Interim Report
1 January to 30 June 2011

- **Revenue in first six months up €12.5 million on previous year (+3.6%)**

- **Incoming orders up €20 million compared with 30 June 2010, including a major order in the Tableware Division that will be delivered from July of this year**

- **EBIT (operating result) improves by 30.9% year-on-year to €10.6 million**

Villeroy & Boch Group (operating) at a glance	1 Jan. – 30 Jun. 2011 € million	2010 € million	Change in € million	Change in %
Revenue (total)	**362.4**	**349.9**	**12.5**	**3.6**
Germany	**94.1**	**87.6**	**6.5**	**7.4**
Abroad	**268.3**	**262.3**	**6.0**	**2.3**
Earnings before interest and taxes (EBIT) - operative (1)	**10.6**	**8.1**	**2.5**	**30.9**
Earnings before taxes (EBT) - operative (1)	**5.1**	**3.0**	**2.1**	**70.0**
Earnings before taxes (EBT) - total	**5.1**	**-70.0**	**75.1**	**107.3**
Group result	**3.6**	**-70.4**	**74.0**	**105.1**
Investments	**13.8**	**9.7**	**4.1**	**42.3**
Employees	**8,618**	**8,823**	**-205.0**	**-2.3**

(1) Prior-year figures excl. EU antitrust fine

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Group management report of Villeroy & Boch AG for the first half of 2011

Global economic conditions

Following positive development in 2010 and the first quarter of 2011, the global economic recovery slowed down in the second quarter. Brazil, Russia, India, China and – encouragingly – Germany remained on a growth path, although initial signs of overheating and rising inflation were evident in China in particular. By contrast, the real estate sector and hence new construction and renovation activity in the USA remained at rock bottom. The high level of government debt in various European countries, now including Spain and Italy, gave growing grounds for concern. Both the level of debt and, unfortunately, the efforts to streamline the respective national budgets are increasingly having an adverse impact on economic development in these countries and their trading partners.

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

Villeroy & Boch Group

The Villeroy & Boch Group generated net revenue of €362.4 million in the first half of 2011 compared with €349.9 million in the same period of the previous year. This represents revenue growth of 3.6%.

Orders on hand as of 30 June 2011 rose by €20.8 million year-on-year to €76.7 million. Of this figure, 58.4% relates to the Tableware Division, including a major order that will be delivered from July 2011.

The operating result before interest and taxes (EBIT) amounted to €10.6 million in the first half of 2011, up €2.5 million as against the previous year. The Villeroy & Boch Group recorded total earnings before taxes (EBT) of €5.1 million. This represented an increase of €75.1 million on the prior-year figure of €-70.0 million, which included special expenditure of €73.0 million including legal costs as a result of the EU antitrust fine.

Development in the divisions

Bathroom and Wellness

The Bathroom and Wellness Division generated revenue of €241.8 million in the first half of 2011, up 5.9% (€13.4 million) on the previous year.

All of the product areas enjoyed positive development. The highest revenue growth was recorded in the areas of bathroom furniture (+17.9%) and fittings (+9.2%), while wellness products continued to benefit from strong revenue development in China in particular.

The new products presented at the International Sanitary and Heating (ISH) trade fair in the spring are developing positively and have exceeded our expectations in some cases.

The success story of “Subway” in continental Europe is continuing with the new “Subway 2.0” bathroom collection. Villeroy & Boch successfully launched the “o.novo” series for the entry-level price segment of its property development business, while the new “My Nature” country bathroom series received this year’s “Red Dot Design Award” in the category of product design.

China was the country with the most substantial revenue growth (+151%), but the division also recorded strong growth rates in Germany (+9%), Russia (+24%), Sweden (+9%) and the Netherlands (+7%).

The operating result (EBIT) in the Bathroom and Wellness Division increased by €3.1 million year-on-year to €15.2 million.

Based on the course of business to date and the strong order situation, the division is expected to record further revenue growth and a corresponding improvement in earnings compared with the previous year.

Tableware

The Tableware Division generated revenue of €120.6 in the first half of 2011. This was largely unchanged as against the previous year despite the fact that revenue of around €4 million was postponed tentatively in the second quarter as a result of the political unrest in the Arab region. This revenue of around €4 million is expected to be recorded in the second half of the year.

This year's new products are enjoying a high level of acceptance. The positive response to the products presented in the spring has since been confirmed by the incoming orders received. Thanks to our supply capacity, we are capable of fulfilling the orders rapidly. The 'Farmhouse Touch' country crockery series and the 'Amazonia' and 'Authentic Avantgarde' ranges of luxury gift items are enjoying particularly strong revenue development.

The postponement of revenue in the Arab region meant that the division closed the first half of the year with an operating loss of €-4.6 million, a slight decrease as against the previous year. The major order that was concluded in the first quarter will be delivered in the second half of the year, with revenue of around €6 million expected to be recorded in July alone. The revenue bottleneck in the Middle East will also resolve itself over the coming months. A continuous improvement in earnings performance is forecast for the second half of the year. We expect to close the 2011 financial year with a clearly positive earnings position that is substantially better than in the previous year.

Structure of the consolidated income statement (IFRS)

in € million	***H1 2011***	*% of revenue*	***H1 2010***	*% of revenue*
Revenue	*362.4*	*100.0*	*349.9*	*100.0*
Cost of sales	*-212.1*	*-58.5*	*-207.2*	*-59.2*
Gross profit	***150.3***	***41.5***	***142.7***	***40.8***
Selling, marketing and development costs	*-116.6*	*-32.2*	*-112.2*	*-32.1*
General and administrative expenses	*-22.2*	*-6.1*	*-20.7*	*-5.9*
Other expenses/income	*-0.9*	*-0.2*	*-1.7*	*-0.5*
EBIT (operating earnings before special expenditures)	***10.6***	***2.9***	***8.1***	***2.3***
- EU antitrust proceedings	***-***		***-73.0***	
EBIT (incl. special expenditures)	***10.6***		***-64.9***	
Net finance expense	*-5.5*		*-5.1*	
Earnings before taxes (EBT)	***5.1***		***-70.0***	
Income taxes	*-1.5*		*-0.4*	
Group result	***3.6***		***-70.4***	

Net liquidity

The net liquidity of the Villeroy & Boch Group amounted to €-57.4 million as of 30 June 2011. This was €43 million lower than at the start of the year due to seasonal factors. Compared with the previous year, this represents a decrease of €84 million. This development is primarily attributable to the fine of €71.5 million that was paid to the EU antitrust authorities in September 2010 as well as a temporary increase in inventories, including in connection with the major Tableware order that will be delivered in the near future.

Investments

In the first half of the financial year, the Villeroy & Boch Group invested a total of €13.8 million (previous year: €9.7 million). Further information can be found in the notes.

Opportunities and risks

The opportunities and risks described in the 2010 Annual Report remain unchanged. There is no evidence of any individual risks that could endanger the continued existence of the Group.

Outlook for the rest of the 2011 financial year

Including the major Tableware order that is scheduled to be delivered from July 2011 onwards, we are expecting to record total consolidated revenue of around €760 million in the 2011 financial year. On this basis, we are forecasting EBIT of around €30 million for the year as a whole.

Villeroy & Boch Group

Consolidated balance sheet as of June 30th 2011

Assets

in Euro thousands	Notes	**30/06/2011**	31/12/2010
Non-current assets			
Intangible assets		38,077	38,711
Property, plant and equipment	1	160,394	162,106
Investment property		15,859	16,295
Investment accounted for using the equity method		1,293	1,101
Other financial assets		13,766	15,006
		229,389	**233,219**
Other non-current assets	4	133	198
Deferred tax assets		44,196	45,574
		273,718	**278,991**
Current assets			
Inventories	2	157,115	140,673
Trade receivables	3	110,264	107,397
Other current assets	4	26,175	21,415
Income tax claims		3,326	2,548
Cash and cash equivalents	5	5,504	37,013
		302,384	**309,046**
Non-current asset held for sale	6	**5,186**	**10,286**
Total assets		**581,288**	**598,323**

Shareholders' Equity and Liabilities

in Euro thousands	Notes	**30/06/2011**	31/12/2010
Equity attributable to Villeroy & Boch AG shareholders			
Issued capital		71,909	71,909
Capital surplus		193,587	193,587
Treasury shares		-14,985	-14,985
Retained earnings		-81,540	-82,382
Valuation surplus	7	3,515	4,972
		172,486	**173,101**
Equity attributable to minority interests		**106**	**107**
Total equity		**172,592**	**173,208**
Non-current liabilities			
Provisions for pensions		142,933	144,558
Non-current provisions for personnel	8	16,957	17,598
Other non-current provisions	9	5,348	5,857
Non-current financial liabilities	10	25,000	50,000
Other non-current liabilities	11	3,759	3,939
Deferred tax liabilities		13,801	14,275
		207,798	**236,227**
Current liabilities			
Current provisions for personnel	8	3,642	10,726
Other current provisions	9	32,119	39,156
Current financial liabilities	10	37,905	1,428
Other current liabilities	11	73,596	78,265
Trade payables		50,242	55,200
Income Tax liabilities		3,394	4,113
		200,898	**188,888**
Total liabilities		**408,696**	**425,115**
Total equity and liabilities		**581,288**	**598,323**

Villeroy & Boch Group

Consolidated Income Statement from January 1st to June 30th 2011

in Euro thousands	Notes	1st half-year 2011	1st half-year 2010
Revenue	12	**362,407**	**349,940**
Costs of sales		-212,140	-207,266
Gross profit		**150,267**	**142,674**
Selling, marketing and development costs	13	-116,548	-112,207
General administrative expenses		-22,168	-20,688
Other operating income/expenses		-1,122	-1,931
Expenses from EU anti trust proceedings		-	-73,000
Result of associates accounted for using the equity method		192	244
Operating result (EBIT)		**10,621**	**-64,908**
Financial result	14	-5,462	-5,081
Earnings before taxes		**5,159**	**-69,989**
Income taxes	15	-1,548	-453
Group result		**3,611**	**-70,442**
Thereof attributable to			
Minority interests		-2	9
Villeroy & Boch AG shareholders		3,613	-70,451
		3,611	-70,442
EARNINGS PER SHARE			
Earnings per ordinary share in Euro		0.11	-2.69
Earnings per preference share in Euro		0.16	-2.64

During the reporting period there were no share dilution effects.

Villeroy & Boch Group

Consolidated Income Statement from April 1st to June 30th 2011

in Euro Thousands	Notes	2rd quarter 2011	2rd quarter 2010
Revenue	12	**176,227**	172,029
Costs of sales		**-103,514**	-101,071
Gross profit		**72,713**	**70,958**
Selling, marketing and development costs	13	**-57,563**	-55,383
General administrative expenses		**-11,527**	-10,214
Other operating income/expenses		**-113**	-1,027
Expenses from EU anti trust proceedings		-	-73,000
Result of associates accounted for using the equity method		**30**	30
Operating result (EBIT)		**3,540**	**-68,636**
Financial results	**14**	**-2,851**	**-2,541**
Earnings before taxes		**689**	**-71,177**
Income taxes	15	**-208**	-94
Group result		**481**	**-71,271**
Thereof attributable to			
minority interests		**-4**	43
Villeroy & Boch AG shareholders		**485**	-71,314
		481	**-71,271**

Villeroy & Boch Group
Consolidated Statement of Equity as of June 30th 2011

in Euro thousands	Issued capital	Capital surplus	Treasury shares	Retained earnings	Valuation surplus	Total	Equity attributable to minority interests	Total equity
	Equity attributable to Villeroy & Boch AG shareholders							
Note					7			
As of 01/01/2010	**71,909**	**193,587**	**-14,985**	**-17,137**	**-2,024**	**231,350**	**665**	**232,015**
Group result				-70,451		-70,451	9	-70,442
Other comprehensive income				-5,250	7,239	1,989	14	2,003
Total comprehensive income net of tax				**-75,701**	**7,239**	**-68,462**	23	**-68,439**
Acquisition of non-controlling interests							-586	-586
As of 30/06/2010	**71,909**	**193,587**	**-14,985**	**-92,838**	**5,215**	**162,888**	**102**	**162,990**
As of 01/01/2011	**71,909**	**193,587**	**-14,985**	**-82,382**	**4,972**	**173,101**	**107**	**173,208**
Group result				3,613		3,613	-2	3,611
Other comprehensive income				3,415	-1,457	1,958	1	1,959
Total comprehensive income net of tax				**7,028**	**-1,457**	**5,571**	**-1**	**5,570**
Dividend payments				-6,186		-6,186		-6,186
As of 30/06/2011	**71,909**	**193,587**	**-14,985**	**-81,540**	**3,515**	**172,486**	**106**	**172,592**

Villeroy & Boch Group
Consolidated Statement of Comprehensive Income as of June 30th 2011

in Euro thousands		**2011**		**2010**
Group result		**3,611**		-70,442
Gains or losses on cash flow hedge		**-356**		-1,258
Gains or losses arising from translating the financial statements of foreign operation				
On the retained earnings recorded, unrealised exchange differences on translation	3,415		-5,237	
On the valuation surplus recorded, unrealised exchange differences on translation	-375		6.255	
		3,040		**1,018**
Gains or losses arising from translating the net investment in a foreign business operation		-819		1.879
Directly on the valuation surplus recorded, unrealised income taxes		94		364
Other comprehensive income		**1,959**		**2,003**
Total comprehensive income net of tax		5,570		-68,439
Thereof attributable to				
Minority interests		-1		23
Villeroy & Boch AG shareholders		5,571		-68,462
		5,570		-68,439

Villeroy & Boch Group

Consolidated Cash Flow Statement as of June 30th 2011

in Euro thousands	**1st half-year 2011**	1st haft-year 2010
Group result	3,611	-70,442
Depreciation of non-current assets	13,620	15,705
Change in non-current provisions	-6,758	-6,105
Profit from disposal of fixed assets	-729	-65
Change in inventories, receivables and other assets	-20,821	-13,555
Change in liabilities, current provisions and other liabilities	-27,157	-11,526
Added in current provisions from EU anti trust proceedings	-	73,000
Other non-cash income/expenses	5,647	2,959
Cash Flow from operating activities	**-32,587**	**-10,029**
Purchase of intangible assets, property, plant and equipment	-13,805	-8,564
Investment in non-current financial assets and cash payments	-3	-3
Cash receipt from restricted deposits	0	20,000
Cash receipts from disposals of fixed assets	9,594	1,557
Cash Flow from investing activities	**-4,214**	**12,990**
Change in financial liabilities	11,477	-1,868
Cash payments for the acquisition of non-controlling interests	0	-1,391
Dividend payments	-6,186	0
Cash Flow from financing activities	**5,291**	**-3,259**
Sum of cash flows	-31,509	-298
Net increase in cash and cash equivalents	**-31,509**	**-298**
Balance of cash and cash equivalents as of 01/01/	37,013	78,783
Change in consolidated companies	0	-1,850
Net increase in cash and cash equivalents	-31,509	-298
Balance of cash and cash equivalents as of 30/06/	5,504	76,635

Villeroy & Boch Group Segment Report as of June 30th 2011

1st half-year Segment Report

in Euro thousands	BATHROOM & WELLNESS 2011	BATHROOM & WELLNESS 2010	TABLEWARE 2011	TABLEWARE 2010	TRANSITION / OTHER 2011	TRANSITION / OTHER 2010	VILLEROY & BOCH GROUP 2011	VILLEROY & BOCH GROUP 2010
Revenue								
Segment revenue from sales to external customers	**241,780**	228,408	**120,627**	121,532	**-**	-	**362,407**	349,940
Segment revenue from transactions with other segments	**502**	345	**9**	0	**-511**	-345	**0**	0
Result								
Segment result (before special expenditures)	**15,180**	12,107	**-4,559**	-4,015	**-**	-	**10,621**	8,092
Expenses from EU anti trust proceedings	**-**	-	**-**	-	**-**	-73,000	**-**	-73,000
Segment result (incl. special expenditures)	**15,180**	12,107	**-4,559**	-4,015	**-**	-73,000	**10,621**	-64,908
Financial result	**-**	-	**-**	-	**-5,462**	-5,081	**-5,462**	-5,081
Other information								
Segment assets	**337,694**	339,247	**138,769**	130,019	**105,201**	192,780	**581,664**	662,046
Segment liabilities	**108,318**	104,724	**35,851**	40,808	**264,904**	353,524 1)	**409,073**	499,056
Investments	**7,667**	4,753	**6,138**	4,986	**-**	-	**13,805**	9,739
Scheduled depreciation of segment assets	**9,392**	10,944	**4,187**	4,693	**-**	-	**13,579**	15,637

1) 2010 incl. current provisions from EU anti trust proceedings, payed in September 2010

Villeroy & Boch Group 2rd quarter Segment Report as of June 30th 2011

in Euro Thousands	BATHROOM & WELLNESS 2011	BATHROOM & WELLNESS 2010	TABLEWARE 2011	TABLEWARE 2010	TRANSITION / OTHER 2011	TRANSITION / OTHER 2010	VILLEROY & BOCH GROUP 2011	VILLEROY & BOCH GROUP 2010
Revenue								
Segment revenue from sales to external customers	**120,845**	115,026	**55,383**	57,003	**-**	-	**176,227**	172,029
Segment revenue from transactions with other segments	**328**	265	**1**	0	**-329**	-265	**0**	0
Result								
Segment result (before special expenditures)	**7,472**	7,263	**-3,930**	-2,899	**-**	-	**3,542**	4,364
Expenses from EU anti trust proceedings	**-**	-	**-**	-	**-**	-73,000	**-**	-73,000
Segment result (incl. special expenditures)	**7,472**	7,263	**-3,930**	-2,899	**-**	-73,000	**3,542**	-68,636
Financial result	**-**	-	**-**	-	**-2,851**	-2,541	**-2,851**	-2,541
Other information								
Investments	**2,477**	1,983	**3,077**	2,022	**-**	-	**5,553**	4,005
Scheduled depreciation of segment assets	**4,690**	5,406	**2,096**	2,327	**-**	-	**6,786**	7,733

Notes to the consolidated financial statements of Villeroy & Boch AG for the first half of 2011

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 2011. It was approved for publication on 20 June 2011 after being discussed by the Management Board and the Audit Committee of the Supervisory Board. It was prepared in accordance with section 315a of the German Commercial Code (HGB), applying the IASC rules as endorsed by the European Commission. This condensed interim financial report has not been audited or reviewed by an audit company. In the opinion of the Management Board, this interim financial report provides a true and fair view of the net assets, financial position and results of operations of the Group. It 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 2010, which can be ordered from the Investor Relations section of the website www.villeroy-boch.com. In the period under review, the accounting and consolidation methods described in the 2010 Annual Report were extended to include the accounting standards endorsed by the EU for the first time. These have had no material impact on this interim report.

Basis of consolidation

The basis of consolidation of the Villeroy & Boch Group was unchanged and consisted of 60 companies as of 30 June 2011.

Dividend distribution of Villeroy & Boch AG for the 2010 financial year

The General Meeting of Shareholders on 13 May 2011 approved the proposal by the Supervisory Board and the Management Board of Villeroy & Boch AG for the distribution of a dividend of €0.15 per ordinary share and €0.20 per preference share plus the additional payment of the outstanding minimum dividend for 2009 of €0.13 (for a total of €0.33 per preference share). The distribution corresponds to a dividend payment of €2,106,720.00 for the ordinary share capital (previous year: 0) and €4,079,384.43 for the preference share capital (previous year: 0). 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 16 May 2011.

Seasonal influences on business activities

The Tableware Division generally expects to generate a higher level of revenue and operating profit in the quarters containing Easter and, in particular, Christmas than in the two other quarters of the year. There are no other seasonal effects on the rest of the product portfolio.

Notes on selected items of the consolidated balance sheet

1. Property, plant and equipment

In the first half of 2011, a total of €12,878 thousand was invested in property, plant and equipment (previous year: €8,278 thousand) with a particular focus on the establishment of the competence centres in Merzig (tableware) and Mettlach (ceramic sanitary ware) and the capacity expansion in Hungary and Romania. Property, plant and equipment with a carrying amount of €769 thousand (previous year: €363 thousand) was sold in the same period. Depreciation amounted to €12,595 thousand (previous year: €14,384 thousand). At the reporting date, the Villeroy & Boch Group had obligations to acquire property, plant and equipment in the amount of €3,262 thousand (31 December 2010: €8,747 thousand).

2. Inventories

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

in € thousand	30 Jun. 2011	31 Dec. 2010
Raw materials, supplies and merchandise	23,304	21,861
Work in progress	21,270	21,133
Finished goods and goods for resale	112,525	97,656
Advance payments	16	23
	157,115	**140,673**

The increase in finished goods and goods for resale, which totalled €14,869 thousand, was attributable to the Bathroom and Wellness Division in the amount of €7,089 thousand and the Tableware Division in the amount of €7,780 thousand.

Write-downs of inventories increased by €954 thousand in the period under review, from €20,859 thousand to €21,813 thousand.

3. Trade receivables

Trade receivables are broken down as follows:

Based on customer domicile / in € thousand	30 Jun. 2011	31 Dec. 2010
Germany	19,605	16,649
Euro zone excl. Germany	33,145	31,589
Other international destinations	61,799	63,020
Gross carrying amount of trade receivables	114,549	111,258
Valuation adjustments	-4,285	-3,861
Trade receivables	**110,264**	**107,397**

4. Other non-current and current assets

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

in € thousand	**Carrying amount 30 Jun. 2011**	**Remaining term Less than 1 year**	**Remaining term More than 1 year**	Carrying amount 31 Dec. 2010	Remaining term Less than 1 year	Remaining term More than 1 year
Deposits and advance payments	**3,383**	3,376	7	2,416	2,408	8
Changes in fair value of cash flow hedges (a)	**2,339**	2,213	126	3,505	3,315	190
Tax claims	**6,762**	6,762	-	6,094	6,094	-
Prepaid expenses	**3,151**	3,151	0	2,353	2,353	0
Other assets	**10,673**	10,673	-	7,245	7,245	-
	26,308	26,175	133	21,613	21,415	198

(a) At the reporting date, €1,589 thousand (31 December 2010: €1,828 thousand) and €750 thousand (31 December 2010: €1,677 thousand) was recognized for the marking to market of exchange rate hedges and raw material hedges respectively.

5. Cash and cash equivalents

Cash and cash equivalents are composed as follows:

in € thousand	**30 Jun. 2011**	31 Dec. 2010
Cash on hand incl. cheques	137	840
Other cash and cash equivalents	5,367	36,173
	5,504	**37,013**

The reduction in cash and cash equivalents is primarily due to seasonal effects such as the payment of supplier bonuses, variable remuneration in 2010 and the dividend paid to shareholders. Bank balances were offset against matching liabilities in the amount of €2,226 thousand (31 December 2010: €8,308 thousand). Cash equivalents are fully covered by external guarantee systems.

6. Non-current assets held for sale

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

in € thousand	**30 Jun. 2011**	31 Dec. 2010
Property	5,186	5,186
Investments (a)	-	5,100
	5,186	**10,286**

(a) The transfer of shares corresponding to 24% of the share capital of V&B Fliesen GmbH and the recognition of the purchase price in the amount of €5,100 thousand took place as scheduled on 28 January 2011.

7. Valuation surplus

The valuation surplus contains the following items:

in € thousand	**30 Jun. 2011**	31 Dec. 2010
Gains or losses arising from translating the net investment in foreign business operations	-4,598	-3,779
Gains on translation of financial statements of foreign operations	6,699	7,074
Changes in fair value of cash flow hedges	1,352	1,709
Surplus for deferred taxes	62	-32
	3,515	**4,972**

8. Non-current and current provisions for personnel

The change in current provisions for personnel is primarily due to the payment of variable remuneration components for 2010.

9. Other non-current and current provisions

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

10. Non-current and current financial liabilities

A bank loan in the amount of €25 million that was previously classified as non-current was reclassified to current financial liabilities on account of its term.

11. Other non-current and current liabilities

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

	Carrying amount	**Remaining term**		Carrying amount	Remaining term	
in € thousand	**30 Jun. 2011**	**Less than 1 year**	**More than 1 year**	31 Dec. 2010	Less than 1 year	More than 1 year
Advance payments received on orders	**1,040**	1,040	-	**2,390**	2,390	-
Bonus liabilities (a)	**27,389**	27,389	-	**36,154**	36,154	-
Personnel liabilities (b)	**28,777**	27,323	1,454	**23,455**	21,821	1,634
Changes in fair value of cash flow hedges (c)	**984**	984	-	**1,750**	1,750	-
Government grants (d)	**1,964**	1,114	850	**1,519**	669	850
Tax liabilities (e)	**10,501**	10,501	-	**9,137**	9,137	-
Other liabilities	**6,700**	5,245	1,455	**7,799**	6,344	1,455
	77,355	**73,596**	**3,759**	**82,204**	**78,265**	**3,939**

(a) Seasonal decrease

(b) Seasonal increase

(c) Decrease due to current price performance of exchange rate hedges

(d) Increase primarily due to 2011 emission allowances

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

Notes on selected items of the consolidated income statement

12. Revenue

A breakdown of revenue is provided in segment reporting.

13. Selling, marketing and development costs

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

	2011		2010	
in € thousand	**H1**	**Q2**	H1	Q2
Bathroom and Wellness	3,205	1,535	3,354	1,592
Tableware	1,211	572	1,435	693
	4,416	**2,108**	**4,789**	**2,285**

14. Net finance expense

Net finance expense can be broken down as follows:

	2011		2010	
in € thousand	**H1**	**Q2**	H1	Q2
Financial income	410	151	1,385	650
Financial expense	-1,888	-1,009	-2,283	-1,100
Interest expense on provisions (pensions)	-3,984	-1,993	-4,183	-2,091
	-5,462	**-2,851**	**-5,081**	**-2,541**

15. Income taxes

Income taxes include:

	2011		2010	
in € thousand	**H1**	**Q2**	H1	Q2
Current income taxes	-841	-340	-214	30
Deferred taxes	-707	132	-239	-124
Income taxes	**-1,548**	**-208**	**-453**	**-94**

Other notes

16. Employees

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

	H1 2011		H1 2010	
in € thousand	**Personnel expenses**	**Employees**	Personnel expenses	Employees
Bathroom and Wellness	79,653	5,846	75,063	5,820
Tableware	44,174	2,400	45,421	2,606
Other	10,951	372	11,213	397
	134,778	**8,618**	**131,697**	**8,823**

In addition to wage and salary increases, the elimination of reduced working hours had an effect of €2,027 thousand compared with the previous year.

17. Contingent liabilities and commitments and financial obligations

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

in € thousand	**30 Jun. 2011**	31 Dec. 2010
Obligations to acquire property, plant and equipment	3,262	8,747
Obligations to acquire raw materials	889	-
Trustee obligations	297	280
Guarantees	175	111
Obligations to acquire intangible assets	36	23
Other contingencies	-	18

18. Related party disclosures

In the course of our global operating activities, we have relationships with a large number of business partners. These include business partners in which the Villeroy & Boch Group holds equity interests and companies that are connected to companies or members of executive bodies of Villeroy & Boch AG. All transactions are conducted at arm’s length conditions.

The following transactions were conducted with V&B Fliesen GmbH in the period under review:

	2011		2010	
in € thousand	**H1**	**Q2**	H1	Q2
Revenue	97	32	99	40
Financial income	64	32	83	42
Service income	3,878	1,895	3,705	2,129
Service expenses	-308	-196	-353	-241
Rental income incl. ancillary costs	440	220	429	274

There were net receivables of €2,420 thousand as of the reporting date (30 June 2010: €1,547 thousand).

None of the other transactions with related parties are material from the perspective of the Villeroy & Boch Group.

19. Events after the balance sheet date

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

20. Combined responsibility statement by the legal representatives

To the best of our knowledge, and in accordance with the applicable reporting principles for interim financial 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.

Mettlach, 28 July 2011

Manfred Finger   Frank Göring   Jörg Wahlers

Report by the Audit Committee of the Supervisory Board

The interim report on the period from 1 January to 30 June 2011 was presented to the Audit Committee of the Supervisory Board on 15 July 2011 and discussed by the Management Board.
The Audit Committee approved the interim report.

Mettlach, 20 July 2011
The Chairman of the Audit Committee
Charles Krombach

Financial calendar:

27 October 2011	Report on the first nine months of 2011

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. These documents are available to download at www.villeroy-boch.com.