Interim Report
1 January to 31 March 2012

- **Q1 revenue down slightly year-on-year at €184.5 million.**
- **EBIT at prior-year level of €7.1 million.**
- **Sale of ceramic sanitary ware plant in Saltillo, Mexico, completed as scheduled.**

Villeroy & Boch Group at a glance	01.01. - 31.03. 2012 € million	01.01. - 31.03. 2011 € million	Change in € million	Change in %
Revenue (total)	**184.5**	**186.2**	**-1.7**	**-1**
Germany	**51.5**	**49.2**	**2.3**	**5**
Abroad	**133.0**	**137.0**	**-4.0**	**-3**
Earnings before interest and taxes (EBIT)	**7.1**	**7.1**		
Earnings before taxes (EBT)	**4.4**	**4.5**	**-0.1**	**-2**
Group result	**3.1**	**3.1**		
Investments	**6.3**	**7.0**	**-0.7**	**-10**
Employees (End of periods and fulltime equivalent)	**7,415 FTE**	**8,247 FTE**	**-832 FTE**	**-10**

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Interim Management Report of the Villeroy & Boch Group for the First Quarter of 2012

Global economic conditions

Global economic development in the first quarter of the year was varied. While Germany and the USA saw a slight upturn in economic performance, the fundamentally unresolved government debt crisis continued to be a source of uncertainty for companies and consumers in the eurozone. With the exception of Germany, unemployment rates in Villeroy & Boch's main eurozone markets remained at a high level, meaning that income development also failed to provide any momentum of note. In addition, the sharp rise in the cost of raw materials in the first quarter, and energy costs in particular, is providing grounds for concern. We expect the mild recession in the eurozone to continue in the second quarter before being resolved in the second half of the year.

Report on net assets, financial position and results of operations

Villeroy & Boch Group

In the first quarter of 2012, the Villeroy & Boch Group generated net revenue of €184.5 million compared with €186.2 million in the same period of the previous year, corresponding to a slight decrease of 1%.

Orders on hand increased by €11.7 million between 1 January and 31 March 2012 to total €53.9 million at the reporting date. The Bathroom and Wellness Division accounted for €33.3 million of this figure, up 9% on the start of the year.

The Villeroy & Boch Group's earnings before interest and taxes (EBIT) for the first quarter remained unchanged year-on-year at €7.1 million.

The expenses for the expansion of our activities in the growth regions of Russia and China and the lower gross profit due to the slight decline in revenue were offset by the special income from the sale of the ceramic sanitary ware plant in Saltillo, Mexico.

Development in the divisions

Bathroom and Wellness

In the first quarter of 2012, the Bathroom and Wellness Division generated revenue of €122.1 million, up 1% or €1.2 million on the previous year.

There were pronounced regional differences in terms of revenue development. Russia and Germany saw above-average revenue growth (+31% and +13% respectively), whereas revenue declined in Mexico (-14%), Italy (-12%) and the Netherlands (-11%).

The Bathroom and Wellness Division reported an operating result (EBIT) of €8.3 million, up €0.6 million on the same period of the previous year (€7.7 million).

The new products presented at the regional spring trade fairs "SHK" in Essen and "Ideo Bain" in Paris enjoyed an extremely positive reception. This included the new "Loop & Friends" bathtub range, which is available in 22 different versions and for which Villeroy & Boch won the Red Dot Award for product design. The geometric interior forms of the "Square" and "Oval" bathtubs were chosen by the jury out of several thousand entries from 58 countries.

Tableware

Revenue in the Tableware Division amounted to €62.3 million in the first quarter of 2012, down €2.9 million or 5% on the same period of the previous year. This development was due to a reluctance among retailers to place orders, particularly in Germany (-9%) and Italy (-6%).

By contrast, there was encouraging revenue growth in Russia (+10%) and Scandinavia (+9%).

In the first quarter, the Tableware Division generated an operating result (EBIT) of €-1.2 million, down €0.6 million on the previous year.

The new products presented at the “Ambiente” trade fair – “Anmut Bloom”, “Mariefleur” and “Winter Collage” – and the new vase collection were extremely well received by retailers. The same applies to the new ovenproof “CeramicPlus” range.

Net liquidity

The net liquidity of the Villeroy & Boch Group amounted to €-18.3 million as of 31 March 2012, an improvement of €27.2 million on the previous year. In addition to the positive effects from the Group’s operating business, this reflects the purchase price payments for the former plant buildings in Dänischburg and the sale of the factory in Mexico.

Investments

In the period under review, the Villeroy & Boch Group invested a total of €6.3 million (previous year: €7.0 million); this figure is largely in line with the level of depreciation. The investments in the Bathroom and Wellness Division largely related to capacity expansions in Eastern Europe and Thailand. In the Tableware Division, the Group primarily invested in the expansion of its sales network and the further establishment of the tableware competence centre in Merzig.

The sale of the plant in Saltillo, Mexico, which is designed for the high-volume Mexican project market, to the WoodCrafters Group was completed as scheduled in the period under review. This means that our activities in Mexico are now concentrated on the two production sites in Ramos and Lerma, which manufacture high-quality products for the American markets.

Opportunities and risks

The opportunities and risks described in the 2011 Annual Report remain unchanged. This also applies to the status of the EU antitrust proceedings. There is no evidence of any individual risks that could endanger the continued existence of the Group.

Outlook for the current 2012 financial year

Developments in the first quarter serve to underline our concerns of a slight economic downturn. We expect to generate consolidated revenue of €750-760 million in the 2012 financial year. We will continue to expand our activities in our growth markets, particularly Russia and China, in a targeted manner. We will also press ahead with efforts to rationalise production and the workflows and structures in the areas of administration, logistics and sales.
Depending on further economic development, we are continuing to forecast an operating result in a range of plus/minus 15% as against the level recorded in 2011.

Villeroy & Boch Group

Consolidated balance sheet as of March 31st 2012

Assets

in Euro million	Notes	31/03/2012	31/12/2011
Non-current assets			
Intangible assets		38.4	37.4
Property, plant and equipment	1	150.8	151.1
Investment property		15.3	15.6
Investment accounted for using the equity method		1.1	0.9
Other financial assets		10.1	10.2
		215.7	**215.1**
Other non-current assets	4	0.8	0.4
Deferred tax assets		38.3	38.6
		254.8	**254.1**
Current assets			
Inventories	2	146.1	146.0
Trade receivables	3	107.0	106.3
Other current assets	4	23.8	19.1
Income tax claims		2.9	2.2
Cash and cash equivalents	5	33.6	59.2
		313.4	**332.8**
Non-current asset held for sale	6	**3.8**	**11.4**
Total assets		**572.0**	**598.3**

Shareholders' Equity and Liabilities

in Euro million	Notes	31/03/2012	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		-70.3	-76.3
Valuation surplus	7	6.5	6.6
		186.7	**180.9**
Equity attributable to minority interests		**0.1**	**0.1**
Total equity		**186.8**	**180.9**
Non-current liabilities			
Provisions for pensions		139.0	140.7
Non-current provisions for personnel		16.2	16.4
Other non-current provisions		5.1	5.0
Non-current financial liabilities		50.0	50.0
Other non-current liabilities	9	2.9	3.6
Deferred tax liabilities		12.0	12.1
		225.2	**227.8**
Current liabilities			
Current provisions for personnel	8	4.5	12.0
Other current provisions		30.5	32.6
Current financial liabilities		1.9	1.3
Other current liabilities	9	74.9	76.7
Trade payables		43.6	61.3
Income Tax liabilities		4.6	4.4
		160.0	**188.4**
Liabilities dedicated assets classified as held for sale		**-**	**1.2**
Total liabilities		**385.2**	**417.4**
Total equity and liabilities		**572.0**	**598.3**

Villeroy & Boch Group

Consolidated Income Statement from January 1st to March 31st 2012

in Euro million	Notes	1st quarter 2012	1st quarter 2011
Revenue		**184.5**	**186.2**
Costs of sales		-107.5	-108.6
Gross profit		**77.0**	**77.6**
Selling, marketing and development costs	10	-59.6	-59.0
General administrative expenses		-11.2	-10.7
Other operating income/expenses		0.6	-1.0
Result of associates accounted for using the equity method		0.3	0.2
Operating result (EBIT)		**7.1**	**7.1**
Financial result	11	-2.7	-2.6
Earnings before taxes		**4.4**	**4.5**
Income taxes		-1.3	-1.4
Group result		**3.1**	**3.1**
Thereof attributable to			
Villeroy & Boch AG shareholders		3.1	3.1
Minority interests		0.0	0.0
		3.1	**3.1**
EARNINGS PER SHARE			
Earnings per ordinary share in Euro		0.09	0.09
Earnings per preference share in Euro		0.14	0.14

During the reporting period there were no share dilution effects.

Villeroy & Boch Group

Consolidated Statement of Comprehensive Income as of March 31st 2012

in Euro million	2012	2011
Group result	**3.1**	**3.1**
Other comprehensive income		
Gains or losses on cash flow hedge	1.4	1.4
Unrealised exchange differences on translation	1.2	3.3
Directly on the valuation surplus recorded, unrealised income taxes	0.1	-0.2
Total Other comprehensive income	**2.6**	**4.5**
Total comprehensive income net of tax	**5.7**	**7.6**
Thereof attributable to		
Villeroy & Boch AG shareholders	5.7	7.6
Minority interests	0.0	0.0
	5.7	7.6

Villeroy & Boch Group
Consolidated Statement of Equity as of March 31st 2012

in Euro 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					7			
As of 01/01/2011	**71.9**	**193.6**	**-15.0**	**-82.4**	**5.0**	**173.1**	**0.1**	**173.2**
Group result				3.1		3.1	0.0	3.1
Other comprehensive income				3.4	1.1	4.5	0.0	4.5
Total comprehensive income net of tax				**6.5**	**1.1**	**7.6**	**0.0**	**7.6**
As of 31/03/2011	**71.9**	**193.6**	**-15.0**	**-75.9**	**6.1**	**180.7**	**0.1**	**180.8**
As of 01/01/2012	**71.9**	**193.6**	**-15.0**	**-76.3**	**6.6**	**180.9**	**0.1**	**180.9**
Group result				3.1		3.1	0.0	3.1
Other comprehensive income				2.8	-0.1	2.6	0.0	2.6
Total comprehensive income net of tax				**5.9**	**-0.1**	**5.7**	**0.0**	**5.7**
As of 31/03/2012	**71.9**	**193.6**	**-15.0**	**-70.4**	**6.5**	**186.6**	**0.1**	**186.7**

Villeroy & Boch Group
Consolidated Cash Flow Statement as of March 31st 2012

in Euro million	1.1.-31.3. 2012	2011
Group result	3.1	3.1
Depreciation of non-current assets	6.6	6.8
Change in non-current provisions	-3.9	-2.9
Profit from disposal of fixed assets	-2.1	-0.8
Change in inventories, receivables and other assets	-5.3	-12.9
Change in liabilities, current provisions and other liabilities	-28.4	-27.8
Other non-cash income/expenses	2.0	3.5
Cash Flow from operating activities	**-28.0**	**-30.9**
Purchase of intangible assets, property, plant and equipment	-6.3	-7.0
Investment in non-current financial assets and cash payments	0.0	0.0
Cash receipts from disposals of fixed assets	8.1	6.8
Cash Flow from investing activities	**1.8**	**-0.2**
Change in financial liabilities	0.6	2.6
Cash Flow from financing activities	**0.6**	**2.6**
Sum of cash flows	**-25.6**	**-28.5**
Net increase in cash and cash equivalents	**-25.6**	**-28.5**
Balance of cash and cash equivalents as of 01/01/	59.2	37.0
Net increase in cash and cash equivalents	-25.6	-28.5
Balance of cash and cash equivalents as of 31/03/	33.6	8.5

Villeroy & Boch Group Segment Report as of March 31st 2012

1st quarter Segment Report

in Euro million	BATHROOM & WELLNESS		TABLEWARE		TRANSITION / OTHER		VILLEROY & BOCH GROUP	
	2012	2011	2012	2011	2012	2011	2012	2011
	01.01. - 31.03.		01.01. - 31.03.		01.01. - 31.03.		01.01. - 31.03.	
Revenue								
Segment revenue from sales to external customers	**122.1**	120.9	**62.3**	65.2	**0.0**	0.0	**184.5**	186.2
Segment revenue from transactions with other segments	**0.2**	0.2	**0.0**	0.0	**-0.2**	-0.2	**0.0**	0.0
Result								
Segment result	**8.3**	7.7	**-1.2**	-0.6	**-**	-	**7.1**	7.1
Financial result	**-**	-	**-**	-	**-2.7**	-2.6	**-2.7**	-2.6
Investments and depreciations								
Investments	**3.6**	3.9	**2.7**	3.1	**-**	-	**6.3**	7.0
Scheduled depreciation of segment assets	**4.4**	4.7	**2.2**	2.1	**-**	-	**6.6**	6.8
Assets and Liabilities	**31.03.**	**31.12.**	**31.03.**	**31.12.**	**31.03.**	**31.12.**	**31.03.**	**31.12.**
Segment assets	**318.5**	307.9	**131.1**	136.4	**122.3**	154.0	**572.0**	598.3
Segment liabilities	**97.0**	114.7	**39.3**	45.1	**248.9**	257.6	**385.2**	417.4

Notes to the Interim Financial Statements of the Villeroy & Boch Group for the First Quarter 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 31 March 2012. After the Management Board discussed the interim report with the Audit Committee of the Supervisory Board, it was approved for publication on 18 April 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. 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 €0.1 million.

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

The Supervisory Board and Management Board propose the payment of the following dividends to shareholders with voting rights:

Dividend per ordinary share	€0.35 (2010: €0.15)
Dividend per preference share	€0.40 (2010: €0.33)

The General Meeting of Shareholders on 16 May 2012 will vote on this proposal.

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 €5.1 million (previous year: €7.0 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 €0.1 million (previous year: €0.7 million) was sold in the same period. Depreciation amounted to €6.1 million (previous year: €6.3 million). At the reporting date, the Villeroy & Boch Group had obligations to acquire property, plant and equipment in the amount of €3.4 million (31 December 2011: €5.4 million).

2. Inventories

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

in Euro million	**31 Mar. 2012**	31 Dec.2011
Raw materials, supplies and merchandise	22.2	23.0
Work in progress	15.9	16.9
Finished goods and goods for resale	108.0	106.1
Advance payments	0.0	0.0
	146.1	**146.0**

In the period under review, write-downs of inventories increased by €0.9 million to total €19.0 million.

3. Trade receivables

Trade receivables are broken down as follows:

Based on customer domicile / in Euro million	**31 Mar. 2012**	31 Dec. 2011
Germany	22.4	16.9
Rest of Euro zone	31.7	34.8
Rest of world	56.3	57.8
Gross carrying amount	110.4	109.5
Value adjustments	-3.4	-3.2
Trade receivables	**107.0**	**106.3**

4. Other non-current and current assets

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

in Euro million	**31 Mar. 2012** current	**31 Mar. 2012** non-current	31 Dec. 2011 Current	31 Dec. 2011 non-current
Tax claims	5.4	-	5.6	-
Deposits and advance payments	3.7	-	2.0	-
Prepaid expenses	2.6	0.0	2.4	0.0
Fair value changes of cash flow hedges (a)	1.1	0.7	1.6	0.4
Other assets	11.0	0.1	7.5	-
	23.8	**0.8**	**19.1**	**0.4**

(a) At the reporting date, €1.7 million (31 December 2011: €2.0 million) and €0.1 million (31 December 2011: -) was recognised 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 Euro million	**31 Mar. 2012**	31 Dec. 2011
Cash on hand incl. cheques	0.2	0.2
Other cash and cash equivalents	33.4	59.0
	33.6	**59.2**

The decrease in cash and cash equivalents is primarily attributable to seasonal effects such as the payment of consumer bonuses and variable remuneration for 2011. Bank balances were offset against matching liabilities in the amount of €19.5 million (31 December 2011: €16.2 million). Cash equivalents are partially covered by external guarantee systems.

6. Non-current assets held for sale

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

in Euro million	**31 Mar. 2012**	31 Dec. 2011
Property	0.1	0.1
Saltillo production location (Mexico)	-	7.6
Equity investments	3.7	3.7
	3.8	**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, supplies and merchandise 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.

7. Valuation surplus

The Valuation surplus contains the following items:

in Euro million	31 Mar. 2012	31 Dec. 2 011
Gains or losses arising from translating the net investment in a foreign business operations	-0.3	-0.8
Gains on translation of financial statements of foreign operations	7.3	9.4
Changes in fair value of cash flow hedges	0.2	-1.2
Surplus for deferred taxes	-0.7	-0.8
	6.5	**6.6**

8. Current provisions for personnel

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

9. Other non-current and current liabilities

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

	31 Mar. 2012		31 Dec. 2011	
in Euro million	**current**	**non-current**	current	non-current
Personnel liabilities	21.0	1.3	20.9	1.3
Bonus liabilities from customers (a)	20.9	-	36.3	-
Tax liabilities (b)	12.8	-	10.3	-
Fair value changes of cash flow hedges (c)	1.6	-	3.1	0.1
Government grants (d)	1.3	0.1	0.4	0.8
Advance payments received on orders	0.9	-	1.9	-
Other liabilities (a)	16.4	1.5	3.8	1.4
	74.9	**2.9**	**76.7**	**3.6**

(a) Seasonal change

(b) Change primarily due to the seasonal increase in payroll and church tax liabilities

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

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

Notes on selected items of the consolidated income statement

10. Selling, marketing and development costs

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

in Euro million	**QI 2012**	QI 2011
Bathroom and Wellness	-1.6	-2.0
Tableware	-1.3	-0.9
	-2.9	**-2.9**

11. Net finance expense

Net finance expense is broken down as follows:

in Euro million	**QI 2012**	QI 2011
Financial income	0.3	0.3
Financial expense	-1.0	-0.9
Interest expense on provisions (pensions)	-2.0	-2.0
	-2.7	**-2.6**

Other notes

12. Related party disclosures

In the course of our operating activities, we purchase materials, inventories and services from a wide range 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 temporis 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.

13. Events after the end of the reporting period

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

Mettlach, 25 April 2012

Frank Göring Jörg Wahlers

Financial calendar:

16 May 2012	General Meeting of Shareholders, Merzig Town Hall
23 July 2012	Report on the first half of 2012
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.