Interim Report
1 January to 30 June 2009

- **In the first half of the year, consolidated revenue declined by 19.8 % due to economic conditions**
- **Half-year result significantly impacted by €-60.0 million due to the restructuring measure decided in the first quarter.**
- **At €-1.4 million, operating result (EBIT) in the second quarter remains only slightly negative due to cost reduction measures introduced (first quarter: €-7.6 million).**

Villeroy & Boch Group – Overview

	1 January – 30 June		Change	
	2009 € million	2008 € million	in € million	in %
Revenue (total)	348.6	434.8	-86.2	-19.8
Germany	87.2	91.0	-3.8	-4.2
Abroad	261.4	343.8	-82.4	-24.0
EBIT before restructuring	-9.0	17.2	-26.2	
Non-recurring expenses for restructuring	-60.0	-		
Earnings before interest and taxes (EBIT)	*-69.0*	*17.2*	-86.2	
Earnings before taxes	-74.1	13.3	-87.4	
Consolidated result	-74.1	9.3	-83.4	
Investments	7.8	8.1	-0.3	-3.7
Employees (average)	9,619	10,233	-614	-6.0

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Interim Management Report of the Villeroy & Boch Group for the second quarter 2009

World economic conditions

In the first half of 2009, the global recession continued and gained momentum in the second quarter. The German economy is now increasingly suffering from the effects of this global crisis. For the financial year 2009 as a whole, a short-term recovery of overall economic demand is still not expected.

Package of measures for increasing the competitive position and for safeguarding liquidity

The costs of the package of measures introduced in March amounting to approximately €60 million had a considerable impact on the half-year result. These costs were recognised in the income statement in the first quarter. No further costs are expected for the restructuring of the Group. Some negotiations with the employee representatives at the affected locations are still in progress. The almost balanced EBIT of €-1.4 million in the second quarter is due to the cost-saving measures introduced in the short term, and not the effects expected from the programme for increasing efficiency. For instance, personnel expenses were reduced by €13.6 million compared to the previous year as a result of the reduced working hours introduced at the German sites and the 614 job cuts made worldwide. The savings of approximately €50 million expected from the package of measures will be generated by 2011.

Report regarding the results of operations, financial position and net assets:

Revenue 20 % below previous year

In the first half of 2009, the Villeroy & Boch Group generated net revenue of €348.6 million, compared to €434.8 million in the previous year. This represents a year-on-year revenue decline of 19.8 %. In the second quarter, this trend continued at a slightly increased rate compared to the first quarter of 2009.

As at 30 June 2009, the volume of orders for the Group as a whole amounted to €61.0 million (previous year €66.1 million).

In the first half of the financial year, earnings before taxes (EBT) for the Villeroy & Boch Group amounted to €-74.1 million (previous year: €+13.3 million). Adjusted for the expenses recognised in the first quarter of 2009 for the restructuring programme decided at the end of March (€60.0 million), EBT was significantly below the level of the previous year at €-14.1 million as a result of the decline in revenue. The measures introduced at an early stage such as reduced working hours, systematic reduction in flexitime amounts and initiation of further cost-saving measures had a noticeable impact in the second quarter. In particular, in the second quarter of 2009, personnel expenses were reduced by €9.3 million compared to the previous year. In the first quarter of 2009, a reduction of €4.3 million was achieved. In the second quarter, as a result of the above measures, the EBT loss was limited to €-4.1 million, compared to €-10.0 million in the first quarter.

The net liquidity within the Group declined by €22.5 million compared to the end of 2008, from €22.9 million to €0.4 million. This decline was also primarily due to the first quarter, whilst the change in the second quarter amounted to only €1.6 million. The reduction in net liquidity is primarily due to the declining turnover in the last months, as well as to a typical seasonal outflow of funds, in connection with rebate payments to customers. As at 30 June 2009, net liquidity decreased year-on-year by €3.6 million.
As at 30 June 2009, influenced by the restructuring measures recognised in the financial statements, the equity ratio declined by 7.9 percentage points to 35.0 % compared to the end of 2008.

<u>Development in the Company Divisions</u>

The information pertaining to the results of the Company Divisions refer to the operational result <u>before restructuring expenses</u>.

<u>Bathroom and Wellness: worldwide economic crisis leads to significant declines in revenue and results</u>

In the first half of 2009, the revenue of the Bathroom and Wellness division amounted to €220.0 million, €58.6 million or 21.0 % below the previous year's revenue of €278.6 million. Adjusted for currency effects, the decline amounted to 18 %.
A general decline in revenue was posted in all sales markets. However, the scale of revenue declines varied considerably. In the German market, revenue declined relatively insignificantly by 2,6 %.
The largest revenue declines were posted in the UK (-45 %), Eastern Europe (-44 %) and France (-17 %).

The Gulf States, Russia and the countries in the Far East also posted significant downturns in project business after the boom period of the last few years.
In the USA (-48 %) and Mexico, the restraint regarding newly constructed buildings and renovations which has prevailed since the start of the real estate crisis is still continuing.

The operating result(EBIT) of the Bathroom and Wellness Division was severely impacted by the decrease in turnover due to the market conditions described above, and amounted to €-2.9 million in the first half of the year (previous year: €13.5 million).
A result of the continued weakness in demand and order development, the Division expects a decline in revenue, which is likely to be lower in the third quarter than that in the first half of year. In the last quarter of 2009, revenue is expected to stabilise.
In Asia, a slightly positive trend has again been posted due to incoming orders, particularly in project business. In all product areas, new products have had a positive impact, as shown by the number of exhibition spaces gained on the market.
The new bathroom collection “LaBelle”, the patented new fixture technology for wall-mounted WCs “SupraFix”, the new “Nautic” fittings range and the “Squaro” wellness range will ensure better revenue performance in the coming months.

<u>Tableware: impact of the economic crisis continues to be felt</u>

In the first half of 2009, the revenue of the Tableware Division amounted to €128.6 million, €27.6 million or 17.7 % down on the previous year. Adjusted for currency effects, revenue declined by €20.0 million or 14.4 %.
The impact of the economic crisis was particularly noticeable in Eastern Europe, overseas and America. In Western Europe, the impact could be seen primarily in the Scandinavian markets, Italy, Spain, Switzerland and, owing to the exchange rate, in the UK. By contrast, the important German market posted only moderate declines in revenue.
In the first half of the 2009 financial year, the operating result of the Tableware Division declined from €3.7 million in the previous year to €-6.1 million, primarily due to the decline in revenue.
The highly positive feedback for our new products (New Cottage, Green Garland, Rêve en Fleur) at the Ambiente consumer goods fair in February was confirmed by orders received in the second quarter.

Investments

In the first half of the 2009 financial year, the Villeroy & Boch Group invested a total of €7.8 million (previous year €8.1 million). The proportion invested abroad amounted to 74.1 % (70.4 % in the previous year). In the previous year, an additional € 8.8 million was invested for the acquisition of the Thai bathroom manufacturer Nahm and the bathroom furniture manufacturer Sanipa. Supplementary information can be found on page 10.

Outlook for the 2009 financial year

The forecasts for a difficult 2009 have been further confirmed in the second quarter. Both the duration and the intensity of the economic crisis that began during the last year have now exceeded original expectations. As yet, there have been no lasting indications of a reversal in the economic trend.

Owing to the persistence of this uncertain economic environment, Villeroy & Boch will again not publish any specific forecast regarding business development. In view of the general economic conditions and the impact of the adjustment measures that have been introduced, the 2009 financial year will close with a significantly negative result, as communicated in the Interim Report for the first quarter.

Opportunities and risks

The risks described in the 2008 Annual Report continue to exist unchanged. In addition to the general risks of the current global economic crisis, no risks are apparent that threaten the existence of the Company.
The efforts to overcome the crisis will continue undiminished. In view of the unbroken negative revenue trend, the cost-saving measures will be further intensified. To adjust production to the decline in demand, reduced working hours will remain essential in the second half of the year. We expect that this will enable us to restrict the negative impact of the economic crisis to a tolerable level. At the same time, the efforts will continue to overcome the decline in overall demand better than the average for the sector. In this regard, we will benefit from the strength of the Villeroy & Boch brand and our good sales distribution in the most important global markets.

Report on fundamental business transactions with related parties

V&B Fliesen GmbH is deemed a related party. Supplementary information can be found on page 16 of this report.

The Villeroy & Boch share

In the second quarter, the Villeroy & Boch preference share recovered slightly. On 1 April 2009, the share was quoted at €3.27, and then rose during the period to €4.85.
Trading activities increased significantly in the second quarter. With more than 40,000 shares traded per trading day, the average trading volume increased to more than ten times that of the first quarter.

Mettlach, July 2009

Villeroy & Boch Aktiengesellschaft

The Management Board

Financial calendar:

29 October 2009 - Report on the first nine months of 2009

Villeroy & Boch Group

Consolidated balance sheet as of June 30th 2009

Assets

in Euro `000	Notes	30.06.2009	31.12.2008
Non-current assets			
Intangible assets	1	**54,294**	54,634
Property, plant and equipment	2	**185,201**	195,302
Investment properties		**15,925**	15,995
Investment accounted for using the equity method		**1,527**	1,212
Other financial assets	3	**22,312**	43,653
		279,259	310,796
Other non-current assets		**310**	43
Deferred tax assets	4	**44,297**	44,870
		323,866	355,709
Current assets			
Inventories	5	**173,502**	179,537
Trade receivables	6	**115,977**	126,580
Financial assets	7	**20,003**	21,392
Other current assets	8	**23,079**	26,412
Income tax claims		**5,423**	3,702
Cash and cash equivalents	9	**50,511**	58,978
		388,495	416,601
Total Assets		**712,361**	772,310

Shareholders' Equity and Liabilities

TEuro	Notes	30.06.2009	31.12.2008
Equity attributable to Villeroy & Boch AG shareholders		**248,528**	330,450
Equity attributable to minority interests		**745**	487
Total equity		**249,273**	330,937
Non-current liabilities			
Provisions for pensions		**150,154**	151,249
Non-current provisions for personnel	11	**17,215**	18,417
Other non-current provisions		**3,820**	4,052
Non-current financial liabilities	13	**50,000**	70,000
Other non-current financial liabilities	14	**3,085**	3,293
Deferred tax liabilities		**14,020**	14,640
		238,294	261,651
Current liabilities			
Current provisions for personnel	11	**6,754**	8,415
Other current provisions	12	**75,037**	19,588
Current financial liabilities	13	**20,113**	7,490
Other current liabilities	14	**70,782**	84,098
Trade payables		**49,252**	56,636
Income Tax liabilities		**2,856**	3,495
		224,794	179,722
Total liabilities		**463,088**	441,373
Total equity and liabilities		**712,361**	772,310

Villeroy & Boch Group

Consolidated Income Statement from January 1st to June 30th 2009

in Euro `000	Notes	1st mid-year 2009	1st mid-year 2008
Revenue	15	348,590	434,776
Costs of sales		-215,143	-258,981
Gross profit		133,447	**175,795**
Selling, marketing and development costs	16	-117,460	-128,179
General and administrative expenses		-21,922	-25,270
Other operating income/expenses		-63,368	-5,176
(Thereof from restructuring)		(- 60,000)	-
Result of associates accounted for using the equity method		314	60
Operating result (EBIT)		-68,989	**17,230**
(Operating result before restructuring, interest and taxes)		(- 8,989)	**-17,230**
Financial results	17	-5,157	**-3,893**
Earnings before taxes		-74,146	**13,337**
Income taxes	18	0	-4,002
Result after tax (group)		-74,146	**9,335**
Thereof attributable to minority interests		21	-3
OF WHICH GROUP EQUITY HOLDERS ARE ENTITLED OF (CONSOLIDATED RESULT)		-74,125	**9,332**
EARNINGS PER SHARE in Euros			
Eearnings per ordinary share		-2.83	0.33
Earnings per preference share		-2.78	0.38

Villeroy & Boch Group

Consolidated Income Statement from April 1st to June 30th 2009

in Euro `000		2 nd quarter 2009	2 nd quarter 2008
Revenue	15	166,354	213,848
Costs of sales		-99,762	-126,912
Gross profit		66,592	**86,936**
Selling, marketing and development costs	16	-56,178	-63,537
General and administrative expenses		-9,859	-13,263
Other operating income/expense		-2,210	-3,087
(Thereof from restructuring)		(-)	(-)
Result of associates accounted for using the equity method		284	30
Operating result (EBIT)		-1,371	**7,079**
Financial results	17	-2,716	**-2,075**
Earnings before taxes		-4,087	**5,004**
Income taxes	18	-12,309	-1,502
Result after tax (group)		-16,396	**3,502**
Thereof attributable to minority interests		5	-4
OF WHICH GROUP EQUITY HOLDERS ARE ENTITLED OF (CONSOLIDATED RESULT)		-16,391	**3,498**
EARNINGS PER SHARE in Euros			
Eearnings per ordinary share		-0.64	0.11
Earnings per preference share		-0.59	0.16

Villeroy & Boch Group
Consolidated Statement of Equity as of June 30th 2009

in Euro '000 Notes	Issued capital	Capital surplus	treasury shares	Retained earnings	Valuatoin surplus 10	Total	**Minority interests**	**Total Equity**
	Equity attributable to Villeroy & Boch AG sharesholders							
As of 01.01.2008	**71,909**	**193,587**	**-14,099**	**95,891**	**-2,897**	**344,390**	**184**	**344,574**
Result after tax for the period				9,332		9,332	3	9,335
Other comprehensive income					-394	-394	-4	-398
Comprehensive income				**9,332**	**-394**	**8,938**	**-1**	**8,937**
Dividend				-10,389		-10,389	-8	-10,397
Reclassification adjustments						0	0	0
As of 30.06.2008	**71,909**	**193,587**	**-14,099**	**94,834**	**-3,291**	**342,939**	**175**	**343,114**
As of 01.01.2009	**71,909**	**193,587**	**-14,099**	**96,554**	**-17,501**	**330,450**	**487**	**330,937**
Result after tax for the period				**-74,125**		**-74,125**	**-21**	**-74,146**
Other comprehensive income					**1,271**	**1,271**	**5**	**1,276**
Comprehensive income				**-74,125**	**1,271**	**-72,854**	**-16**	**-72,870**
Dividend				**-9,068**		**-9,068**	**0**	**-9,068**
Reclassification adjustments						**0**	**274**	**274**
As of 30.06.2009	**71,909**	**193,587**	**-14,099**	**13,361**	**-16,230**	**248,528**	**745**	**249,273**

Villeroy & Boch Group
Consolidated Statement of Comprehensive Income as of June 30th 2009

in TEuro	**2009**	2008
Consolidated result after tax for the period 01.01. - 30.06.	**-74,146**	**9,335**
Other comprehensive income for the period (c.p. Note 10)		
Effective result on hedging instruments in a cash flow hedge	**606**	-2,281
Gains and losses arising from translating the net investment in a foreign business operation	**351**	-1,505
Gains and losses arising from translating the financial statements of foreign operation	**105**	2,739
Gains and losses arising from deferred taxes	**214**	649
Total	**1,276**	-398
Comprehensive income (after tax)	**-72,870**	8,937
Thereof attributable to		
Villeroy & Boch AG shareholders	**-72,854**	8,938
Minority interests	**-16**	-1

Villeroy & Boch Group
Consolidated Cash Flow Statement as of June 30th 2009

in Euro '000	1st mid-year 2009	1st mid-year 2008
Result after tax	**-74,146**	9,335
Depreciation of non-current assets	**17,865**	18,635
Change in non-current provisions	**-7,085**	-6,409
Profit from disposal of fixed assets	**-874**	46
Change in inventories, receivables and other assets	**19,295**	-28,557
Change in liabilities, current provisions and other liabilities	**-26,784**	-26,490
Change in current provision for restructuring	**58,029**	0
Other non-cash income/expenses	**4,351**	8,844
Cash Flow from operating activities	**-9,349**	**-24,596**
Purchase of intangible assets, property, plant and equipment	**-6,577**	-8,096
Investment in non-current financial assets and cash payments for the acquisition of consolidated companies	**-1,608**	-28,784
Cash payments for restricted deposits	**20,631**	22,221
Cash receipts for discontinued operations	**0**	7,857
Cash receipts from disposals of fixed assets	**4.928**	749
Cash Flow from investing activities	**17,374**	**-6,053**
Change in financial liabilities	**-7,377**	-1,978
Dividend payments	**-9,068**	-10,389
Cash Flow from financing activities	**-16,445**	**-12,367**
Sum of cash flows	**-8,420**	**-43,016**
Changes due to exchange rates	**-47**	308
Net increase in cash and cash equivalents	**-8,467**	**-42,708**
Balance of cash and cash equivalents as of 01.01.	**58,978**	75,091
Balance of cash and cash equivalents as of 30.06.	**50,511**	32,383

Villeroy & Boch Group 1st mid-year Segment Report as of June 30th 2009

in Euro '000	BATHROOM & WELLNESS 2009	BATHROOM & WELLNESS 2008	TABLEWARE 2009	TABLEWARE 2008	TRANSITION / OTHER 2009	TRANSITION / OTHER 2008	VILLEROY & BOCH GROUP 2009	VILLEROY & BOCH GROUP 2008
Revenue								
Segment revenue from sales to external customers	**220,032**	278,615	**128,558**	156,161	**0**	0	**348,590**	434,776
Segment revenue from transactions with other segments	**377**	413	**0**	0	**-377**	-413	**0**	0
Result								
Segment result (before restructuring)	**-2,890**	13,489	**-6,099**	3,741	**0**	0	**-8,989**	17,230
Restructuring cost	**-40,923**	(-)	**-19,077**	(-)	**0**	(-)	**-60,000**	(-)
Segment result (incl. restructuring)	**-43,813**	13,489	**-25,176**	3,741	**0**	0	**-68,989**	17,230
Financial result					**-5,157**	-3,893	**-5,157**	-3,893
Other information								
Segment assets	**382,788**	408,486	**146,372**	172,621	**183,201**	202,695	**712,361**	783,802
Segment liabilities	**102,809**	129,613	**36,903**	39,502	**323,376**	271,573	**463,088**	440,688
Capital expenditures	**6,328**	6,046	**1,440**	2,050	**0**	0	**7,768**	8,096
Scheduled depreciation of segment assets	**11,154**	11,403	**6,699**	7,250	**0**	0	**17,853**	18,653

Villeroy & Boch Group 2nd quarter Segment Report as of June 30th 2009

in Euro '000	BATHROOM & WELLNESS 2009	BATHROOM & WELLNESS 2008	TABLEWARE 2009	TABLEWARE 2008	TRANSITION / OTHER 2009	TRANSITION / OTHER 2008	VILLEROY & BOCH GROUP 2009	VILLEROY & BOCH GROUP 2008
Revenue								
Segment revenue from sales to external customers	**109,859**	142,204	**56,495**	71,644	**0**	0	**166,354**	213,848
Segment revenue from transactions with other segments	**179**	217	**0**	0	**-179**	-217	**0**	0
Result								
Segment result	**1,604**	6,582	**-2,975**	497	**0**	0	**-1,371**	7,079
(Thereof from restructuring)	**0**	(-)	**0**	(-)	**0**	(-)	**0**	(-)
Financial result					**-2,716**	-2,075	**-2,716**	-2,075
Other information								
Capital expenditures	**3,608**	3,825	**667**	1,052	**0**	0	**4,275**	4,877
Scheduled depreciation of segment assets	**5,586**	5,657	**3,324**	3,634	**0**	0	**8,910**	9,291

Villeroy & Boch Group notes
to the 2009 half-year financial report

General information

Villeroy & Boch AG is domiciled in Mettlach. It is a listed public limited company under German law and acts as the parent company to the Villeroy & Boch Group. The group of companies is divided into two operational Divisions of Bathroom & Wellness and Tableware.

The Interim Report covers the period from 1 January to 30 June 2009. It was released for publication, subsequent to consultation of the Management Board with the Audit Committee of the Supervisory Board on 24 July 2009. It was prepared in accordance with section 315a of the German Commercial Code, applying the IASC rules as adopted by the European Commission. An audit or review of the current interim financial statements by an auditing company has not been conducted. In the view of the Management Board, the interim financial statements that are presented give a true and fair view of the results of operations, financial position and net assets. Pursuant to IAS 34, the interim report contains condensed consolidated statements with selected explanatory notes. For this reason it should be read in conjunction with the consolidated financial statements as of 31 December 2008. For the first time, the accounting, valuation and consolidation methods described in the 2008 Annual Report have been extended by the financial accounting standards as prescribed by the EU. These have no material impact on this Interim Report.

Basis of consolidation

In comparison to year-end 2008, the basis of consolidation has been decreased to 60 companies, due to the liquidation of an inactive company.

Dividend distribution by Villeroy & Boch Group for the 2008 financial year

At the General Meeting of Shareholders on 15 May 2009, the dividend proposed by the Supervisory Board and Management Board of Villeroy & Boch AG of €0.32 per ordinary share and €0.37 per preference share was approved. This distribution corresponds to a dividend payment for ordinary share capital of €4,494,336.00 (previous year: €5,196,576.00) and for preference share capital of €4,573,855.27 (previous year: €5,192,943.82). At the time of distribution, the Villeroy & Boch Group held 1,683,029 preference treasury shares, as in the previous year. These were not entitled to dividend payments. Dividends were distributed on 18 May 2009.

Seasonal influences on business activity

Christmas-related business in the fourth quarter leads to the Tableware Division regularly expecting the attainment of higher sales and operating profits in this quarter than is the case in the other quarters. No other seasonal effects are identifiable in the remaining product portfolio.

Notes to selected items in the consolidated balance sheet

1. Intangible assets

The Villeroy & Boch Group acquired intangible assets in the amount of €1,260 thousand in the reporting period (previous year: €162 thousand). In essence, the allocated emission allowances free of cost were capitalised at market price on the date of issue (volume: €1,191 thousand). The scheduled depreciation amounts to €836 thousand (previous year: €722 thousand).

2. Property, plant and equipment

Within the reporting period, tangible assets in the amount of €6,509 thousand (previous year: €7,934 thousand) were procured, in particular within the area of contingency measures or rationalising efforts. The focus was on optimising production processes in Holland, Germany and Romania. Within the same period of time, tangible assets with an asset value of €336 thousand (previous year: €578 thousand) were sold. This resulted in a net capital gain of €874 thousand (previous year: €-46 thousand). Scheduled depreciation amounts to €16,616 thousand (previous year: €17,512 thousand). At the reporting date, the Villeroy & Boch Group was committed to acquire tangible assets of €2,004 thousand (as per 31 December 2008: €1,884 thousand).

3. Other financial assets

Other financial assets consist of:

in € thousands	30 June 2009	31 December 2008
Investments	12,280	12,280
Held-to-maturity uncallable bonds (a)	-	20,000
Loans to related parties (b)	8,337	9,528
Loans to third parties	1,695	1,845
Other financial assets	**22,312**	**43,653**

(a) The uncallable bond due on 27 June 2010 was reclassified to current financial assets (see note 7.). Interest in the amount of €1,215 thousand was received on schedule.

(b) The decline in this item is due to a redemption instalment paid on schedule as at 30 June 2009 by V&B Fliesen GmbH in the amount of €1,191 thousand. A guarantee is provided as security for the loan.

4. Deferred tax assets

The reduction shown under this item by €573 thousand compared with the balance sheet as at 31 December 2008 relates exclusively to deferred taxes from temporary differences. Deferred tax assets from tax loss carryforwards remained at the same level as 31 December 2008. The additional loss carryforwards which have been incurred so far in 2009 have been written down in full in the half-year balance sheet as at 30 June 2009. This was carried out in view of the current uncertainty as to the extent and duration of the financial crisis as well as the associated uncertainty as regards the timely use of these loss carryforwards in terms of tax.

in € thousands	30 June 2009	31 December 2008
Deferred tax assets from tax loss carryforwards		
Gross value	58,699	35,681
Value adjustment	-38,003	-14,985
Net value	20,696	20,696

in € thousands	30 June 2009	31 December 2008
Deferred tax assets from temporary differences		
Gross value	25,626	27,720
Value adjustment	-2,025	-3,546
Net value	23,601	24,174

Details on the change in income taxes can be found in note 18.

5. Inventories

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

in € thousands	30 June 2009	31 December 2008
Raw materials, supplies and merchandise	26,308	28,887
Work in progress	24,331	23,736
Finished goods	122,642	126,511
Advance payments	221	403
	173,502	**179,537**

Inventories declined in the Bathroom and Wellness Division by €3,446 thousand to €102,676 thousand as a result of shorter working hours. Fundamentally, the decrease in the Tableware Division by €2,589 thousand is based on the delivery of a major order (volume: €3.9 million) for which stock had been reserved as at 31 December. In the reporting period, the cumulative value adjustments on inventories recognised in income increased from €27,845 thousand by €1,123 thousand to €28,969 thousand.

6. Trade receivables

The trade receivables are regionally divided as follows:

in € thousands	30 June 2009	31 December 2008
Germany	71,240	77,195
Rest of Euro zone	9,335	12,283
Other international destinations	35,402	37,102
Trade receivables	**115,977**	**126,580**

Within the reporting period, there was a decline in the individual and portfolio-based value adjustment on trade receivables, by €291 thousand to €4,952 thousand.

7. Current financial assets

The uncallable bond due on 27 June 2010 is recognised as a current financial asset (see note 3a). This is covered by the Deposit Protection Fund of the Association of German Banks.

8. Other non-current and current assets

Within the reporting period, the changes which the non-current and current other assets underwent were as follows:

	Carrying amount	Remaining term		Carrying amount	Remaining term	
in € thousands	30 June 2009	Up to 1 year	More than 1 year	31 Dec. 2008	Up to 1 year	More than 1 year
Deposits and payments in advance	**2,329**	2,322	7	**2,073**	2,066	7
Market values from currency hedging	**1,491**	1,491	-	**4,776**	4,776	-
Market values from commodity hedging (a)	**367**	94	273	**-**	-	-
Tax claims (b)	**6,158**	6,158	-	**8,600**	8,600	-
Other assets	**13,044**	13,014	30	**11,006**	10,970	36
	23,389	**23,079**	**310**	**26,455**	**26,412**	**43**

(a) In the first quarter of 2009, the purchase of 720 tons of brass was secured. The contract ends on 30 December 2011.

(b) Primarily, the changes are a result of a decrease in VAT receivables.

9. Cash and cash equivalents

The stock of instruments of payment comprises:

in € thousands	30 June 2009	31 December 2008
Cash on hand incl. cheques	147	343
Current bank balances	2,000	3,430
Cash equivalents	48,364	55,205
	50,511	**58,978**

The bank balance reported corresponds to the net balance after being offset against matching liabilities in the amount of €3,416 thousand (as per 31 December 2008: €1,448 thousand). The cash equivalents are fully covered by external fallback systems.

10. Valuation surpluses

The valuation surpluses are composed as follows:

in € thousands	30 June 2009	Change	31 December 2008	30 June 2008
Revaluation of currency forwards	-1,166	-2,054	888	-471
Revaluation of commodities futures	-3,401	2,641	-6,042	-
Revaluation of forward rate agreements	-157	19	-176	-57
Currency translation of foreign operations	-6,205	100	-6,305	1,676
Reserve from net investments, pursuant to IAS 21.32	-5,495	351	-5,846	-4,689
Surplus for deferred taxes	194	214	-20	249
Total	**-16,230**	**1,271**	**-17,501**	**-3,292**

11. Non-current and current provisions for personnel

The decrease in non-current provisions for personnel is largely a result of the reserves for part-time employment prior to retirement (€-1.060 thousand). Current provisions for personnel have been primarily impacted by a decline in provisions for premium payments to employees (€-1,913 thousand).

12. Other non-current and current provisions

The increase in current provisions is mainly the result of the restructuring measures announced in March 2009.

13. Non-current and current financial liabilities

In the reporting period, a bank loan of €20 million was reclassified to current financial liabilities as it is to be repaid on 25 June 2010. This means that the non-current share has declined to €50 million. Interest of €3,695 thousand was paid in June in accordance with the contract.

14. Other non-current and current liabilities

Non-current and current liabilities comprise the following items:

in € thousands	Carrying amount 30 June 2009	Remaining term Up to 1 year	Remaining term More than 1 year	Carrying amount 31 Dec. 2008	Remaining term Up to 1 year	Remaining term More than 1 year
Advance payments received on account of orders	**1,077**	1,077	-	**1,281**	1,281	-
Bonus to customers (a)	**22,743**	22,743	-	**36,276**	36,276	-
Liabilities for personnel s	**26,502**	25,857	645	**23,420**	22,775	645
Market values from currency hedging	**2,661**	2,661	-	**3,949**	3,949	-
Market values from commodity hedging	**2,024**	1,993	31	**5,886**	5,886	-
Market values from interest hedging	**209**	209	-	**530**	360	170
Government grants	**1,953**	985	968	**1,286**	250	1,036
Tax liabilities (b)	**11,371**	11,371	-	**8,312**	8,312	-
Other liabilities	**5,327**	3,886	1,441	**6,451**	5,009	1,442
	73,867	**70,782**	**3,085**	**87,391**	**84,098**	**3,293**

(a) Seasonal decrease

(b) The change in relation to the previous year is primarily due to the increase of VAT liabilities.

Notes to selected items in the consolidated income statement

15. Revenue

A breakdown of revenue is given in segment report.

16. Selling, marketing and development costs

The following expenditures for research and development within the reporting period are contained in this item:

in € thousands	2009 1st half year	2009 2nd quarter	2008 1st half year	2008 2nd quarter
Bathroom and Wellness	3,715	1,886	3,927	2,011
Tableware	1,015	463	1,381	711
	4,730	**2,349**	**5,308**	**2,722**

17. Financial result

The financial result is divided as follows:

in € thousands	2009 1st half year	2009 2nd quarter	2008 1st half year	2008 2nd quarter
Interest income	2,190	866	3,801	1,852
Interest expenditures	-2,775	-1,286	-3,428	-1,658
Interest component of provisions (i.e. pensions)	-4,556	-2,279	-4,278	-2,139
Other financial income and expenses	-16	-17	12	-130
	-5,157	**-2,716**	**-3,893**	**-2,075**

18. Income taxes

The income tax result comprises the following:

in € thousands	2009		2008	
	1st half year	2nd quarter	1st half year	2nd quarter
Actual income tax	0	457	-587	-345
Deferred taxes from temporary differences	0	-10.912	-104	791
Deferred taxes on tax loss carryforwards	0	-1,854	-3,311	-1,948
Income taxes	**0**	**-12,309**	**-4,002**	**-1,502**

In the report period, the income taxes were compensated by positive effects on the changes of deferred tax assets (€ 573 thousand) and deferred tax liabilities (€ 620 thousand) with consideration of an not affecting net income addition (€ 47 thousand) of the net revaluation surplus taken directly to equity.

Other explanations

19. Personnel

Personnel expenses and the average headcount are composed as follows:

in € thousands	1st half year 2009		1st half year 2008	
	Personnel	Employees	Personnel	Employees
Bathroom and Wellness	79,708	6,398	89,158	6,914
Tableware	47,326	2,810	50,446	2,903
Other	10,658	411	11,682	416
	137,692	**9,619**	**151,286**	**10,233**

20. Contingent liabilities, commitments and financial obligations

In the period under review, contingent liabilities and commitments developed as follows:

in € thousands	30 June 2009	31 December 2008
Obligations for the acquisition of plant, property and equipment	2,004	1,884
Obligations for the acquisition of commodities	333	-
Trustee obligations	263	259
Guarantees	58	84
Obligations for the acquisition of intangible assets	-	66
Other contingencies	16	15

21. Financial instruments

Derivative financial instruments carried at fair value are reported in note 8 in the case of positive fair values, and note 14 in the case of negative fair values. In period under review, there were no changes in the risk exposures of the Villeroy & Boch Group or the risk controlling and evaluation methods applied.

22. Related party disclosures

Within the reporting period, no contractual agreements of substantive importance were entered into with related party companies and persons. On the balance sheet date, net receivables in the amount of €1,687 thousand exist against V & B Fliesen GmbH (previous year: €3,804 thousand), ensuing from diverse accounting for services. In the reporting period, the Group generated revenue of €93 thousand and other income of €3,798 thousand, primarily from the allocation of services, advertising and rental expenses. These services are dealt with as with unrelated third parties. The long-term loan granted to V&B Fliesen GmbH is discussed in note 3b.

23. Share buy-back programme

The General Meeting of Shareholders on 15 May 2009 authorised the Management Board to acquire preference shares without voting rights in Villeroy & Boch AG with a notional interest in the share capital of up to €7,190,937.00 until 14 November 2010. The Group may hold a maximum of 10 % of the share capital. The Management Board can choose whether this purchase is conducted via the German Stock Exchange or on the basis of a public purchase offer directed at all preference shareholders or on the basis of a public request to submit offers for sale directed at all preference shareholders. Details on this can be found on our homepage under Investor Relations – General Meeting of Shareholders section. Transactions under this authorisation require the approval of the Supervisory Board. No preference shares were acquired in the reporting period.

24. Personnel changes in the Supervisory Board

In the General Meeting of Shareholders on 15 May 2009, the Chairman of the Supervisory Board of Villeroy & Boch AG, Prinz Wittgenstein, announced that he was standing down from his position as Chairman of the Supervisory Board. Mr Wendelin von Boch took over as his successor on 16 May 2009. Prinz Wittgenstein will remain a member of the Supervisory Board as Second Vice Chairman.

25. Resolution on the appointment of the auditor for the 2009 financial year

A resolution was passed at the General Meeting of Shareholders to appoint Ernst & Young GmbH, Wirtschaftsprüfungsgesellschaft (formerly: Ernst & Young AG, Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft), Theodor-Heuss-Anlage 2, D-68165 Mannheim, as the auditor for Villeroy & Boch AG and as the Group auditor for the 2009 financial year.

26. Events after the balance sheet date

No significant events emerged up to the time the interim financial statements were released.

27. Responsibility statement by the legal representatives

To the best of our knowledge, and in accordance with the applicable reporting principles for interim reporting, the interim consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the group, and the interim 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 for the remaining months of the financial year.

Mettlach, 29 July 2009

Manfred Finger **Frank Göring** **Volker Pruschke**

Report from the Audit Committee of the Supervisory Board

The Interim Report for the period from 1 January to 30 June 2009 was presented to the Audit Committee of the Supervisory Board on 24 July 2009 and explained by the Management Board.
The Audit Committee approved this Interim Report.

Mettlach, 29 July 2009
Chairman of the Audit Committee
Charles Krombach