Interim Report
1 January to 30 June 2012

- **Revenue in H1 up slightly year-on-year at €363.2 million**

- **EBIT improves by 12% as against previous year to €11.9 million**

- **Economic environment deteriorates further**

Villeroy & Boch Group at a glance	01.01. - 30.06.		Change	
	2012 € million	2011 € million	in € million	in %
Revenue (total)	**363.2**	**362.4**	**0.8**	**0**
Germany	**97.3**	**94.1**	**3.2**	**3**
Abroad	**265.9**	**268.3**	**-2.4**	**-1**
Earnings before interest and taxes (EBIT)	**11.9**	**10.6**	**1.3**	**12**
Earnings before taxes (EBT)	**6.4**	**5.1**	**1.3**	**25**
Group result	**4.5**	**3.6**	**0.9**	**25**
Investments	**11.2**	**13.8**	**-2.6**	**-19**
Employees (End of periods and full time equivalent)	**7,423 FTE**	**8,137 FTE**	**- 714 FTE**	

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Group Management Report of Villeroy & Boch AG for the First Half of 2012

Global economic conditions

Global economic development remained uneven. Although the recovery of the US economy stabilised, the substantial nature of this development was still counteracted by the slow decline in the burdens resulting from the crisis on the property market.
Economic risks in the euro zone intensified recently, particularly in Southern Europe. This will further increase the level of uncertainty among companies and consumers in the euro zone and beyond. The unemployment rate in the euro zone reached a new high in May.
All in all, the risks that could affect German economic development as a result of the crisis of debt and confidence in the euro zone have increased further. This is reflected in particular in the economic development in Germany in the year to date, which was up only slightly as against the previous year. The forecast growth in adjusted GDP of 0.5% in the second quarter is already below the rate recorded in the first quarter.
As such, we expect the economy in the important euro zone markets for Villeroy & Boch to continue to weaken in the second half of the year.

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

Villeroy & Boch Group

In the first half of 2012, the Villeroy & Boch Group generated net revenue of €363.2 million after €362.4 million in the same period of the previous year.

Orders on hand totalled €57.2 million as at 30 June 2012, of which 48% related to the Tableware Division. Adjusted for the extraordinary order in the Tableware Division in the previous year, consolidated orders on hand increased by 3%.

Operating earnings before interest and taxes (EBIT) amounted to €11.9 million in the first half of 2012, up €1.3 million or around 12% on the previous year.
Earnings before interest and taxes (EBT) rose by €1.3 million to €6.4 million.

The extraordinary income from the sale of the sanitary ceramic plant in Saltillo, Mexico, from the first quarter is partially offset by the expenses for the expansion of our activities in the growth markets of Russia and China and the expenses in conjunction with the positioning of the Villeroy & Boch brand.

Development in the divisions

Bathroom and Wellness

In the first half of 2012, the Bathroom and Wellness Division generated revenue of €245.3 million, up 1% or €3.5 million on the previous year.

There were differences in terms of regional revenue development. The above-average revenue growth in Russia and Germany continued in the second quarter of 2012, with year-on-year growth rates of 35% and 12% respectively. This was reflected by a downturn in revenue in Mexico, among other things, with the sale of the plant in Saltillo resulting in a targeted withdrawal from low-margin project business.

With an operating result (EBIT) of €17.5 million, Bathroom and Wellness was up €2.3 million on the previous year.

The new products presented at the regional spring trade fairs “SHK” in Essen and “Ideo Bain” in Paris enjoyed an extremely positive reception. This applies in particular to the rimless WC series “Omnia Architectura Direct Flush”, which will be delivered in the second half of the year.
With “My View”, Villeroy & Boch presented for the first time a new aluminium mirror cabinet collection with a timeless design. This is not only an addition to the range of

collections, but also a promising development in terms of the range of materials on offer (aluminium).
The bathroom furniture product range developed extremely successfully, particularly the “Subway 2.0” collection, which more than doubled its revenue as against the previous year.

Tableware

The Tableware Division generated revenue of €117.9 million in the first half of 2012, down 2% on the previous year.

The reluctance among retailers to place orders meant that there was a downturn in revenue in Germany in particular (-11%). Market development was similarly difficult in Australia (-12%). By contrast, there was revenue growth in Russia (+21%) and Canada (+14%), as well as Scandinavia (+9%). The new products presented at the spring trade fairs have enjoyed an extremely promising start-up period, comfortably exceeding the performance of the new products launched in the previous year. This includes “Anmut Bloom”, “Mariefleur”, “Winter Collage” and the new vase collection.

In the first half of the year, an operating result (EBIT) of €-5.6 million was generated (previous year: €-4.6 million).

The structure of the consolidated income statement is as follows:

Structure of the consolidated IFRS income statement				
in € million	***H1 2012***	*% of revenue*	***H1 2011***	*% of revenue*
Revenue	*363.2*	*100*	*362.4*	*100*
Cost of sales	*-209.9*	*-58*	*-212.1*	*-59*
Gross profit	***153.3***	***42***	***150.3***	***41***
Selling, marketing and development costs	*-118.8*	*-33*	*-116.6*	*-32*
General and administrative expenses	*-22.1*	*-6*	*-22.2*	*-6*
Other expenses/income	*-0.5*	*-0*	*-0.9*	*-0*
EBIT	***11.9***	***3***	***10.6***	***3***
Financial result	*-5.5*		*-5.5*	
Earnings before taxes (EBT)	***6.4***		***5.1***	
Income taxes	*-1.9*		*-1.5*	
Consolidated earnings	***4.5***		***3.6***	

Net liquidity

The net liquidity of the Villeroy & Boch Group amounted to €-35.5 million as of 30 June 2012.
Taking into account the dividend payment of €9.9 million, net liquidity improved by €21.9 million compared with the same period of the previous year. In addition to influences from the operating business, this was due to cash inflows from the sale of the former plant buildings in Dänischburg and the sale of the factory in Mexico.

Investments

The Villeroy & Boch Group made investments of €11.2 million in the first half of the financial year (previous year: €13.8 million). Of this figure, 63% (previous year: 56%) related to the Bathroom and Wellness Division and 37% (previous year: 44%) to the Tableware Division.

Opportunities and risks

The opportunities and risks described in the 2011 Annual Report remain unchanged with one exception.
The legal dispute in which a former licensor claimed damages against Villeroy & Boch Gustavsberg AB for alleged unjustified termination of contract has now been rejected by a court of arbitration. Accordingly, these proceedings have been terminated and the risk that existed at the prior-year reporting date is no longer in place.
There is no evidence of any individual risks that could endanger the continued existence of the Group.

Outlook for the rest of the 2012 financial year

Developments in the first half of 2012 serve to reinforce our concerns about the slight economic downturn that we believe could intensify in the second half of the year.
For the 2012 financial year as a whole, we expect the Villeroy & Boch Group to generate consolidated revenue of between €745 million and €755 million. This will be driven among other things by the continued expansion of activities in our growth markets, such as Russia.
The implementation of the rationalisation measures contained in our industrial masterplan in the Bathroom and Wellness Division is progressing as planned; in the Tableware Division, these measures are largely already complete. The resulting positive impact on earnings could help to offset the effects of a potential downturn in revenue due to macroeconomic developments. The Group will continuously press ahead with further optimisation measures in terms of organisational workflows and administration, logistics and sales structures in order to make a joint positive contribution to earnings development through systematic cost discipline.
Accordingly, in derogation from the previous outlook, we expect to generate an operating result of €27.9 million or just above this figure, which would correspond to the earnings level of the previous year before real estate gains.

Villeroy & Boch Group

Consolidated balance sheet as of June 30th 2012

Assets

in € million	Notes	30/06/2012	31/12/2011
Non-current assets			
Intangible assets		38.2	37.4
Property, plant and equipment	1	149.7	151.1
Investment property	2	14.4	15.6
Investment accounted for using the equity method		1.2	0.8
Other financial assets		10.1	10.2
		213.6	**215.1**
Other non-current assets	5	0.4	0.4
Deferred tax assets		38.8	38.5
		252.8	**254.1**
Current assets			
Inventories	3	154.7	146.0
Trade receivables	4	114.4	106.3
Other current assets	5	23.6	19.1
Income tax claims		3.1	2.2
Cash and cash equivalents	6	23.3	59.2
		319.1	**332.8**
Non-current asset held for sale	7	**3.7**	**11.4**
Total assets		**575.6**	**598.3**

Shareholders' Equity and Liabilities

in € million	Notes	30/06/2012	31/12/2011
Equity attributable to Villeroy & Boch AG shareholders			
Issued capital		71.9	71.9
Capital surplus		193.6	193.6
Treasury shares		-15.0	-15.0
Retained earnings		-78.3	-76.3
Valuation surplus	8	6.8	6.6
		179.0	**180.8**
Equity attributable to minority interests		**0.1**	**0.1**
Total equity		**179.1**	**180.9**
Non-current liabilities			
Provisions for pensions		138.1	140.7
Non-current provisions for personnel		15.8	16.4
Other non-current provisions		3.3	5.0
Non-current financial liabilities		50.0	50.0
Other non-current liabilities	11	3.5	3.6
Deferred tax liabilities		11.9	12.1
		222.6	**227.8**
Current liabilities			
Current provisions for personnel	9	4.3	12.0
Other current provisions	10	28.4	32.6
Current financial liabilities		8.7	1.3
Other current liabilities	11	82.1	76.7
Trade payables		45.3	61.3
Income Tax liabilities		5.1	4.5
		173.9	**188.4**
Liabilities directly associated with the assets classified as held for sale		**0.0**	**1.2**
Total liabilities		**396.5**	**417.4**
Total equity and liabilities		**575.6**	**598.3**

Villeroy & Boch Group

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

in € million	Notes	**2012 1st half-year**	2011 1st half-year
Revenue	12	**363.2**	**362.4**
Costs of sales		-209.9	-212.1
Gross profit		**153.3**	**150.3**
Selling, marketing and development costs	13	-118.8	-116.6
General administrative expenses		-22.1	-22.2
Other operating income/expenses		-0.8	-1.1
Result of associates accounted for using the equity method		0.3	0.2
Operating result (EBIT)		**11.9**	**10.6**
Financial result	14	**-5.5**	**-5.5**
Earnings before taxes		**6.4**	**5.1**
Income taxes		-1.9	-1.5
Group result		**4.5**	**3.6**
Thereof attributable to			
Villeroy & Boch AG shareholders		4.5	3.6
Minority interests		0.0	0.0
		4.5	**3.6**
EARNINGS PER SHARE			
Earnings per ordinary share in Euro		0.15	0.11
Earnings per preference share in Euro		0.20	0.16

During the reporting period there were no share dilution effects.

Villeroy & Boch Group

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

in € million	**2012 1st half-year**	2011 1st half-year
Group result	**4.5**	**3.6**
Other comprehensive income		
Gains or losses on cash flow hedge	1.2	-0.4
Unrealised exchange differences on translation	1.8	2.3
Directly on the valuation surplus recorded, unrealised income taxes	0.5	0.1
Total Other comprehensive income	**3.5**	**2.0**
Total comprehensive income net of tax	**8.0**	**5.6**
Thereof attributable to		
Villeroy & Boch AG shareholders	8.0	5.6
Minority interests	0.0	0.0
	8.0	5.6

Villeroy & Boch Group

Consolidated Income Statement from April 1st to June 30th 2012

in € million	Notes	**2012 2nd quarter**	2011 2nd quarter
Revenue	12	**178.7**	**176.2**
Costs of sales		-102.4	-103.5
Gross profit		**76.3**	**72.7**
Selling, marketing and development costs	13	-59.2	-57.5
General administrative expenses		-10.9	-11.6
Other operating income/expenses		-1.4	-0.1
Result of associates accounted for using the equity method		0.0	0.0
Operating result (EBIT)		**4.8**	**3.5**
Financial result	14	**-2.8**	**-2.9**
Earnings before taxes		**2.0**	**0.6**
Income taxes		-0.6	-0.2
Group result		**1.4**	**0.4**
Thereof attributable to			
Villeroy & Boch AG shareholders		1.4	0.4
Minority interests		0.0	0.0
		1.4	**0.4**

Villeroy & Boch Group

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

in € million	**2012 2nd quarter**	2011 2nd quarter
Group result	**1.4**	**0.4**
Other comprehensive income		
Gains or losses on cash flow hedge	-0.2	-1.8
Unrealised exchange differences on translation	0.6	-1.0
Directly on the valuation surplus recorded, unrealised income taxes	0.5	0.6
Total Other comprehensive income	**0.9**	**-2.2**
Total comprehensive income net of tax	**2.3**	**-1.8**
Thereof attributable to		
Villeroy & Boch AG shareholders	2.3	-1.8
Minority interests	0.0	0.0
	2.3	-1.8

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

in € million	Equity attributable to Villeroy & Boch AG shareholders						Equity attributable to minority interests	Total equity
	Issued capital	Capital surplus	Treasury shares	Retained earnings	Valuation surplus	**Total**		
Note					8			
As of 01/01/2011	**71.9**	**193.6**	**-15.0**	**-82.4**	**5.0**	**173.1**	**0.1**	**173.2**
Group result				3.6		3.6	0.0	3.6
Other comprehensive income				3.4	-1.5	2.0	0.0	2.0
Total comprehensive income net of tax				**7.0**	**-1.5**	**5.6**	**0.0**	**5.6**
Dividend payments				-6.2		-6.2		-6.2
As of 30/06/2011	**71.9**	**193.6**	**-15.0**	**-81.5**	**3.5**	**172.5**	**0.1**	**172.6**
As of 01/01/2012	**71.9**	**193.6**	**-15.0**	**-76.3**	**6.6**	**180.8**	**0.1**	**180.9**
Group result				4.5		4.5	0.0	4.5
Other comprehensive income				3.3	0.2	3.5	0.0	3.5
Total comprehensive income net of tax				**7.9**	**0.2**	**8.0**	**0.0**	**8.0**
Dividend payments				-9.9		-9.9		-9.9
As of 30/06/2012	**71.9**	**193.6**	**-15.0**	**-78.3**	**6.8**	**179.0**	**0.1**	**179.1**

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

in € million	**2012 1st half-year**	2011 1st half-year
Group result	4.5	3.6
Depreciation of non-current assets	13.1	13.6
Change in non-current provisions	-8.9	-6.8
Profit from disposal of fixed assets	-2.5	-0.7
Change in inventories, receivables and other assets	-21.2	-20.7
Change in liabilities, current provisions and other liabilities	-21.3	-27.2
Other non-cash income/expenses	3.5	5.6
Cash Flow from operating activities	**-32.8**	**-32.6**
Purchase of intangible assets, property, plant and equipment	-11.2	-13.8
Cash receipts from disposals of fixed assets	10.6	9.6
Cash Flow from investing activities	**-0.6**	**-4.2**
Change in financial liabilities	7.4	11.5
Dividend payments	-9.9	-6.2
Cash Flow from financing activities	**-2.5**	**5.3**
Net increase in cash and cash equivalents	**-35.9**	**-31.5**
Balance of cash and cash equivalents as of 01/01/	59.2	37.0
Net increase in cash and cash equivalents	-35.9	-31.5
Balance of cash and cash equivalents as of 30/06/	23.3	5.5

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

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

in € million	BATHROOM & WELLNESS 2012	BATHROOM & WELLNESS 2011	TABLEWARE 2012	TABLEWARE 2011	TRANSITION / OTHER 2012	TRANSITION / OTHER 2011	VILLEROY & BOCH GROUP 2012	VILLEROY & BOCH GROUP 2011
	01/01 - 30/06		01/01 - 30/06		01/01 - 30/06		01/01 - 30/06	
Revenue								
Segment revenue from sales to external customers	**245.3**	241.8	**117.9**	120.6	**0.0**	0.0	**363.2**	362.4
Segment revenue from transactions with other segments	**0.6**	0.5	**0.0**	0.0	**-0.6**	-0.5	**0.0**	0.0
Result								
Segment result	**17.5**	15.2	**-5.6**	-4.6	**-**	-	**11.9**	10.6
Financial result	**-**	-	**-**	-	**-5.5**	-5.5	**-5.5**	-5.5
Investments and depreciations								
Investments	**7.1**	7.7	**4.1**	6.1	**-**	-	**11.2**	13.8
Scheduled depreciation of segment assets	**8.8**	9.4	**4.3**	4.2	**-**	-	**13.1**	13.6
Assets and Liabilities	**30/06**	**31/12**	**30/06**	**31/12**	**30/06**	**31/12**	**30/06**	**31/12**
Segment assets	**328.2**	307.9	**132.2**	136.4	**115.2**	154.0	**575.6**	598.3
Segment liabilities	**108.0**	114.7	**37.9**	45.1	**250.6**	257.6	**396.5**	417.4

Consolidated Segment Report from April 1st to June 30th 2012

in € million	BATHROOM & WELLNESS 2012	BATHROOM & WELLNESS 2011	TABLEWARE 2012	TABLEWARE 2011	TRANSITION / OTHER 2012	TRANSITION / OTHER 2011	VILLEROY & BOCH GROUP 2012	VILLEROY & BOCH GROUP 2011
	01/04 - 30/06		01/04 - 30/06		01/04 - 30/06		01/04 - 30/06	
Revenue								
Segment revenue from sales to external customers	**123.2**	120.8	**55.5**	55.4	**0.0**	0.0	**178.7**	176.2
Segment revenue from transactions with other segments	**0.3**	0.3	**0.0**	0.0	**-0.4**	-0.3	**0.0**	0.0
Result								
Segment result	**9.2**	7.5	**-4.4**	-3.9	**-**	-	**4.8**	3.5
Financial result	**-**	-	**-**	-	**-2.8**	-2.9	**-2.8**	-2.9
Investments and depreciations								
Investments	**3.5**	2.5	**1.4**	3.1	**-**	-	**4.9**	5.6
Scheduled depreciation of segment assets	**4.5**	4.7	**2.1**	2.1	**-**	-	**6.6**	6.8

Notes to the consolidated financial statements of the Villeroy & Boch Group for the First Half of 2012

General information

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

This interim report covers the period from 1 January to 30 June 2012. After the Management Board discussed the interim report with the Audit Committee of the Supervisory Board, it was approved for publication on 13 July 2012. It was prepared in accordance with section 315a of the German Commercial Code (HGB), applying the IASC rules as endorsed by the European Commission. These condensed interim financial statements have not been audited or reviewed by an audit company. In the opinion of the Management Board, these interim financial statements provide a true and fair view of the net assets, financial position and results of operations of the Group. The interim report includes condensed consolidated financial statements with selected explanatory notes in accordance with IAS 34. Accordingly, it should be read in conjunction with the consolidated financial statements for the year ended 31 December 2011, which can be ordered via the Investor Relations section of the website www.villeroy-boch.com. In the period under review, the accounting and consolidation methods described in the 2011 Annual Report were extended to include the accounting standards endorsed by the EU for the first time. These have had no material impact on this interim report.

Basis of consolidation

The basis of consolidation of the Villeroy & Boch Group consists of 58 companies (31 December 2011: 58 companies). In the period under review, a company was acquired and a company was merged with another Group company.

With effect from 2 January 2012, the Group acquired 100% of the voting shares in the Finnish company Famelco Oy, which was subsequently renamed Villeroy & Boch Tableware Oy. The company is included in Villeroy & Boch's consolidated financial statements from this date. The net assets, which primarily consist of the acquired customer base, are carried at fair value. The company prepared an IFRS opening balance sheet for the first time on the acquisition date. A purchase price of €0.5 million was paid in cash. Since being acquired by the Group, the company has generated revenue of €0.2 million.

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

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

Seasonal influences on business activities

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

Notes on selected items of the consolidated balance sheet

1. Property, plant and equipment

Property, plant and equipment in the amount of €9.6 million (previous year: €12.9 million) was acquired in the period under review, with a particular focus on capacity expansion measures in Eastern Europe and Thailand (sanitary ware) and the further establishment of the competence centre in Merzig (tableware). Property, plant and equipment with a carrying amount of €0.2 million (previous year: €0.8 million) was sold in the same period. Depreciation amounted to €12.2 million (previous year: €12.6 million). At the reporting date, the Villeroy & Boch Group had obligations to acquire property, plant and equipment in the amount of €4.2 million (31 December 2011: €5.4 million).

2. Investment property

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

3. Inventories

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

in € million	**30 Jun. 2012**	31 Dec. 2011
Raw materials and supplies	21.9	23.0
Work in progress	16.4	16.9
Finished goods and goods for resale	116.4	106.1
	154.7	**146.0**

In the period under review, write-downs of inventories increased by €2.4 million to total €20.4 million.

4. Trade receivables

Trade receivables are broken down as follows:

by customer domicile / in € million	**30 Jun. 2012**	31 Dec. 2011
Germany	21.7	16.9
Rest of euro zone	31.4	34.8
Rest of world	64.0	57.8
Gross carrying amount of trade receivables	117.1	109.5
Valuation adjustments	-2.7	-3.2
Trade receivables	**114.4**	**106.3**

5. Other non-current and current assets

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

in € million	**30 Jun. 2012** current	**30 Jun. 2012** non-current	31 Dec. 2011 current	31 Dec. 2011 non-current
Tax claims	5.0	-	5.6	-
Advance payments and deposits	3.9	-	2.0	-
Prepaid expenses	2.5	0.0	2.4	0.0
Change in fair value of cash flow hedges (a)	1.2	0.4	1.6	0.4
Other assets	11.0	-	7.5	-
	23.6	**0.4**	**19.1**	**0.4**

(a) At the reporting date, €1.6 million (31 December 2011: €2.0 million) was recognised for the marking to market of exchange rate hedges.

6. Cash and cash equivalents

Cash and cash equivalents are composed as follows:

in € million	**30 Jun. 2012**	31 Dec. 2011
Cash on hand incl. cheques	0.4	0.2
Other cash and cash equivalents	22.9	59.0
	23.3	**59.2**

The decrease in cash and cash equivalents is primarily attributable to seasonal effects such as the payment of customer bonuses and variable remuneration for 2011. Bank balances were offset against matching liabilities in the amount of €11.1 million (31 December 2011: €16.2 million). Cash equivalents are partially covered by external guarantee systems.

7. Non-current assets held for sale

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

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

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

Taking into account all costs and guarantees, the purchase price was €1.7 million higher than the net carrying amount of the assets and liabilities sold, which was around €7 million.

8. Valuation surplus

The valuation surplus contains the following items:

in € million	**30 Jun. 2012**	31 Dec. 2011
Currency translation of net investments in foreign business operations	0.2	-0.8
Currency translation gains from the financial statements of foreign operations	6.9	9.4
Change in fair value of cash flow hedges	0.0	-1.2
Surplus for deferred taxes	-0.3	-0.8
	6.8	**6.6**

9. Current provisions for personnel

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

10. Other current provisions

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

11. Other non-current and current liabilities

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

	30 Jun. 2012		31 Dec. 2011	
in € million	**current**	**non-current**	current	non-current
Bonus liabilities to customers (a)	26.1	-	36.3	-
Personnel liabilities	20.1	1.3	20.9	1.3
Tax liabilities	10.6	-	10.3	-
Change in fair value of cash flow hedges (b)	1.6	0.0	3.1	0.1
Government grants (c)	0.9	0.7	0.4	0.8
Advance payments received on orders	1.1	-	1.9	-
Other liabilities (a)	21.7	1.5	3.8	1.4
	82.1	**3.5**	**76.7**	**3.6**

(a) Seasonal change including intra-year deferrals

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

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

Notes on selected items of the consolidated income statement

12. Revenue

Revenue is broken down as part of segment reporting.

13. Selling, marketing and development costs

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

	2012		2011	
in € million	**H1**	**Q2**	H1	Q2
Bathroom and Wellness	-3.5	-1.9	-3.9	-1.9
Tableware	-2.3	-1.0	-1.8	-0.9
	-5.8	**-2.9**	**-5.7**	**-2.8**

14. Net finance expense

Net finance expense is broken down as follows:

	2012		2011	
in € million	**H1**	**Q2**	H1	Q2
Financial income	0.6	0.3	0.4	0.1
Finance expense	-2.0	-1.1	-1.9	-1.0
Interest expenses for provisions (pensions)	-4.1	-2.0	-4.0	-2.0
	-5.5	**-2.8**	**-5.5**	**-2.9**

Other notes

15. Employees

Personnel expenses and the number of employees are broken down as follows:

	H1 2012		H1 2011	
	Personnel expenses in € million	**Number of employees (FTEs)**	Personnel expenses in € million	Number of employees (FTEs)
Bathroom and Wellness	75.9	5,060	79.7	5,799
Tableware	44.5	1,995	44.2	1,998
Other	12.1	368	11.0	340
	132.5	**7,423**	**134.9**	**8,137**

16. Contingent liabilities, commitments and financial obligations

Contingent liabilities and commitments developed as follows in the period under review:

in € million	**30 Jun. 2012**	31 Dec. 2011
Obligations to acquire property, plant and equipment	4.2	5.4
Obligations to acquire raw materials	1.7	-
Trustee obligations	0.3	0.3
Guarantees	0.3	0.2

17. Related party disclosures

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

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

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

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

18. Changes in the composition of the Management Board of Villeroy & Boch AG

With effect from 1 May 2012, the Supervisory Board of Villeroy & Boch AG resolved the expansion of the Management Board to four members. Nicolas Luc Villeroy was appointed by the Supervisory Board as the Management Board member responsible for Tableware, while Andreas Pfeiffer was appointed as the Management Board member responsible for Bathroom and Wellness.

The aim of the expansion of the Management Board is to reflect the growing complexity and internationalisation of the Group's operating business and to involve the two divisions and their managers at Management Board level.

Chief Executive Officer Frank Göring, who was previously also responsible for the operational units at Management Board level in his role as Chief Operating Officer, will now focus on strategic corporate planning and shaping the future of the Group to a greater extent. Jörg Wahlers will continue to be responsible for Finance and Human Resources.

19. Events after the end of the reporting period

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

20. Combined responsibility statement

To the best of our knowledge, and in accordance with the applicable reporting principles for interim reporting, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the management report of the Group includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group in the rest of the financial year.

Mettlach, 23 July 2012

Frank Göring Jörg Wahlers

Andreas Pfeiffer Nicolas-Luc Villeroy

Report by the Audit Committee of the Supervisory Board

The interim report for the period from 1 January to 30 June 2012 was presented to the Audit Committee of the Supervisory Board on 12July 2012 and discussed by the Management Board.
The Audit Committee approved the interim report.

Mettlach, 13 July 2012
Chairman of the Audit Committee
Charles Krombach

Financial calendar:

23 October 2012	Report on the first nine months of 2012

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