



Villeroy & Boch

1748

**Declaration of conformity of
Villeroy & Boch AG pursuant to
Section 161 of the German Stock Corporation Act**

(Version dated 13 December 2010)

The Management Board and the Supervisory Board examined the company's compliance with the German Corporate Governance Code (DCGK) on 13 December 2010.

In accordance with section 161 of the German Stock Corporation Act, the Management Board and the Supervisory Board of Villeroy & Boch AG hereby declare that, since the publication of the last declaration of conformity on 16 December 2009, the company has complied with and continues to comply with the recommendations of the Government Commission of the German Corporate Governance Code (the "Code") in the version dated 18 June 2009 up until the announcement of the new version of the Code in the official section of the electronic Bundesanzeiger (Federal Gazette) on 2 July 2010 and, since this date, in the version dated 26 May 2010 with the exception of the small number of recommendations described below:

Section 3.8 (2) of the Code:

The existing D&O (directors' and officers' liability insurance) policy does not prescribe a deductible for the members of the Supervisory Board. Villeroy & Boch AG is of the opinion that a deductible is not a suitable means of influencing the level of motivation and responsibility with which the members of the Supervisory Board perform their activities.

D&O insurance

Section 4.2.3 (2) of the Code:

In the existing employment contracts of the members of the Management Board, the variable remuneration components take positive and negative developments within the agreed measurement period into account insofar as the variable remuneration is increased or reduced accordingly, or dropped completely. When making future arrangements for Management Board remuneration, the Supervisory Board will take the criteria of the German Act on the Appropriateness of Management Board Remuneration into account.

Management Board remuneration

Sections 4.2.3 (4) and (5) of the Code:

The existing employment contracts, which were concluded before the corresponding amendments to the Code, contain provisions on severance payment caps with regard to both the reason for termination and the amount of severance pay. In the small number of points where these provisions do not fully comply with the recommendations of the Code, the Supervisory Board will endeavour to ensure that a compliant agreement is concluded to the extent that this makes economic sense and is possible under employment law.

Severance payment caps

Section 5.3.3 of the Code:

The Supervisory Board has not formed a separate Nomination Committee to propose suitable candidates for election to the Supervisory Board. Proposals for election have been and will continue to be prepared at shareholder representatives' meetings. As there are only six shareholder representatives on the Supervisory Board and the existing practice of proposing suitable candidates at shareholder representatives' meetings has proved to be efficient, the Supervisory Board sees no need to institutionalise this practice by setting up an additional Nomination Committee.

Nomination Committee

Section 5.4.1 (2) of the Code:

The Supervisory Board has still not announced any specific targets for its composition in 2010. It had previously set an age limit for its members and taken this into consideration when proposing members for election. The Supervisory Board will also set specific targets for its composition by mid-March, which, with due regard for the company-specific situation, will take account of the company's international operations, potential conflicts of interest, an age limit for members of the Supervisory Board and diversity and, in particular, provide for appropriate participation by women.

Composition of the Supervisory Board

66693 Mettlach, Germany, December 2010

The Management Board

The Supervisory Board

Frank Göring
Chairman of the Management Board

Wendelin von Boch-Galhau
Chairman of the Supervisory Board