
Earnings before interest and taxes (EBIT)	-2,376	-9,071	140	1,486	-2,236	-7,585
Result from investments	-1,330	0	0	0	-1,330	0
Interest income	149	160	26	5	175	165
Interest expense	-10,336	-9,166	-53	-174	-10,389	-9,340
Financial results	-11,517	-9,006	-27	-169	-11,544	-9,175
Net operating income	-13,893	-18,077	113	1,317	-13,780	-16,760
Taxes	-3,683	42	0	1	-3,683	43
Result incl. minority share	-10,210	-18,119	113	1,316	-10,097	-16,803
Transfer to minority share	-107	0	0	0	-107	0
Result	-10,317	-18,119	113	1,316	-10,204	-16,803
	€	€	€	€	€	€
The result per share is	-0.37	-0.66	0.00	0.05	-0.37	-0.61

22 Sales

The sales, which almost exclusively result from the supply of ceramic covering materials, are divided up as follows:

	2009	2008
	€'000	€'000
Germany	113,676	142,099
Other countries	77,994	89,848
	191,670	231,947

Referred to the external sales, domestic sales in the amount of 111,327,000 € (prev. year: 138,172,000 €)

and international sales in the amount of 80,343,000 € (prev. year: 93,774,000 €) result.

23 Other own work capitalized

The own work capitalized in the amount of 393,000 € was completely allocated to the position technical plants and machines.

24 Other operating income

The other operating income includes the following:

	2009	2008
	€'000	€'000
Income from the refund of mineral oil and electricity tax	2,525	2,940
Income from the disposal of fixed assets	759	1,191
Income from the retransfer of reserves	1,388	776
Income from payments of damages	669	99
Actuarial profit from the pension reserves	0	1,121
Receipts from depreciated accounts	260	0
Income from waiver of claims outstanding	24,596	0
Other operating income	3,754	3,676
	33,951	9,803

The other operating income includes out-of-period income in the amount of 3,460,000 € (previous year: 2,782,000 €).

25 Cost of materials

The cost of materials is subdivided as follows:

	2009	2008
	€'000	€'000
Cost of raw materials and supplies	37,540	43,966
Cost of merchandise	21,754	33,415
Cost of purchased services	31,078	32,110
	90,372	109,491

26 Personnel expenses

The personnel expenses include the following:

	2009	2008
	€'000	€'000
Wages and salaries	51,781	56,717
Social security	11,351	11,813
Cost of pensions	790	928
	63,922	69,458

The cost of pensions include the benefits of Deutsche Steinzeug Group arising from contribution- and performance-oriented employer's pension commitments. The change in the pension reserve is set off against the current pension expenses. The interest

quota arising from pension obligations is reported in the financial result. The personnel expenses include 2,203,000 € of special effects in the scope of the restructuring.

In the fiscal year 2009 and 2008 respectively, the average number of employees in the Group was:

	2009	2008
Wage earners	1,055	1,105
Salaried employees	474	500
	1,529	1,605

27 Depreciations

The depreciations are divided up as follows:

	2009	2008
	€'000	€'000
Depreciations of intangible assets	64	82
Depreciations of property, plant and equipment	17,524	11,537
Depreciations of current assets	0	0
	17,588	11,619

In the year under review, non-scheduled depreciations in the amount of 9,297,000 € were carried out. They are divided up in 2,500,000 € on a

goodwill and in 6,797,000 € on land and technical equipment of the Meißen production site – also see numbers 1 and 2.

28 Other operating expenses

The other operating expenses mainly include freight charges, commissions, maintenance expenses, advertising expenses as well as rentals paid. The other operating expenses also include restructuring costs in the amount of 2,170,000 € as well as the other

taxes in the amount of 386,000 € (previous year: 540,000 €). Furthermore, out-of-period expenditures in the amount of 436,000 € (previous year: 319,000 €) are included in this item.

29 Financial results

The financial results include the following:

	2009	2008
	€'000	€'000
Depreciation of an investment recorded under the other assets	-1,330	0
Other interest and similar income	175	165
Interest and similar expenses	-10,389	-9,340
Net interest income	-10,214	-9,175
Financial results	-11,544	-9,175

In the net interest income, an interest expense on pension reserves in the amount of 1,145,000 € (previous year: 1,121,000 €) is included. In the fiscal year 2009, out-of-period interest expenses

in the amount of 1,000 € (previous year: 2,000 €) and out-of-period interest income in the amount of 7,000 € (previous year: 0,000 €) accumulated.

30 Taxes on income

The income taxes include the income taxes paid or unpaid in the individual countries as well as the deferred taxes. The taxes comprise trade tax on earnings, corporate income tax, solidarity

surcharge on income tax and the corresponding foreign income taxes.

The expenditure for income taxes is divided up according to origin as follows:

	2009	2008
	€'000	€'000
Current taxes in Germany	1	-33
Current taxes abroad	-66	6
Current taxes	-65	-27
Deferred taxes in Germany	3,704	62
Deferred taxes abroad	44	8
Deferred taxes	3,748	70
Income taxes	3,683	43

The current taxes include out-of-period tax proceeds in the amount of 1,000 € (previous year: 26,000 €), the current tax expenditure in the amount of 66,000 € (previous year: 27,000 €) concerns the

current year. Of the deferred taxes, proceeds in the amount of 281,000 € were directly entered in the equity capital, this being the corresponding item of the actuarial loss – also see number 17.

The income taxes can be transferred to the fictitious expenditure for income taxes which would have resulted if the Group tax rate of Deutsche Steinzeug

Cremer & Breuer AG of 30% had been applied to the IFRS Group result before taxes as follows:

	2009	2008
	€'000	€'000
Result before taxes	-10,097	-16,760
Tax rate of Deutsche Steinzeug Group	30%	30%
Fictitious expenditure for income taxes	0	0
Setting off of the current profit against the tax loss carryforward	0	0
Tax refunds from previous years	1	-68
Tax expenditures of current year	-66	41
Deviating tax rates	0	0
Capitalization of tax loss carryforward	0	0
Valuation corrections of deferred taxes	3,748	70
Total amount transferred	3,683	43
Income tax expenditure	3,683	43

31 Net earnings per share

The key indicator for the net earnings per share results from the division of the Group result by the

average weighted number of common shares issued during the period.

The net earnings per share developed as follows:

	2009	2008
Number of individual share certificates (weighted)	27,615,618	27,615,618
Group result in €	-10,204,231	-16,803,282
Net earnings per share (in €)	-0.37	-0.61

The net earnings per share for the fiscal year 2008 amount to -0.64 €, taking into account the change of method to be applied retrospectively with regard to the setting off of the actuarial profits/losses against the earnings reserves.

Cash flow statement

32 Explanations of the cash flow statement

Following IAS 7, the cash flow statement shows the change of the liquid funds/marketable securities in the course of the period under review. For this purpose, a distinction is made between three categories: the cash flow arising from current business operations, the cash flow arising from investment activity and the cash flow arising from financing activity. The liquid funds/marketable securities comprise the liquid assets of the Group.

In the fiscal year 2009, the cash flow arising from current business operations decreased by 2.7 million € to -4.8 million €. The worse result compared to the previous year, adjusted by depreciations and non-cash income in the amount of -7.9 million €, is accompanied by a higher decrease of inventories compared to the previous year in the amount of 2.4 million €, a reduction of the accounts receivable in the amount of 5.5 million € and an increase in accruals of 1.8 million €. This effect is reduced again by a more significant decline in liabilities – in contrast to the previous year – in the amount of 6.3 million €. The cash flow arising from current business operations includes interest expenses of 2.7 million € and interest income of 0.1 million €.

The outflow of funds for investments amounts to 2.7 million € (previous year: 5.6 million €) in the fiscal year. The reason for the change compared to the previous year is an investment activity by 1.8 million € lower with regard to the commercial real estate at Frechen. Furthermore, investments in the amount of 2.9 million € were made via Finance-Lease contracts whose addition at this position – due to the lack of outflow of funds – was balanced out with the corresponding increase in liabilities. The payment received by 1.0 million € lower compared to the previous year as a result of the sale of real estate has a contrary effect.

The cash flow arising from financing activity shows a flow of funds of 10.9 million € (previous year: 4.0 million €) for the year 2009. This does not include the waiver of claims outstanding in the amount of -25.0 million € and the carrying of the debt warrant as liability in the amount of 6.9 million € for lack of flow of liquidity. With the balance value from waiver of claims outstanding and debt warrant in the amount of -18.1 million €, the flow of funds of 10.9 million € can be transitioned to the inflow of funds according to the balance sheet change in the liabilities due to banks in the amount of -7.2 million €.

Segment reporting

33 Explanations of the segment reporting

According to the regulations of IFRS 8 (Operating Segments), individual data of annual financial statements have to be separately reported. The division is oriented to the internal reporting, which permits a reliable assessment of the risks and income of the Group. By the division into segments, the nature and the financial effects of the business activity as well as the economic environment of the Group are to be made clearer.

Deutsche Steinzeug Group organizes the internal control according to three operating segments:

The operating segment "Producing parent company" produces ceramic covering materials and organizes the purchase of merchandise. At the same time, it makes administrative services available to the marketing companies.

The segment "Architectural Ceramics business and specialized wholesale trade" covers the complete distribution of the products produced by the parent company and the purchased merchandise procured by it to the specialized wholesale trade and in the Architectural Ceramics business.

The segment "DIY" covers the complete distribution of the products produced by the parent company and the purchased merchandise procured by it to DIY superstore chains.

The EBITDA of the operating units constitutes the central parameter in the Group and thus also in the segments in order to make decisions on the distribution of resources and to determine the earning power of the units. The Group financing and the taxes on income are controlled by the producing parent company, as it is connected with the marketing

companies via controlling and profit-transfer agreements. The internal prices between the producing company and the marketing companies are stipulated in the relevant supply contracts by a percentage deduction from the realized turnover. According to the internal reporting, the financial results are summarized in one position; the individual items of interest income and interest expense are reported in the profit and loss statement.

The scheduled depreciations concern the intangible assets and property, plant and equipment allocated to the individual segments. In the segment "Producing parent company", non-scheduled depreciations in the amount of 9,297,000 € (previous year: 3,668,000 €) were carried out. A description for this is to be found under number 27 as well as for intangible assets under number 1 and for property, plant and equipment under number 2. In addition, non-scheduled depreciations of "Real estate held as financial investment" in the amount of 1,330,000 € (previous year: 0,000 €) were carried out; this expense is included in the financial results – for this, also see number 3.

The division of the geographical segment information has been retained and is subdivided into the regions Germany, remaining EMU countries and the rest of the world.

The segment data are determined on the basis of the accounting and valuation methods applied in the consolidated financial statement.

The segment reporting is attached as appendix 2 to these notes.

Other explanations

34 Off-balance-sheet business transactions

Besides the accruals, liabilities and contingencies, there are off-balance-sheet transactions in the form of rental and leasing contracts as well as consignment stock agreements which mean liquidity advantages for investments and the procurement of operating resources.

An obligation in the amount of 6,839,000 € (prev. year: 12,533,000 €) results from future rental and leasing payments. On the balance sheet date 31.12.2009, raw materials, supplies and merchandise in the value of 847,000 € were stored in the consignment stocks.

35 Contingent liabilities and commitments

	31.12.2009	31.12.2008
	€'000	€'000
Rental and leasing obligations	0	0
Guarantees	353	358
Warranties	253	585
Commitments from purchase contracts	28,843	40,965
Order commitment for greater investments	0	9
	29,449	41,917

The item of the purchase contracts comprises the commitments from longer-term gas and electricity supply contracts as well as a license agreement for the utilization of the patent for the Hydrotec technology.

On 17 November 2009, the lenders granted the Company a waiver of claims outstanding in the amount of 32,819,000 €, which is provided with a debt warrant. This results in the fact that future annual net profits of the Company will be burdened by repayments to the lenders. The waiver of claims outstanding is composed of a credit tranche including

the interest having accumulated until 16 November 2009 in the total amount of 31,493,000 € and the interest expense not having become effective until 31 December 2009 in the amount of 1,326,000 €. An amount of 6,897,000 € discounted on the basis of a result extrapolation was balanced in the liabilities due to banks as repayment obligation arising from the debt warrant – also see number 19. The difference to the credit tranche inclusive of interest in the amount of 24,596,000 € was recorded with effect on the current-period result in the other operating income – also see number 24.

36 Remuneration of the Supervisory Board and the Board of Management

The remuneration of the Supervisory Board of Deutsche Steinzeug Cremer & Breuer AG is laid down in the Company's Articles of Incorporation. The total remuneration of the members of the Supervisory Board amounted to 179,000 € (previous year: 176,000 €) in 2009.

The total remuneration of the Board of Management amounted to 736,042 € (previous year: 728,000 €) in the year under review. The total remuneration for Mr. Dieter Schäfer amounted to 463,760 € (previous year: 464,000 €) and is divided up as follows: fixed component of 450,000 €, variable component of 0 € and benefits in money's worth of 13,760 €. The total remuneration for Mr. Eckehard Forberich amounted to 272,282 € (previous year: 263,000 €) and is di-

vided up as follows: fixed component of 252,000 €, variable component of 0 € and benefits in money's worth of 20,282 €. The pension reserve according to IFRS increased by 238,148 € (previous year: 44,000 €). Of this, a transfer in the amount of 142,781 € is allocated to the reserve for Mr. Dieter Schäfer and a transfer to the reserve for Mr. Eckehard Forberich in the amount of 95,367 €.

For pension obligations in respect of former members of the Board of Management and their surviving dependants, a total of 3,398,000 € (previous year: 3,257,000 €) has been allocated to pension reserves; the current remuneration for these persons was 268,000 € (previous year: 251,000 €).

37 Relations to affiliated companies and persons

The parent company Deutsche Steinzeug Cremer & Breuer AG has taken up a loan in the amount of 48,000 € from a non-consolidated subsidiary company; on the balance sheet date 31.12.2009, its value amounted to 53,000 € inclusive of interest. On the loan, the respective Group interest rate for accounting purposes, which was 10 % in the year 2009, is paid. Deutsche Steinzeug Cremer & Breuer AG has issued a letter of responsibility concerning another non-consolidated subsidiary company, as this company shows a negative equity capital in the amount of 192,000 € after the annual financial statement as of 31.12.2009.

On the balance sheet date, Deutsche Steinzeug Cremer & Breuer AG had a claim against this company in the amount of 49,000 €. For general administrative work, costs in the amount of 4,000 € were charged to these companies. Apart from this, business transactions with affiliated companies or persons that must be reported do not exist. Transactions between the companies of the Group were eliminated according to the consolidation principles. A survey of the companies belonging to Deutsche Steinzeug Group is attached as appendix 3 to these notes.

38 Events after the balance sheet date

With economic effect as of 31 March 2010, Deutsche Steinzeug Cremer & Breuer AG sold its shares in Meissen Keramik Vertriebs GmbH and the production site at Meißen to a foreign group of investors.

39 Appropriation of the net income of Deutsche Steinzeug Cremer & Breuer AG

The net loss for the year in the amount of 10,596,829.92 € as well as the profit carried forward from the previous year in the amount

of 2,967,444.23 €, thus -7,629,385.89 €, in total, are carried forward.

40 Corporate Governance Code

For the first time in December 2002 and last in December 2009, the Board of Management, at the same time acting on behalf of the Supervisory Board, made a statement concerning the compliance with the German Corporate Governance Code. According

to this statement, the requirements of the Code are met in principle. In ten cases, however, there are well-founded deviations from the recommendations. For this, refer to the publications on the internet at our homepage www.deutsche-steinzeug.de.

41 Group auditor's fees

In the expense of the fiscal year, Group auditor's fees in the amount of 353,000 € are included, which are divided up into 190,000 € for the audit

and Group audit of the Company, 103,000 € for the audit of the consolidated companies and 60,000 € for tax consultation and other services.

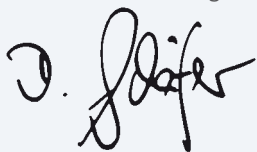
42 Assurance of the legal representatives

We assure to the best of our knowledge that, in accordance with the accounting principles to be applied, the consolidated financial statement conveys an accurate picture of the asset, financial and earnings situation of Deutsche Steinzeug Cremer & Breuer AG and that the Consolidated Management

Report presents the business trend inclusive of the operating result and the situation of the Company in such a way that an accurate picture is conveyed and the essential chances and risks of the Company's expected development are described.

Frechen, 31 March 2010

Deutsche Steinzeug Cremer & Breuer AG
The Board of Management



Dieter Schäfer



Eckehard Forberich

Development of fixed assets
 as appendix 1 to the group notes

	Total procurement and manufacturing costs						Status 31.12.2009 €'000
	Status 01.01.2009 €'000	Currency changes €'000	Changes in consolidated companies €'000	Additions 2009 €'000	Disposals 2009 €'000	Transfers 2009 €'000	
I. Intangible assets							
1. Trademarks and similar rights as well as licenses to such rights	2,819	0	0	5	19	0	2,805
2. Goodwill	19,041	0	0	0	0	0	19,041
	21,860	0	0	5	19	0	21,846
II. Fixed assets							
1. Land, leasehold, rights and buildings	92,902	-2	0	113	11,630	156	81,539
2. Technical equipment, plant and machinery	224,426	0	0	4,760	30,602	500	199,084
3. Other equipment, operational and office equipment	23,650	-14	0	406	1,928	18	22,132
4. Advance payments and construction in progress	859	0	0	61	2	-674	244
	341,837	-16	0	5,340	44,162	0	302,999
III. Other financial assets							
1. Shares in affiliated companies	1,051	0	0	0	1,000	0	51
2. Real estate held as financial investment	14,797	0	0	707	338	0	15,166
	15,848	0	0	707	1,338	0	15,217
	379,545	-16	0	6,052	45,519	0	340,062

	Total procurement and manufacturing costs						Status 31.12.2008 €'000
	Status 01.01.2008 €'000	Currency changes €'000	Changes in consolidated companies €'000	Additions 2008 €'000	Disposals 2008 €'000	Transfers 2008 €'000	
I. Intangible assets							
1. Trademarks and similar rights as well as licenses to such rights	2,819	0	0	0	0	0	2,819
2. Goodwill	19,041	0	0	0	0	0	19,041
	21,860	0	0	0	0	0	21,860
II. Fixed assets							
1. Land, leasehold, rights and buildings	98,161	3	0	316	187	-5,391	92,902
2. Technical equipment, plant and machinery	223,621	0	0	3,067	2,293	31	224,426
3. Other equipment, operational and office equipment	23,352	85	0	380	181	14	23,650
4. Advance payments and construction in progress	288	0	0	720	50	-99	859
	345,422	88	0	4,483	2,711	-5,445	341,837
III. Other financial assets							
1. Shares in affiliated companies	2,561	0	-1,038	0	472	0	1,051
2. Real estate held as financial investment	7,516	0	0	2,554	718	5,445	14,797
	10,077	0	-1,038	2,554	1,190	5,445	15,848
	377,359	88	-1,038	7,037	3,901	0	379,545

Accumulated depreciations							Book values		
Status 01.01.2009	Currency changes	Changes in consolidated companies	Additions 2009	Disposals 2009	Transfers 2009	Status 31.12.2009	Status 31.12.2009	Status 31.12.2008	
€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	
2,734	0	0	64	19	0	2,799	26	85	
4,174	0	0	5,867	0	0	10,041	9,000	14,867	
6,908	0	0	5,931	19	0	12,820	9,026	14,952	
68,163	-1	0	5,480	11,294	0	62,348	19,191	24,739	
182,515	0	0	8,913	29,744	0	161,684	37,400	41,911	
21,650	-11	0	632	1,827	0	20,444	1,688	2,000	
0	0	0	0	0	0	0	244	859	
272,328	-12	0	15,025	42,865	0	244,476	58,523	69,509	
0	0	0	0	0	0	0	51	1,051	
4,544	0	0	1,330	1	0	5,873	9,293	10,253	
4,544	0	0	1,330	1	0	5,873	9,344	10,304	
283,780	-12	0	22,286	42,885	0	263,169	76,893	95,765	

Accumulated depreciations							Book values		
Status 01.01.2008	Currency changes	Changes in consolidated companies	Additions 2008	Disposals 2008	Transfers 2008	Status 31.12.2008	Status 31.12.2008	Status 31.12.2007	
€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	
2,652	0	0	82	0	0	2,734	85	167	
4,174	0	0	0	0	0	4,174	14,867	14,867	
6,826	0	0	82	0	0	6,908	14,952	15,034	
66,353	2	0	5,333	31	-3,494	68,163	24,739	31,808	
179,203	0	0	5,595	2,283	0	182,515	41,911	44,418	
21,097	76	0	609	132	0	21,650	2,000	2,255	
0	0	0	0	0	0	0	859	288	
266,653	78	0	11,537	2,446	-3,494	272,328	69,509	78,769	
17	0	0	0	17	0	0	1,051	2,544	
1,050	0	0	0	0	3,494	4,544	10,253	6,466	
1,067	0	0	0	17	3,494	4,544	11,304	9,010	
274,546	78	0	11,619	2,463	0	283,780	95,765	102,813	

Segment Reporting as appendix 2 to the group notes

	Producing Parent company		Architectural Ceramics sector and specialized trade		DIY sector		Transition/ Consolidation		Deutsche Steinzeug Group	
	2009 €'000	2008 €'000	2009 €'000	2008 €'000	2009 €'000	2008 €'000	2009 €'000	2008 €'000	2009 €'000	2008 €'000
External sales	38	1,681	170,009	200,774	20,781	28,831	842	661	191,670	231,947
Comprehensive internal sales between the segments	148,778	178,364	2,266	355	1	7	-151,045	-178,726	0	0
Total sales	148,816	180,045	172,275	201,129	20,782	28,838	-150,203	-178,065	191,670	231,947
EBITDA	13,605	740	766	1,627	143	1,489	838	178	15,352	4,034
Special income	24,596	626	0	0	0	0	0	0	24,596	626
Special expenses	6,694	5,361	1,176	435	93	0	0	0	7,963	5,796
EBITDA before Special income/expenses	-4,297	5,475	1,942	2,062	236	1,489	838	178	-1,281	9,204
Depreciations	17,503	11,526	51	58	3	3	31	32	17,588	11,619
- of which non-scheduled	9,297	3,668	0	0	0	0	0	0	9,297	3,668
Financial result	-17,806	-7,333	-851	-1,487	-140	-1,482	7,253	1,127	-11,544	-9,175
Taxes on income	-3,559	-172	-184	132	0	1	60	82	-3,683	43
Result of the period	-18,145	-17,947	48	-50	0	3	8,000	1,191	-10,097	-16,803
Segment assets	141,943	176,871	27,796	30,298	2,700	3,828	-24,319	-30,800	148,120	180,197
Segment debt	109,847	126,108	11,112	13,509	1,159	2,287	-3,871	-5,758	118,247	136,146
Segment net assets	32,096	50,763	16,684	16,789	1,541	1,541	-20,448	-25,042	29,873	44,051
Longterm assets	71,766	89,054	969	696	19	3,388	5,748	5,204	78,502	98,342
Employees (annual average)	1,315	1,357	176	208	19	21	19	19	1,529	1,605

Geographical segment information

	Germany		Rest of EMU		Rest of world		Deutsche Steinzeug Konzern	
	2009 €'000	2008 €'000	2009 €'000	2008 €'000	2009 €'000	2008 €'000	2009 €'000	2008 €'000
External sales	111,327	138,172	37,982	41,625	42,361	52,149	191,670	231,947
Comprehensive internal sales between the segments	2,349	3,926	0	0	-2,349	-3,926	0	0
Total sales	113,676	142,098	37,982	41,625	40,012	48,223	191,670	231,947

Consolidated companies and balance sheet date as appendix 3 to the group notes

Company	Headquarters	Currency	Subscribed capital 31.12.2009	Share in the capital %
Parent company:				
Deutsche Steinzeug Cremer & Breuer AG	Frechen	€	27,615,618.00	
Companies belonging to the group:				
Germany				
Deutsche Steinzeug Keramik GmbH	Alfter-Witterschlick	€	12,326,000.00	100.0
Meissen Keramik Vertriebs GmbH	Dortmund	€	500,000.00	100.0
Jasba Mosaik GmbH	Ötzingen	€	1,023,000.00	100.0
Meissen Keramik Verwaltungs GmbH	Alfter-Witterschlick	€	26,000.00	100.0
Staloton Klinker Vertriebs GmbH	Schwarzenfeld	€	25,000.00	100.0
Deutsche Steinzeug Immobilien Verwaltungs-GmbH	Alfter-Witterschlick	DM	50,000.00	100.0
Deutsche Steinzeug Immobilien GmbH & Co. KG	Alfter-Witterschlick	DM	1,000,000.00	100.0
Geluna Vermögensverwaltung GmbH	Alfter-Witterschlick	€	520,000.00	100.0
BAK-Sondervermögen	Frechen	€	0.00	69.0
Foreign countries				
Deutsche Steinzeug America, Inc.	Alpharetta/USA	\$	300,000.00	100.0
Deutsche Steinzeug Italia s.r.l.	Veggia di Casalgrande/Italien	€	20,000.00	100.0
Deutsche Steinzeug Schweiz AG	Hergiswil/Schweiz	CHF	100,000.00	100.0
Deutsche Steinzeug France S.à.r.l.	Norroy le Veneur/Frankreich	€	50,000.00	100.0

Company	Headquarters	Currency	Subscribed capital 31.12.2009	Share in the capital %
Companies not belonging to the group				
Jasba Ofenkachel Vermögensverwaltung GmbH	Ransbach-Baumbach	€	300,000.00	100.0
Unterstützungskasse der Firmen AGROB AG und AGROB Fliesen GmbH	München	DM	50,000.00	100.0
Deutsche Steinzeug AG	Alfter-Witterschlick	€	50,000.00	100.0

The affiliated companies not belonging to the Group, each in itself and jointly, are of subordinate significance for presenting an image of the asset, financial and earnings position in correspondence with the actual situation.

A statement of the results of the last fiscal year for which an annual financial statement was drawn up is not made, as it is of subordinate significance for presenting an image of the Group's asset, financial and earnings position in correspondence with the actual situation.

Auditor's certificate

We have audited the consolidated annual financial statement – consisting of balance sheet, profit and loss statement, statement of income and accumulated earnings, capital flow statement, statement of changes in equity capital and notes – of Deutsche Steinzeug Cremer & Breuer AG, Frechen, as well as the report on the situation of the Company and the Group for the fiscal year from 01.01. to 31.12.2009. The preparation of the consolidated annual financial statement in accordance with the IFRS applicable in the EU and the provisions stipulated under Commercial Law pursuant to § 315a, section 1 of the Commercial Code (HGB) as well as the supplementary regulations in the articles of association falls within the responsibility of the legal representatives of the Company. It is our task to make a judgement on the consolidated annual financial statement and the report on the situation of the Company and the Group on the basis of the audit we have conducted.

We conducted our audit of the consolidated annual financial statement in accordance with § 317 of the Commercial Code (HGB), in compliance with the principles of proper auditing established by the IDW – Institut der Wirtschaftsprüfer (Institute of Auditors). Auditing should accordingly be planned and conducted in such a way that facilitates with adequate certainty the recognition of errors and breaches which essentially impact upon the representation of the asset, finance and earnings situation of the Group as laid out in the consolidated annual financial statement and the report on the situation of the Company and the Group which were compiled in strict adherence to the accounting regulations to be applied. In the determination of the auditing procedures, the knowledge on the business activity and on the economic and legal environment of the Company as well as the expectation of possible errors are taken into account. In the course of the audit, the efficiency of the internal controlling

system and verification of the details in the consolidated annual financial statement and in the report on the situation of the Company and the Group are assessed on the basis of random samples. The audit includes the assessment of the annual financial statements of the enterprises included in the consolidated annual financial statement, the delimitation of the consolidated Group, the applied accounting and consolidation principles and the assessment of the legal representatives as well as an assessment of the overall representation of the consolidated annual financial statement and the report on the situation of the Company and the Group. We are of the opinion that our audit forms a sufficient and secure basis for our judgement.

Our audit has not led to any objections.

According to our judgement based on the knowledge gained in the audit, the consolidated annual financial statement complies with the IFRS applicable in the EU and the provisions stipulated under Commercial Law pursuant to § 315a, section 1 of the Commercial Code (HGB) as well as the supplementary regulations in the articles of association and conveys – in compliance with these provisions – an accurate picture of the asset, financial and earnings situation of the Group. The report on the situation of the Company and the Group is in accordance with the consolidated annual financial statement, conveys an accurate picture of the situation of the Group and presents the chances and risks of the future development accurately.

Neuss, April 23, 2010

Dr. Glade, König und Partner GmbH
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

(Dr. Carsten Bentlage)
Auditor

Balance Sheet as of 31.12.2009 Deutsche Steinzeug Cremer & Breuer AG

Assets	Note number	31.12.2009 €'000	31.12.2008 €'000
Fixed assets			
Intangible assets		5,776	7,273
Property, plant and equipment		39,809	51,189
Financial assets		17,744	27,293
	3	63,329	85,755
Current assets			
Inventories	4	39,921	49,652
Accounts receivable and other assets	5	10,108	15,547
Shares in associated companies	6	1,447	600
Liquid funds		6,603	2,953
		58,079	68,752
Deferred charges and prepaid expenses	7	1,877	615
		123,285	155,122
Liabilities and shareholders' equity			
	Note number	31.12.2009 €'000	31.12.2008 €'000
Shareholders' equity			
Subscribed capital		27,616	27,616
Earnings reserves		2,762	2,762
Balance sheet profit / loss (-)		-7,630	2,967
	8	22,748	33,345
Accruals and accrued liabilities	10	19,122	19,686
Liabilities	11	81,413	102,091
Deferred charges and prepaid expense		2	0
		123,285	155,122

Profit and Loss Statement for 2009 Deutsche Steinzeug Cremer & Breuer AG

	Note number	2009 €'000	2008 €'000
Sales	15	148,816	180,045
Change in finished goods and work-in-progress		-6,667	-4,580
Other own work capitalized		73	160
Other operating income	16	8,821	9,897
		151,043	185,522
Cost of materials	17	88,817	107,769
Personnel expenses	18	50,853	54,890
Depreciation on intangible assets, plant and equipment	19	8,984	11,465
Other operating expenses	20	23,030	22,786
		171,684	196,910
		-20,641	-11,388
Financial results	21	-8,552	-7,179
Net operating income		-29,193	-18,567
Extraordinary results	22	18,924	0
Taxes	23	328	381
Net loss		-10,597	-18,948
Retained earnings brought forward from the previous year		2,967	21,915
Balance sheet profit / loss (-)		-7,630	2,967

Notes 2009

Deutsche Steinzeug Cremer & Breuer AG

1 General

The annual financial statement of Deutsche Steinzeug Cremer & Breuer AG has been prepared in accordance with the provisions of the Commercial Code (HGB)

and of the Stock Corporation Law (Aktiengesetz). The presentation of the profit and loss statement is made using the total cost method.

2 Accounting and valuation principles

Intangible assets and property, plant and equipment always have been valued at cost of acquisition or of production, minus the scheduled straight-line and non-scheduled depreciations, inclusive of non-scheduled special depreciations in respect of tax law. As of 2008, the additions of low-value items up to 150 € are fully depreciated. Low-value items of the fixed assets over 150 € and up to 1,000 € are allocated to a collective item and depreciated by the straight-line method over the period of usefulness of 5 years. The financial assets are assessed at cost of acquisition minus depreciations at the lower attributable value. The goodwill amortization is made pursuant to § 255, section 4, clause 3 in accordance with the expected utilization and analogous to the tax law provisions, i.e. straight-line with 6 2/3 % p.a. (§ 7, section 1, clause 3 of the Income Tax Law) plus non-scheduled depreciations because of expected continuous decline in economic usefulness. In the year under review, non-scheduled depreciations in the amount of 5,338,242.31 € were made on the fixed assets of the Meißen site. Furthermore, the investment valuation of the subsidiary company Meissen Keramik Vertriebs GmbH was depreciated by 7,701,847.51 € to 847,000.00 €.

The inventories are valued at cost of acquisition or of production or at lower stock market prices or market values or at attributable values. Raw materials and supplies, operating materials and merchandise are assessed at costs of acquisition. Goods are valued at costs of production. The costs of production include those costs which can or must be reported according to the tax provisions. Interest which accrues in the period of production has not been included as assets. Deductions in value for recognizable risks, especially for such risks which result from period of storage

and reduced utility value, have been made on an adequate scale.

Accounts receivable and other assets always have been valued at cost of acquisition. Foreign currency items have been assessed at the rate of their establishment or at the lower rate on the balance sheet date. Risks in the case of accounts receivable have been taken into consideration by means of adequate individual or general allowances. Covering claims from life insurances have been assessed at their actuarial asset value and dealt with as long-term assets. In the case of the shares in associated companies in the current assets, special depreciations were made, i.e. they have been assessed at the lower attributable value. The liquid assets valued at the nominal value include cash in bank and cash in hand. The prepayments and accrued income include a discount in the amount of 18,000 €.

The pension accruals have been determined on the basis of actuarial calculations by the component-based method, taking as a basis the 2005 G Actuarial Tables of Prof. Klaus Heubeck and an interest rate of 6 %, in accordance with the regulations of § 6a EStG (German Income Tax Law).

The other accruals and accrued liabilities take into account all recognizable risks and other uncertain obligations. The valuation of the reserves has been made according to a prudent commercial assessment. The liabilities are valued at the repayment amounts, pension debts have been assessed at their actuarial cash value. Liabilities in foreign currencies have been assessed at the rate of their establishment or at the higher rate on the balance sheet date.

Explanations relating to balance sheet

3 Fixed assets

The itemization of the asset positions and their development in the year 2009 are presented as appendix 1 to these notes (Analysis of fixed assets).

4 Inventories

This item includes:

	31.12.2009	31.12.2008
	€'000	€'000
Raw materials and supplies	6,513	6,674
Work in progress	3,622	3,735
Finished goods and merchandise	29,786	39,243
	39,921	49,652

5 Accounts receivable and other assets

	31.12.2009	31.12.2008
	€'000	€'000
Accounts receivable, trade	73	94
- of which with a remaining term of more than one year	0	0
Accounts due from affiliated companies	245	5,459
- of which with a remaining term of more than one year	0	0
Other assets	9,790	9,994
- of which accounts receivable with a remaining term of more than one year	5,368	6,878
Total	10,108	15,547
- of which with a remaining term of more than one year	5,368	6,878

Other assets include reinsurances of 5,246,000 € (previous year: 4,999,000 €). Of the accounts due from affiliated companies, 0,000 € (previous year:

1,464,000 €) are allotted to those from accounts receivable, trade; 245,000 € (previous year: 3,995,000 €) are allotted to other assets.

6 Marketable securities

In this position, the investments in Deutsche Steinzeug Immobilien GmbH & Co. KG, GELUNA Vermögensverwaltung GmbH, Meissen Keramik

Vertriebs GmbH and Jasba Ofenkachel Vermögensverwaltung GmbH are listed.

7 Deferred charges and prepaid expenses

Discounts in accordance with § 250 sect. 3 of the Commercial Code (HGB) amount to 18,000 € (previous year: 80,000 €) on the reporting date.

8 Shareholders' equity/balance sheet profit

	31.12.2009	31.12.2008
	€'000	€'000
Subscribed capital	27,616	27,616
Earnings reserves – statutory reserve –	2,762	2,762
Balance sheet profit / loss (-)	-7,630	2,967
Equity	22,748	33,345

Development of the equity capital in the fiscal year

	Subscribed capital	Earned surplus	Balance sheet profit	Equity capital
	€'000	€'000	€'000	€'000
Status 01.01.2009	27,616	2,762	2,967	33,345
Net loss	0	0	-10,597	-10,597
Status 31.12.2009	27,616	2,762	-7,630	22,748

Balance sheet profit

	2009	2008
	T€	T€
Net loss	-10,597	-18,948
Retained earnings brought forward from the previous year	2,967	21,915
Balance sheet profit / loss (-)	-7,630	2,967

9 Subscribed capital

The subscribed capital of Deutsche Steinzeug Cremer & Breuer AG amounts to 27,615,618.-- € and is divided up into 27,615,618 individual share

certificates with an accounting par value of 1.--. €
The shares are in the name of the owners.

10 Accruals and accrued liabilities

Accruals for pensions and similar liabilities have been formed for obligations arising from current pensions, expectancies and obligations similar to pensions as well as their safeguarding. The 2005 G Actuarial Tables of Klaus Heubeck have been adopted. The interest expenditure for the pension obligations is included in the financial result.

The other accruals essentially include amounts for expenditures on personnel, warranties and recultivation obligations as well as for outstanding invoices.

Composition

	31.12.2009	31.12.2008
	€'000	€'000
Pension accruals	11,759	11,652
Tax accruals	0	72
Other accruals and accrued liabilities	7,363	7,962
	19,122	19,686

Structure of other accruals and accrued liabilities

	31.12.2009	31.12.2008
	€'000	€'000
Accruals for personnel	2,292	2,388
Outstanding invoices	585	580
Warranties	1,712	1,832
Recultivation obligations	1,419	1,374
Restructuring expenditures	541	785
Other obligations	814	1,003
	7,363	7,962

11 Liabilities

Type of liabilities	Remaining term			Total €'000
	of up to one year €'000	of 2 to 5 Jahre €'000	of more than 5 years €'000	
1. Liabilities due to banks	15	49,600	0	49,615
prev. year	252	64,041	0	64,293
2. Accounts payable, trade	9,557	714	0	10,271
prev. year	14,493	1,658	74	16,225
3. Accounts due to affiliated companies	13,088	2,600	0	15,688
prev. year	11,080	3,500	0	14,580
4. Other liabilities	3,330	2,119	390	5,839
prev. year	2,468	3,939	586	6,993
	25,990	55,033	390	81,413
prev. year	28,293	73,138	660	102,091

The liabilities due to banks in the amount of 49,600,000 € are secured by mortgages on own real property in the amount of 38,451,000 € (prev. year: 18,364,000 €) and the rest by blanket assignment of trade receivables, by pledging of inventories and the non-real-estate fixed assets as well as of the shares in four subsidiary companies. Furthermore, all present and future brands, patents, rights of use,

copyrights and all present and future cash in bank are pledged. In addition, there is a first land charge in favour of Pensionsversicherungsverein, Cologne, in the amount of 6,000,000 € (prev. year: 6,000,000 €); on the balance sheet date, the liability to be secured amounts to 3,683,000 €. Like in the previous year, the accounts due to affiliated companies have the character of other liabilities.

12 Other liabilities

The other liabilities include:

	31.12.2009 €'000	31.12.2008 €'000
Liabilities from taxes	219	198
Liabilities from social security	420	352
	639	550

13 Off-balance-sheet business transactions (§ 285 no. 3 HGB)

Besides the accruals, liabilities and contingencies, there are off-balance-sheet transactions in the form of rental and leasing contracts as well as consignment stock agreements which mean liquidity advantages for investments and the procurement of operating resources. An obligation in the amount

of 6,509,000 € (prev. year: 8,548,000 €) results from future rental and leasing payments. On the balance sheet date, i.e. 31 December 2009, raw materials, supplies and merchandise in the value of 847,000 € were stored in the consignment stocks.

14 Contingent liabilities and commitments
(§ 285 no. 3a HGB)

	31.12.2009	31.12.2008
	€'000	€'000
Contingent liabilities		
Liabilities from guarantees and similar commitments	0	0
Liability arising from the order of securities for external liabilities	1,230	1,230
Liability from indemnity agreements	309	323
Contingent liabilities for pension obligations	939	1,002
	<u>2,478</u>	<u>2,555</u>
Commitments		
Commitments from purchase contracts	28,843	40,965
Order commitment for greater investments	0	9
	<u>28,843</u>	<u>40,974</u>
	<u>31,321</u>	<u>43,529</u>

The item of the purchase contracts comprises the commitments from longer-term gas and electricity supply contracts as well as a license agreement for the utilization of the patent for the Hydrotect technology.

On 17 November 2009, the lenders granted the Company a waiver of claims outstanding in the amount of 32,819,000 €, which is provided with a debt warrant. This results in the fact that future annual net profits of the Company will be burdened by repayments to the lenders.

The waiver of debt outstanding is composed of a credit tranche including the interest having accumulated until 16 November 2009 in the total amount of 31,493,000 € (also see point 22) and the interest expense not having become effective until 31 December 2009 in the amount of 1,326,000 €.

The company has issued a letter of responsibility concerning a non-operating property-management company, as this company shows a negative equity capital in the amount of 192,000 € in the annual financial statement as of 31.12.2009.

Explanations of the profit and loss statement

15 Sales (§ 285 no. 4 HGB)

	2009	2008
	€'000	€'000
Income taxes	148,816*	175,512*
Other countries	0	4,533
	148,816	180,045

* mainly intra-company sales of Deutsche Steinzeug Cremer & Breuer AG to its marketing companies

16 Other operating income

Other operating income essentially includes: energy tax refunds, rental income, income from the passing on of costs to affiliated companies, income arising from the release of reserves and of valuation reserves, income arising from incidental revenue.

The out-of-period income included in this item is 2,107,000 € (prev. year: 2,135,000 €).

17 Cost of materials

	2009	2008
	€'000	€'000
Cost of raw materials, supplies and merchandise and for purchased goods	57,825	75,762
Cost of purchased services	30,992	32,007
	88,817	107,769

18 Personnel expenses/employees (§ 285 no. 7 HGB)

	2009	2008
	€'000	€'000
Wages and salaries	40,990	44,750
Social security	9,360	9,655
Cost of pensions	503	485
	50,853	54,890

Annual average number of employees	2009	2008
Wage earners	1,046	1,088
Salaried employees	269	269
	1,315	1,357

19 Depreciations

Of the depreciations, 1,437,000 € (prev. year: 1,437,000 €) are accounted for by a goodwill which is written off by the straight-line method over 15 years pursuant to § 253 sect. 3 clauses 1 and 2 of the German Commercial Code (HGB).

The expected future period of usefulness corresponds at least to the remaining period of depreciation of four years. In the year under review, non-scheduled depreciations in the amount of 5,338,000 € on the fixed assets of the Meißen site were made.

20 Other operating expenses

The position of other operating expenses includes repairs and third-party work, marketing expenditures, renting and leasing expenditures, guarantee expenditures as well as other administration costs. In addition, the other operating expenses include

restructuring costs in the amount of 1,790,000 € (previous year: 1,994,000 €). The out-of-period expenditures amount to 165,000 € (prev. year: 220,000 €).

21 Details of financial results

	2009	2008
	€'000	€'000
Income from investments	239	0
- of which from affiliated companies	239	0
Income from profit transfer agreements	1,386	3,232
Depreciations from financial assets	0	1,692
Result from investments	1,625	1,540
Other interest and similar income	231	873
- of which from affiliated companies	200	722
Interest and similar expenditures	10,408	9,592
- of which to affiliated companies	825	972
Net interest income	-10,177	-8,719
- of which from affiliated companies	-625	-250
Financial result	-8,552	-7,179

The interest burden of the existing pension obligations is included with 702,000 € (prev. year: 682,000 €). In the fiscal year, out-of-period interest expenses in the

amount of 1,000 € (prev. year: 2,000 €) and out-of-period interest income in the amount of 5,000 € (prev. year: 0,000 €) accumulated.

22 Extraordinary profit or loss

The extraordinary profit or loss comprises an extraordinary income in the amount of 31,493,000 € which results from a waiver of debt outstanding of the lenders on 17 November 2009 (also see point 14). Furthermore, the extraordinary profit or loss includes extraordinary expenses for the depre-

ciation of the Meissen Keramik Vertriebs GmbH investment in the amount of 7,702,000 €, the fixed assets at the Meißen site in the amount of 4,607,000 € and the inventories at the Meißen site in the amount of 261,000 €.

23 Taxes

	2009	2008
	€'000	€'000
Income taxes	-1	-33
Other taxes	329	414
	328	381

In the year under review, out-of-period tax expenditures accrued at the other taxes in the amount of 29,000 € (previous year: 117,000 €). In the year

under review, out-of-period tax proceeds only accrued at the income taxes in the amount of 1,000 € (previous year: 68,000 €).

24 Other information**24.1 Remuneration of members of company organs (§285 Nr. 9 HGB)**

The total remuneration of the Board of Management amounted to 736,000 € (previous year: 728,000 €) in the year under review. The total remuneration for Mr. Dieter Schäfer amounted to 464,000 € (previous year: 464,000 €) and is divided up as follows: fixed component of 450,000 €, variable component of 0,000 € and benefits in money's worth of 14,000 €. The total remuneration for Mr. Ekehard Forberich amounted to 272,000 € (previous year: 263,000 €) and is divided up as follows: fixed component of 252,000 €, variable component of 0,000 € and benefits in money's worth of 20,000 €. In addition, contributions pursuant to § 6 a of the Income Tax Law (EStG) in the amount of 56,000 € (previous year: 53,000 €) were transferred to the pension reserve for Mr. Forberich. Due to reaching the age limit, it is impossible for Mr. Schäfer to realize any additional claims.

In the case of a premature termination of the employment relationship by the Company, every member of the Board of Management will receive its remuneration – fixed and variable component – until the regular time of expiration of its contract. Mr. Dieter Schäfer is appointed member of the Board of Management until 31 December 2012, and Mr. Ekehard Forberich until 31 December 2011.

A total of 2,666,000 € (prev. year: 2,712,000 €) has been allocated to reserves for pension obligations in respect of former members of the Board of Management and their surviving dependants; the current remuneration for these persons was 268,000 € (prev. year: 251,000) €.

The remuneration of the Supervisory Board of Deutsche Steinzeug Cremer & Breuer AG is laid down in the company's Articles of Incorporation. The total remuneration of the members of the Supervisory Board amounted to 179,000 € (previous year: 176,000 €) for the fiscal year 2009 and is subdivided as follows:

Members of the Supervisory Board	Membership in 2009	Remuneration in €			Total
		Fixed	Variable	Meeting attendance fee	
Delker, Wilfried	full year	37,500.00	0.00	1,750.00	39,250.00
Prof. Dr. Kottkamp, Eckart	full year	28,373.29	0.00	1,750.00	30,123.29
Dr. Schelo, Stephan	full year	25,000.00	0.00	1,750.00	26,750.00
Dr. Kohlhammer, Hans-Peter	full year	25,000.00	0.00	1,750.00	26,750.00
Schloßarek, Gerd	until 17.06.2009	14,383.56	0.00	1,000.00	15,383.56
Kloft, Rainer	until 17.06.2009	11,506.85	0.00	1,000.00	12,506.85
Kernenbach, Frank	as of 18.06.2009	13,493.15	0.00	750.00	14,243.15
Mailbeck, Karl	as of 18.06.2009	13,493.15	0.00	750.00	14,243.15
		168,750.00	0.00	10,500.00	179,250.00

24.2 Appropriation of the net income

The net loss for the year in the amount of 10,596,829.92 € as well as the profit carried forward from the previous year in the amount

of 2,967,444.23 €, thus -7,629,385.69 €, in total, are carried forward.

24.3 Members of the bodies of the parent company (§ 285 no. 10 HGB)

The members of the bodies of Deutsche Steinzeug Cremer & Breuer AG as well as their professional activities and memberships in Supervisory Boards

and other controlling bodies are shown in the summary page following these notes (appendix 2).

24.4 Information on ownership of shares (§ 285 no. 11 HGB)

The information required in § 285 no. 11 has been compiled separately – see appendix 3 to these notes.

24.5 Statement concerning the Corporate Governance Code (§ 161 AktG in conj. with § 285 no. 16 HGB)

For the first time in December 2002 and last in December 2009, the Board of Management, at the same time acting on behalf of the Supervisory Board, made a statement concerning the compliance with the German Corporate Governance Code. According

to this statement, the requirements of the Code are met in principle. In ten cases, however, there are well-founded deviations from the recommendations. For this, refer to the publications on the internet at our homepage – www.deutsche-steinzeug.de.

24.6 Auditor's fees (§ 285 no. 17 HGB)

The total auditor's fees are stated in the consolidated annual financial statement.

24.7 Control and profit and loss transfer agreements

Control and profit transfer agreements exist between Deutsche Steinzeug Cremer & Breuer AG as controlling enterprise and Deutsche Steinzeug Keramik GmbH,

Alfter-Witterschlick, Jasba Mosaik GmbH, Ötzingen, and Meissen Keramik Vertriebs GmbH, Dortmund.

24.8 Information about notifications pursuant to § 160 sect. 1 no. 8 AktG (German Stock Corporation Law)

In the fiscal year, we received the following notifications on the existence of an investment pursuant to § 21 sect. 1 WpHG (German Securities Trading Law),

which were all published pursuant to § 26 sect. 1 WpHG.

Publication from 23 September 2009

On 16 September 2009, the manager of the consortium V of the family shareholders of Deutsche Steinzeug Cremer & Breuer AG, Mr. Franz-Egon Wirtz, informed us pursuant to § 21 sect. 1 WpHG

concerning the proportions of voting rights in Deutsche Steinzeug Cremer & Breuer AG in the name and on behalf of the persons stated below as follows:

1. On 24 July 2009, the proportion of voting rights of Mr. Dr. Günter Kammerscheid, resident in the Federal Republic of Germany, fell below the thresholds of 5 %

and 3 % and amounted to 0.0006 % (corresponding to 167 voting rights) on this day.

2. On 24 July 2009, the proportion of voting rights of Mr. Peter Kammerscheid, resident in the Federal Republic of Germany, fell below the thresholds of

5 % and 3 % and amounted to 0.0021 % (corresponding to 583 voting rights) on this day.

3. On 24 July 2009, the proportion of voting rights of Mrs. Carola Knell, resident in Moscow / Russian Federation, fell below the thresholds of 5 % and 3 %

and amounted to 0.2326 % (corresponding to 64,222 voting rights) on this day.

24.9 Events after the balance sheet date

With economic effect as of 31 March 2010, Deutsche Steinzeug Cremer & Breuer AG sold its shares in Meissen Keramik Vertriebs GmbH and

the production site at Meißen to a foreign group of investors.

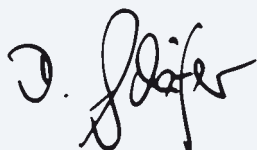
25 Assurance of the legal representatives

We assure to the best of our knowledge that, in accordance with the accounting principles to be applied, the annual financial statement conveys an accurate picture of the asset, financial and earnings situation of Deutsche Steinzeug Cremer & Breuer AG and that the Consolidated Management Report

presents the business trend inclusive of the operating result and the situation of the company in such a way that an accurate picture is conveyed and the essential chances and risks of the company's expected development are described.

Frechen, 31. March 2010

The Board of Management



Dieter Schäfer



Eckehard Forberich

Development of fixed assets as appendix 1 to the AG notes

	Total procurement and manufacturing costs				Status 31.12.2009 €'000
	Status 01.01.2009 €'000	Additions 2009 €'000	Disposals 2009 €'000	Transfers 2009 €'000	
I. Intangible assets					
1. Trademarks and similar rights as well as licenses to such rights	2,688	5	0	0	2,693
2. Goodwill	23,469	0	0	0	23,469
	26,157	5	0	0	26,162
II. Fixed assets					
1. Land, leasehold, rights and buildings	97,196	113	9,137	156	88,328
2. Technical equipment, plant and machinery	213,022	780	24,403	414	189,813
3. Other equipment, operational and office equipment	19,322	375	1,258	18	18,457
4. Advance payments and construction in progress	859	61	88	-588	244
	330,399	1,329	34,886	0	296,842
III. Financial assets					
Shares in affiliated companies	32,002	0	9,549	0	22,453
	388,558	1,334	44,435	0	345,457

	Accumulated depreciations				Book values	
	Status 01.01.2009 €'000	Additions 2009 €'000	Disposals 2009 €'000	Write-ups 2009 €'000	Status 31.12.2009 €'000	Status 31.12.2008 €'000
I. Intangible assets						
1. Trademarks and similar rights as well as licenses to such rights	2,603	64	0	0	2,667	85
2. Goodwill	16,281	1,437	0	0	17,719	7,188
	18,884	1,501	0	0	20,386	7,273
II. Fixed assets						
1. Land, leasehold, rights and buildings	71,486	6,034	8,855	0	68,665	25,710
2. Technical equipment, plant and machinery	190,063	5,047	23,717	0	171,393	22,959
3. Other equipment, operational and office equipment	17,661	501	1,187	0	16,975	1,661
4. Advance payments and construction in progress	0	0	0	0	0	859
	279,210	11,582	33,759	0	257,033	51,189
III. Financial assets						
Shares in affiliated companies	4,709	7,702	7,702	0	4,709	27,293
	302,803	20,785	41,461	0	282,128	85,755

Bodies of the company as appendix 2 to the AG notes

Name Place of residence	Job title Main professional activity	Membership of other Supervisory Boards	Membership of controlling body
Supervisory Board			
Wilfried Delker Königswinter	Chairman of Supervisory Board Pensioner Vice President i.R. der American Standard Companies, Inc., Piscataway/USA	-	-
Gerd Schloßarek* Kamen	Deputy Chairman Master's degree in business economics Director of the Ceramics and Glass Section IG Bergbau, Chemie, Energie, Hanover Hannover	SAINT-GOBAIN GLASS DEUTSCHLAND GmbH, Aachen (Deputy Chairman) SEKURIT SAINT-GOBAIN DEUTSCHLAND GmbH, Aachen Berufsgenossenschaftliches Universitäts- klinikum Bergmannsheil GmbH, Bochum	VBG, Hamburg BAD, Bonn
Professor Dr. Eckart Kottkamp Großhandorf - until 31.12.2009 -	Deputy Chairman - as of 18.06.2009 - Chairman of Supervisory Board of Lloyd Fonds AG, Hamburg	Basler AG, Ahrensburg Lloyd Fonds AG, Hamburg (Chairman)	Advisory Council of C. Mackprang GmbH & Co. KG, Hamburg (Chairman)
Dr. Stephan Schelo Meerbusch	Deputy Chairman - as of 25.02.2010 - Graduate engineer, graduate business engineer Manager of Marktkauf Holding GmbH, Bielefeld, Chairman of Managing Board of Spar Handels GmbH, Schenefeld, and Chairman of Managing Board of Lunar GmbH, Bielefeld	Rudolf Bunte GmbH, Papenburg (Deputy Chairman)	Advisory Council of conAmax Management GmbH, Düsseldorf Advisory Council of Kienbaum und Partner GmbH, Gummersbach Advisory Council of Gerhard Prahm GmbH & Co. KG, Brinkum
Brian M. Cook London - as of 14.01.2010 -	Management consultant	-	-
Dr. Hans-Peter Kohlhammer Haag a.d. Amper - as of 12.06.2008 -	Management consultant	Vivanco AG, Ahrensburg (Deputy Chairman) pepcom GmbH, Unterföhring (Chairman) Kabelfernsehen München ServiCenter GmbH, Unterföhring (Chairman) regify AG, Hüfingen (Chairman) AO VimpelCom, Moskau	Advisory Council of Dr. Schwerhoff & Associates GmbH, Hamburg
Rainer Kloft* Hahn - until 17.06.2009 -	Industrial fitter Chairman of the Central Employees' Council of Deutsche Steinzeug Cremer & Breuer AG, Alfter-Witterschlick	-	-
Frank Kernenbach* Hennef - as of 18.06.2009 -	Internal sales representative Member of the Employees' Council, Witterschlick plant Deutsche Steinzeug Cremer & Breuer AG	-	-
Karl Mailbeck* Schwandorf - as of 18.06.2009 -	Energy facility electrician Chairman of the Employees' Council, Schwarzenfeld plant Deutsche Steinzeug Cremer & Breuer AG	-	-

* Employees' representative

Name Place of residence	Job title Main professional activity	Membership of other Supervisory Boards	Membership of controlling body
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Board of Management

Dieter Schäfer Swisttal-Miel	Chairman of the Board of Management Deutsche Steinzeug Cremer & Breuer AG Alfter-Witterschlick	–	–
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Eckehard Forberich Oberursel	Member of the Board of Management Deutsche Steinzeug Cremer & Breuer AG Alfter-Witterschlick	–	–
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Summary of investments of Deutsche Steinzeug Cremer & Breuer AG as appendix 3 to the AG notes

Company	Headquarters	Stake in %	National currency	Equity (in '000's national currency)	Net result 2009 (in '000's national currency)
1 Deutsche Steinzeug Keramik GmbH	Alfter-Witterschlick	100.0	€	13,057	0
2 Meissen Keramik Vertriebs GmbH	Dortmund	100.0	€	1,540	0
3 Jasba Mosaik GmbH	Ötzingen	100.0	€	1,037	0
4 Staloton Klinker Vertriebs GmbH***	Schwarzenfeld	100.0	€	25	0
5 Deutsche Steinzeug Italia S.r.l.**	Veggia/Italien	100.0	€	50	-58
6 Deutsche Steinzeug America, Inc.	Alpharetta/USA	100.0	\$	4,016	-108
7 Deutsche Steinzeug Schweiz AG	Hergiswil/Schweiz	100.0	CHF	641	92
8 Deutsche Steinzeug France s.a.r.l.*	Norroy le Veneur/Frankreich	100.0	€	72	58
9 Unterstützungskasse AGROB GmbH	München	100.0	€	26	0
10 Deutsche Steinzeug Immobilien Verwaltungs-GmbH	Alfter-Witterschlick	100.0	€	34	2
11 Deutsche Steinzeug Immobilien GmbH & Co KG	Alfter-Witterschlick	100.0	€	983	358
12 BAK Sondervermögen	Frechen	69.0	€	0	347
13 Geluna Vermögensverwaltungs GmbH	Alfter-Witterschlick	100.0	€	546	96
14 Meissen Keramik Verwaltungs-GmbH	Alfter-Witterschlick	100.0	€	23	0
15 Jasba Ofenkachel Vermögensverwaltung GmbH	Alfter-Witterschlick	100.0	€	-192	-30
16 Deutsche Steinzeug AG	Alfter-Witterschlick	100.0	€	55	2

* Via Deutsche Steinzeug Keramik GmbH

** 90% via Deutsche Steinzeug Keramik GmbH

*** Via Deutsche Steinzeug Keramik GmbH

Auditor's certificate

We have audited the annual financial statement – consisting of balance sheet, profit and loss statement as well as notes – based on the accounts and the report on the situation of the Company and the Group represented by Deutsche Steinzeug Cremer & Breuer AG, Frechen, for the fiscal year from 01.01. bis 31.12.2009. The accounts and the preparation of the annual financial statement and the report on the situation of the Company and the Group in accordance with the provisions stipulated under German Commercial Law and the supplementary regulations in the articles of association fall within the responsibility of the legal representatives of the Company. It is our task to make a judgement on the annual financial statement including the accounts on the basis of the audit we have conducted, as well as on the Group result and the report on the situation of the Company and the Group.

We conducted our audit of the annual financial statement in accordance with § 317 of the Commercial Code (HGB), in compliance with the principles of proper auditing established by the IDW – Institut der Wirtschaftsprüfer (Institute of Auditors). Auditing should accordingly be planned and conducted in such a way that facilitates with adequate certainty the recognition of errors and breaches which essentially impact upon the representation of the asset, finance and earnings situation of the Group as laid out in the annual financial statement and the report on the situation of the Company and the Group which were compiled in strict adherence to accounting principles. In the determination of the auditing procedures, the knowledge on the business activity and on the economic and legal environment of the Company as well as the expectation of possible errors are taken into account. In the course of the

audit, the efficiency of the internal controlling system and verification of the details on the accounting, in the annual financial statement and in the report on the situation of the Company and the Group are assessed on the basis of random samples. The audit also includes the assessment of the applied accounting principles and the assessment of the legal representatives as well as an assessment of the overall representation of the annual financial statement and the report on the situation of the Company and the Group. We are of the opinion that our audit forms a sufficient and secure basis for our judgement.

Our audit has not led to any objections.

According to our judgement based on the knowledge gained in the audit, the annual financial statement complies with the legal provisions and the supplementary regulations in the articles of association and conveys – in compliance with standard accounting principles – an accurate picture of the asset, financial and earnings situation of the Company. The report on the situation of the Company and the Group is in accordance with the annual financial statement, conveys an accurate picture of the situation of the Company and presents the chances and risks of the future development accurately.

Neuss, April 23, 2010

Dr. Glade, König und Partner GmbH
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

(Dr. Carsten Bentlage)
Auditor

Financial calendar 2010/2011

30. April 2010	Publication of the 2009 Annual Report
06. May 2010	Dispatch of the 2009 Annual Report
14. May 2010	Interim report 1 st quarter 2010
17. June 2010	2010 Annual General Meeting
13. August 2010	Interim report 1 st half-year 2010
12. November 2010	Interim report 3 rd quarter 2010
29. April 2011	Publication of the 2010 Annual Report
06. May 2011	Dispatch of the 2010 Annual Report
13. May 2011	Interim report 1 st quarter 2011
16. June 2011	2011 Annual General Meeting

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