



Interim Report January 1st to September 30th, 2007

- Consolidated sales adjusted for disposal of Tiles up by 6.0%
- Operating results substantially better than in previous year
- Outlook: Extraordinary items hit net income

Villeroy & Boch Group at a glance

	1/1 - 30/09/2007	1/1 - 30/09/2006	Change	Change
	Euro million	Euro million	Euro million	%
Sales				
Domestic	174.5	203.7	-29.2	-14.3
Foreign	536.6	501.8	34.8	6.9
Total	711.1	705.5	5.6	0.8
<i>Adjusted for tiles disinvestment</i>	<i>636.4</i>	<i>600.3</i>	<i>36.1</i>	<i>6.0</i>
Earnings before				
interest and tax/EBIT	20.8	13.7	7.1	51.8
tax/EBT	13.6	6.1	7.5	123.0
Capital expenditure	18.8	25.7	-6.9	-26.8
Group earnings per share (Euro)	0.36	0.16	0.20	125.0
Employees	9,185	10,216	-1,031	-10.1

Securities identification numbers: 765 720, 765 723

ISIN: DE0007657207, DE0007657231

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Global economy slowly losing steam

The global economy is still in a phase of expansion. The developing countries and emerging markets have been particularly dynamic while economic activities in the industrialised nations have only been growing at a moderate pace over the last year. But the problems on the international financial markets currently overshadow the outlook for the global economy.

The Kiel Institute for Economic Research (Institut für Wirtschaftsforschung – IfW) sees them as a sign of a significant increase in the risks for the overall state of the economy but does not believe that the loss of confidence of those in the financial sector will have a major impact on the real economy.

The IfW accordingly only dropped its growth forecast for the global economy in the coming year slightly from 4.7% to 4.4%.

Expectations in the Eurozone are for the economy to show a less strong but still upward trend. The main factors behind the weaker growth are all the turbulence on the financial markets, the slowdown in the global economy and the effects of tighter monetary policy.

In Germany too economic expansion has weakened – production growth in the second quarter turned out much lower than expected – but overall the forces promoting an upturn are retaining the upper hand.

The IfW is reducing its previous growth forecast for the current year by half a percentage point to 2.7%. At 2.4%, the estimate for the coming year is also somewhat less favourable.

Year-on-year rise in sales and profits

At €111.1 million, consolidated sales at the Villeroy and Boch Group were 0.8% higher than the figure reported for the previous year. Adjusted for the disposal of Tiles, there was a 6% year-on-year growth in sales. The proportion of foreign sales rose again and amounted to 75.5% in the reporting period (previous year: 71.1%).

The Villeroy & Boch Group's order book stood at €75.3 million as at 30 September 2007 compared to €51.2 million (adjusted for the tile

segment) at the beginning of the financial year. The largest share by far belongs to the Bathroom and Wellness Division with 68.4%. The Tableware Division accounted for 31.6%.

Earnings before tax for the first nine months of 2007 amounted to €13.6 million. This resulted in a €7.5 million or 123% year-on-year rise in profit. The profit in the previous year was hit by restructuring costs of around €6 million.

Developments in the Divisions

Bathroom and Wellness: profits affected by extraordinary expenses

The Bathroom and Wellness Division increased its sales in the first nine months of 2007 by a total of 8.9% on the previous year, to €396.5 million. The double-digit growth of the first half year slowed down in the course of the 3rd quarter.

Excluding the Mexican sanitary ware factories acquired in 2006, the rise in sales over the first nine months of 2007 was 2.4% compared to 3.4% for the first half.

The partially strong growth, both in the traditional as well as in new export markets, continued, but is set against a bathroom business in Germany that has noticeably weakened as a result of the third-quarter downturn for the industry. By contrast, developments worth mentioning in the different regions are the ongoing disproportionately high rates of increase for ceramics in the Benelux countries, Switzerland, Austria and Italy, and, across all product areas, the continued growth in the former Soviet Union, occasionally well into double figures. Developments in the domestic Hungarian and Romanian markets, dominated by their own production facilities, and in the Far East with growth rates close to the 20% mark, have also held up.

It was mainly extraordinary expenses amounting to €3.3 million for safety measures in the bathtub segment that lowered the division's profit from €9.1 million in the previous year to €5.2 million.

Tableware: Clear improvement in performance despite difficult conditions

Sales in the Tableware Division for the first nine months of 2007 were significantly higher than over the same period in the previous year. The industry is still not witnessing any notable improvement in the business climate. Competitive pressures and aggressive pricing regularly feature on many markets and the competition from China is growing.

At €235.1 million, sales were €5.4 million higher than in the previous year. This represents a rise of 2.3%. Sales rose in Spain/Portugal, Italy, Switzerland, France and in Eastern Europe. This more than made up for markets falling somewhat elsewhere.

The Concessions, e-Commerce, and Premium and Incentive distribution channels all performed well.

New orders rose in comparison with the first nine months of 2006 by 3% to €246 million.

Operating results (EBIT) for the first nine months in the Tableware Division rose by €10.1 million from €3.6 million to €6.5 million compared to the previous year.

The improved performance is due to the restructuring costs in the previous year no longer having a negative impact.

Tiles: The main factor affecting developments in this division was the disposal of V&B Fliesen GmbH

Following the disposal of 51% of the shares in V&B Fliesen GmbH as at 30 June 2007, 100% of the shares in the two tile trading companies in Merzig and Wadgassen were sold to V&B Fliesen GmbH as at 1 July 2007. Until the purchase price will finally be fixed, these companies were provisionally withdrawn from consolidation at their carrying values.

Total sales for the year after the first three quarters amounted to €79.4 million compared to €111.6 over the same period in the previous year. Other trading activities in the Group have only raised sales in the division to an insignificant degree. Operating results (EBIT) amounted to €0.9 million compared with €1.8 million in the previous year.

Volume of capital expenditure

The Villeroy & Boch Group invested a total of €18.8 million in the reporting period in 2007 compared with €25.7 million in the same period in the previous year.

Of this amount, €18.5 million went on tangible and €0.3 million on intangible assets. By region, 41.8% was spent in Germany and 58.2% abroad.

Outlook for financial year 2007

Operations in the first nine months of the financial year ran well, as expected.

Sales of approx. €40 million, as budgeted, continue to be forecast for financial year 2007 following the sale of V&B Fliesen GmbH as at 30 June 2007.

Improved cost structures and good utilisation of capacity will significantly raise net income in the Tableware Division over that of the previous year. By contrast, extraordinary expenditure related to measures to improve safety in the bathtub segment will have a

negative impact on operating earnings at the Bathroom and Wellness Division. Overall the results achieved by the operating divisions in 2007 should match those of the previous year.

Withdrawal of V&B Fliesen GmbH and the tile trading companies in Merzig and Wadgassen sold as at 1 July 2007 from consolidation is expected to have a negative effect on net income of around €15 million.

Payment of the purchase price of around €16 million will have a positive effect on the Villeroy & Boch Group's cash flow.

Villeroy & Boch shares

Villeroy & Boch shares traded at €14.45 as at 28 September 2007. Compared to the closing price at the end of 2006 of €13.37, this represents a rise of around 8%.

Villeroy & Boch shares outperformed the comparable Prime Household index (up by 3.9% since 29 December 2006) and the SDAX (up 1.3%).

Mettlach, October 2007

Villeroy & Boch Aktiengesellschaft

The Management Board

Financial calendar:

16 April 2008	Press conference on the financial statements for 2007
29 April 2008	Report on the first three months of 2008
30 May 2008	Annual General Meeting in the Merzig Stadthalle
29 July 2008	Report on the first half of 2008
28 October 2008	Report on the first nine months of 2008

Villeroy & Boch consolidated balance sheet

	Notes	30.09.2007 Euro '000	31.12.2006 Euro '000
Assets			
Intangible assets	1	46,718	47,681
Property, plant and equipment	2	223,935	253,190
Investment properties		1,276	1,360
Investment accounted for at equity		1,148	1,058
Other financial assets	3	34,071	2,528
		307,148	305,817
Other non-current assets	6	78	240
Deferred tax assets		49,013	51,926
Non-current assets		356,239	357,983
Inventories	4	167,724	205,759
Trade receivables	5	151,095	163,486
Financial assets		0	10,348
Other current assets	6	28,147	24,184
Tax claims	7	11,221	16,017
Cash and cash equivalents	8	20,686	11,596
Current assets		378,873	431,390
Total Assets		735,112	789,373
Shareholders' Equity and Liabilities			
Issued capital		71,909	71,909
Capital surplus		193,587	193,587
Retained earnings	9	73,594	67,556
Consolidated result		9,552	17,037
Equity attributable to minority interest	10	192	310
Total shareholders' equity		348,834	350,399
Provisions for pensions and similar obligations	11	177,970	187,045
Other non-current provisions	12	9,171	9,253
Non-current financial liabilities	13	0	0
Other non-current financial liabilities	14	3,109	3,606
Deferred tax liabilities		17,995	19,017
Non-current liabilities		208,245	218,921
Other current provisions	12	30,157	31,660
Current financial liabilities	13	0	0
Other current liabilities	14	70,104	89,641
Trade payables	15	61,097	82,391
Tax liabilities	16	16,675	16,361
Current liabilities		178,033	220,053
Total shareholders' equity and liabilities		735,112	789,373

Statement of Shareholders' Equity

Euro '000	Issued capital	Capital surplus	Retained earnings	Consolidated result	Equity attributable to minority interests	Total equity
As of 01.01.2006	71,909	193,587	62,496	13,075	3,642	344,709
Dividend				-9,068	-64	-9,132
Reclassification of prior-year			4,007	-4,007		0
Consolidated result 01.01. - 30.09.				4,306	63	4,369
Acquisition of minority interests					-3,331	-3,331
Subsequent valuation IAS 39			-551			-551
Currency change			520		-13	507
Other changes in shareholders' equity			-152			-152
As of 30.09.2006	71,909	193,587	66,320	4,306	297	336,419
As of 01.01.2007	71,909	193,587	67,556	17,037	310	350,399
Dividend				-10,389	-30	-10,419
Reclassification of prior-year			6,648	-6,648		0
Consolidated result 01.01. - 30.09.				9,552	-2	9,550
Acquisition of minority interests					-86	-86
Subsequent valuation IAS 39			2,003			2,003
Currency change			-2,496			-2,496
Other changes in shareholders' equity			-117			-117
As of 30.09.2007	71,909	193,587	73,594	9,552	192	348,834

Villeroy & Boch Consolidated Profit and Loss Statement

	Notes	1st - 3rd quarter	1st - 3rd quarter
		2007	2006
		Euro '000	Euro '000
Revenue	17	711,052	705,464
Costs of sales		-435,633	-437,187
Gross profit		275,419	268,277
Selling, marketing and development costs	18	-204,053	-206,809
General and administrative expenses		-39,945	-38,997
Other operating income/expense		-10,671	-8,876
Result from investments in associates		90	68
Operating result (EBIT)		20,840	13,663
Financial results	19	-7,197	-7,595
Earnings before taxes		13,643	6,068
Taxes on income		-4,093	-1,699
Net income		9,550	4,369
of which attributable to minority interests		2	-63
Consolidated result		9,552	4,306
Earnings per ordinary share in Euros		0.34	0.14
Earnings per preference share in Euros		0.39	0.19

Villeroy & Boch Consolidated Profit and Loss Statement

		3rd quarter	3rd quarter
		2007	2006
		Mio.Euro	Mio.Euro
Revenue	17	214,441	233,752
Costs of sales		-134,376	-149,598
Gross profit		80,065	84,154
Selling, marketing and development costs	18	-61,554	-67,921
General and administrative expenses		-11,703	-13,205
Other operating income/expense		-4,937	-2,692
Result from investments in associates		30	23
Operating result (EBIT)		1,902	359
Financial results	19	-2,087	-3,024
Earnings before taxes		-186	-2,665
Taxes on income		56	747
Net income		-130	-1,918
of which attributable to minority interests		5	-18
Consolidated result		-125	-1,936
Earnings per ordinary share in Euros		0.00	-0.07
Earnings per preference share in Euros		0.00	-0.07

Villeroy & Boch Consolidated Cash Flow Statement

	1st - 3rd quarter 2007	1st - 3rd quarter 2006
	<u>Euro '000</u>	<u>Euro '000</u>
Profit after tax	9,550	4,369
Depreciation of non-current assets	31,546	33,568
Change in non-current provisions	-13,598	-6,814
Profit from disposal of fixed assets	-1,437	43
Change in inventories, accounts receivable and other assets	-9,279	-37,752
Change in liabilities, current provisions and other liabilities	-5,940	-18,067
Other non-cash income/expenses	8,622	7,747
Cash Flow from operating activities	19,464	-16,906
Purchase of intangible assets, property, plant and equipment	-18,850	-24,557
Investment in non-current financial assets and cash payments for the acquisition of consolidated companies	-1,932	-32,815
Cash receipt from disposals of fixed assets	18,205	5,446
Cash Flow from investing activities	-2,577	-51,926
Change in financial liabilities	5,948	24,613
Deposits due to sale of/payment for the acquisition of treasury stock	0	0
Dividend payments	-10,389	-9,068
Cash Flow from financing activities	-4,441	15,545
Sum of cash flows	12,446	-53,287
Changes due to exchange rates	85	199
Net increase in cash and cash equivalents	12,531	-53,088
Balance of cash and cash equivalents as of 01.01.	11,596	58,490
Change in consolidated companies	-3,441	366
Net increase in cash and cash equivalents	12,531	-53,088
Balance of cash and cash equivalents as of 30.09.	20,686	5,768

Group Segment Reporting as of 1st - 3rd quarter 2007 (in Euro '000)

Segment reporting according to division - primary segments

	BATHROOM & WELLNESS		TABLEWARE		TILES		TRANSITION / OTHER		VILLEROY & BOCH GROUP	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
External revenue (net)	396,525	364,151	235,095	229,756	79,432	111,557	0	0	711,052	705,464
Segment internal revenue	1,062	1,046	105	98	0	4	-1,167	-1,148	0	0
Revenue (net)	397,587	365,197	235,200	229,854	79,432	111,561	-1,167	-1,148	711,052	705,464
EBIT	15,150	19,107	6,545	-3,608	-856	-1,836			20,840	13,663
Financial result							-7,197	-7,595	-7,197	-7,595
Capital expenditure	12,599	18,855	4,986	5,038	1,265	1,785			18,850	25,678
Depreciation	16,528	15,902	11,958	12,487	3,060	4,438			31,546	32,827
Net operating assets	263,885	252,362	140,046	146,814	18,354	79,762	-73,451	-142,519	348,834	336,419
Number of employees ¹⁾	5,915	5,750	2,833	3,051	34	1,043	403	372	9,185	10,216

¹⁾ Number of employees: average for the period under review

Group Segment Reporting as of 3rd quarter 2007 (in Euro '000)

Segment reporting according to division - primary segments

	BATHROOM & WELLNESS		TABLEWARE		TILES		TRANSITION / OTHER		VILLEROY & BOCH GROUP	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
External revenue (net)	124,137	122,175	88,792	75,602	1,512	35,975	0	0	214,441	233,752
Segment internal revenue	477	443	13	16	0	-1	-490	-458	0	0
Revenue (net)	124,614	122,618	88,805	75,618	1,512	35,974	-490	-458	214,441	233,752
EBIT	-2,376	1,726	4,927	-866	-649	-501			1,902	359
Financial result							-2,087	-3,024	-2,087	-3,024
Capital expenditure	5,239	9,302	1,836	1,995	188	913			7,263	12,210
Depreciation	5,491	4,988	4,006	4,036	339	1,550			9,836	10,574
Number of employees ¹⁾	5,948	5,795	2,851	3,014	32	1,019	413	374	9,244	10,202

¹⁾ Number of employees: average for the period under review

Notes on the consolidated financial statement of the Villeroy & Boch Group for the third quarterly report of 2007

General information

Villeroy & Boch AG, with its registered seat at Mettlach, is a listed public limited company, pursuant to German law, which fulfils the role of parent company to the Villeroy & Boch Group. The corporate group comprises three operational divisions: bathroom and wellness, tableware and tiles.

The interim financial statement for the period from 1 January to 30 September 2007 was cleared for publication by means of a Board of Directors resolution. It was compiled with consideration for Article 315a of the German Commercial Code (“HGB”), and employing the IASC regulations adopted by the European Commission.

In the opinion of the Board of Directors, the interim statement submitted represents the income, financial and asset situation in line with the actual conditions. This statement does not contain all the information prescribed for the annual financial statement in accordance with IAS 34. Therefore, it should be read in conjunction with the consolidated financial statement as of 31 December 2006. The accounting, valuation and consolidation methods described in the annual report for 2006 continued to be employed without any alterations in the reporting period. This interim statement has not been checked or verified by an auditing company.

Unless stated to the contrary, data provided are specified in thousand euros (Euro ‘000)

Consolidated companies

<i>Villeroy & Boch AG and fully consolidated companies:</i>	Domestic	International	Total
Position as of 1 January 2007	20	51	71
Additions through start-ups	-	1	1
acquisition of interests	-	-	-
Disposals through liquidation	-	-4	-4
amalgamations	-	-2	-2
disposal of interests	-4	-	-4
Position as of 30 September 2007	16	46	62

<i>Companies accounted for at equity</i>			
Position as of 1 January 2007	1	-	1
Additions / disposal	-	-	-
Position as of 30 September 2007	1	-	1

During the third quarter, all shares in the tiles trading companies based in Merzig and Wadgassen as well as the shares in the Koch & Bergfeld GmbH, Bremen were sold.

Dividends distributed by Villeroy & Boch AG

The dividend of 0.37 euros (previous year: 0.32 euros) on ordinary shares and 0.42 euros on preference shares (previous year: 0.37 euros) approved by Villeroy & Boch AG during the General Meeting on 01 June 2007 was distributed during the second quarter. The dividend payment will be represented separately in the cash flow calculation.

Acquisitions / disinvestments / discontinued units

Villeroy & Boch AG sold 51% of shares in V & B Fliesen GmbH to the Turkish Eczacibasi Group on 26 March 2007 with effect from 30 June 2007 thereby gaining a future cooperating partner in the Tiles Division. The anti-trust approvals have already been granted. Continuation of the integrated marketing concept "House of Villeroy & Boch" will in future be guaranteed by closed license agreements.

The remaining shares in V & B Fliesen GmbH are contained in the other financial assets and will be accounted in the continued acquisition costs since, despite a holding of 49%, no decisive influence is now exerted on Fliesen GmbH. Final consolidation was initially made at book value, since the closing process has not been concluded yet. The same applies to the tile specialists Fliesenhandel at Cristallerie GmbH, Wadgassen, and Fliesenhandel Merzig GmbH, Merzig, which were sold to V & B Fliesen GmbH with effect from 1 July 2007. Both companies remain as legally independent subsidiaries of V & B Fliesen GmbH.

The net assets of V & B Fliesen GmbH listed in the semi-annual financial statement for 2007 were supplemented by the net assets of both tiles specialists, as shown in the table below.

Euro '000	30 Sept. 2007	31 Dec. 2006
Property, plant and equipment	14,508	15,693
Inventories	52,545	52,120
Other current and non-current assets	36,187	24,707
Assets inherited from the buyer	103,240	92,520
Pensions and similar obligations	2,394	8,417
Other provisions	1,111	1,790
Other liabilities	55,747	32,390
Liabilities inherited from the vendor	59,252	42,597
Current value of outgoing net assets for reconciliation	43,988	49,923

Hitherto, purchase price payments totalling 15.4 million euros have been collected from both transactions. A loan granted from the sale of investment assets amounting to 10.7 million euros will be erased over a period of nine years.

Based on the financial year 2007, this transaction is expected to involve a reduction in consolidated revenue of around 80 million euros against the previous year.

Furthermore, all shares in Koch & Bergfeld GmbH, with its registered office in Bremen, were sold on 3 July 2007. The purchase price of 600,000 euros was paid in cash. A plot of land with a book value of around 403,000

euros has essentially been withdrawn from the group's assets. This transaction does not affect the group's turnover.

Seasonal impacts on business activity

In the Tableware Division, revenues and operating profits are routinely anticipated to be higher in the fourth quarter than in the other quarters as a result of Christmas trading. Such impacts can also be seen at Group level, given that no other seasonal effects can be identified in the rest of the product portfolio. The fourth quarter has shown the largest sales figures and profit growth in each of the past two years.

Explanatory notes on the balance sheet

The composition of selected balance sheet items is described below.

Fixed assets

Fixed assets developed as follows in the reporting period:

Euro '000	Intangible assets	Property, plant and equipment	Investment properties	Invest- ment measured at equity	Other fi- nancial assets	Total
Footnote	1	2		3	4	
<i>Accumulated acquisition cost</i>						
as of 1 Jan. 2007	60,512	918,430	1,360	1,058	2,739	984,099
Currency adjustment	-103	-1,476	0	0	-6	-1,585
Changes in consolidated companies	-521	-112,364	0	0	20,912	-91,973
Additions	311	18,539	1	90	11,183	30,124
Disposals	-65	-3,590	-85	0	-585	-4,325
Transfers	41	-41	0	0	-2	-2
as of 30 Sept. 2007	60,175	819,498	1,276	1,148	34,241	916,338
<i>Accumulated depreciation and impairment</i>						
as of 1 Jan. 2007	12,831	665,240	0	0	211	678,282
Currency adjustment	0	352	0	0	0	352
Changes in consolidated companies	-414	-97,454	0	0	0	-97,868
Scheduled depreciation	1,085	30,461	0	0	0	31,546
Disposals	-45	-3,036	0	0	-41	-3,122
Write-ups	0	0	0	0	0	0
Transfers	0	0	0	0	0	0
as of 30 Sept. 2007	13,457	595,563	0	0	170	609,190
<i>Net book values</i>						
as of 30 Sept. 2007	46,718	223,935	1,276	1,148	34,071	307,148
as of 31 Dec. 2006	47,681	253,190	1,360	1,058	2,528	305,817

1. Intangible assets

The capitalized goodwill of the Villeroy & Boch Group has been assigned to the Bathroom and Wellness Division, as a unit that generates cash and cash equivalents. The change in value of this item of 86,000 euros by comparison with the end of the year relates purely to market rates. Compared to the same period in 2006, the group generated an acquired business and corporate value of around 1,622,000 euros.

The Group acquired 311,000 euros in intangible assets in the reporting period (previous year: 471,000 euros). The focal point for investment was Germany with a 91% share. On 30 September 2006, the group accounted emission allowances of around 1,019,000 euros, which were subdivided into inventories during the fourth quarter of 2006.

2. Property, plant and equipment

Property, plant and equipment amounting to 18,539,000 euros (previous year: 22,566,000 euros) was acquired during the reporting period. The foreign share is 57.4 %. Here, the group invested mainly in optimizing production processes in Hungary, the Netherlands, Sweden and Romania. The Group invested 7,899,000 euros in Germany primarily in tools for innovations, tableware optimization – logistics processes and modernization of sanitary-ware production at the Mettlach and Dänischburg sites. In the same period, property, plant and equipment were sold for a book value of 554,000 euros (previous year: 709,000 euros). Scheduled depreciation amounted to 30,461,000 euros (previous year: 31,825,000 euros).

At the time of reporting, the Villeroy & Boch Group had obligations to acquire property, plant and equipment amounting to 3,520,000 euros (as of 31 Dec. 2006: 1,034,000 euros).

3. Other financial assets

The increase in other financial assets has been essentially achieved from the disclosure of 49% of the shares in V & B Fliesen GmbH (20,912,000 euros) as well as a long-term loan granted to V & B Fliesen GmbH, which amounts to 10,719,000 euros. The loan cannot be terminated during the 10-year term. The loan was categorized under “Financial assets to be held until final maturity”.

4. Inventories

On the balance sheet date, inventories included:

Euro '000	30 Sept. 2007	31 Dec. 2006
Raw materials and supplies	29,114	35,046
Work in process	29,024	30,966
Finished goods	108,101	138,523
Advanced payments	1,436	923
Emission allowances	49	301
	167,724	205,759

5. Trade receivables

The following values have been accounted in trade receivables:

Euro '000	30 Sept. 2007	of which re- maining term is more than 1 year	31 Dec. 2006	of which re- maining term is more than 1 year

Trade receivables	151,095	88	163,486	88
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6. Other current and non-current assets

In the reporting period, other current and non-current assets were subject to the following changes:

Euro '000	Book value	Remaining term		Book value	Remaining term	
	30 Sept. 2007	up to 1 year	more than 1 year	31 Dec. 2006	up to 1 year	more than 1 year
Accounts receivable from associates	4,191	4,191	0	666	666	0
Remaining other assets	21,086	21,053	33	21,353	21,133	220
Prepaid expenses	2,948	2,903	45	2,405	2,385	20
	28,225	28,147	78	24,424	24,184	240

7. Tax claims

Claims from tax refunds developed as follows:

Euro '000	Book value	Remaining term		Book value	Remaining term	
	30 Sept. 2007	up to 1 year	more than 1 year	31 Dec. 2006	up to 1 year	more than 1 year
Claims from income tax	4,789	4,789	0	4,883	4,883	0
Other tax claims	6,432	6,432	0	11,134	11,134	0
	11,221	11,221	0	16,017	16,017	0

8. Cash and cash equivalents

No cash equivalents were held at the Villeroy & Boch Group on the balance sheet date. Accounts receivable from and liabilities to credit institutions were shown in the balance sheet in an amount of 72,304,000 euros (as of 31 Dec. 2006: 11,220,000 euros), since the necessary offset factors and the object of the transaction have been provided on a net basis (IAS 32.80).

9. Retained earnings

Villeroy & Boch AG holds own shares in an unchanged amount of 1,683,029. Retained earnings include:

Euro '000	31 Dec. 2006	Increase	Reduction	30 Sept. 2007
Surplus for own shares pursuant to IAS 32.33	-14,099	0	0	-14,099

The following valuation surplus is balanced in retained earnings, pursuant to IAS 39:

Euro '000	31 Dec. 2006	Increase	Reduction	30 Sept. 2007
Revaluation of foreign exchange futures	-1,667	2,612	-421	524
Revaluation of interest swaps	-779	464	0	-315
	-2,446	3,076	-421	209

Furthermore, changes in valuations of loans that are classified as net investment in international Group enterprises have been allowed for:

Euro '000	31 Dec. 2006	Increase	Reduction	30 Sept. 2007
Currency conversion pursuant to IAS 21.32	-1,028	0	-2,309	-3,337

This result is essentially based on the devaluation of the Mexican peso against the euro. This led to a change in own capital of around 2,060,000 euros.

10. Equity attributable to minority interests

Interests of third parties in the equity of subsidiaries are shown in the item "Equity attributable to minority interests". As of 30 September 2007 this amounted to 192,000 euros (as of 31 Dec. 2006: 310,000 euros).

11. Provisions for pensions and similar obligations

Provision for pensions and similar obligations consists of:

Euro '000	30 Sept. 2007	31 Dec. 2006
Provisions for pensions	164,435	171,643
Provisions for similar obligations	13,535	15,402
	177,970	187,045

The reduction in pension obligations is essentially related to the sale of V & B Fliesen GmbH.

12. Other current and non-current provisions

Other current and non-current provisions developed as follows in the reporting period:

Euro '000	Non-current provisions	Current provisions for					Total amount Personnel sector
		Personnel sector	Guarantees	Restructuring	Others	Total	
Position as of 1 Jan. 2007	9,253	9,333	9,173	5,683	7,471	31,660	40,913
Currency adjustment	-102	-40	-75	26	-385	-474	-576
Utilization	-434	-9,041	-34	-2,491	-3,006	-14,572	-15,006
Reversal	-2	0	-26	0	-123	-149	-151
Allocation	466	6,432	300	2,167	5,888	14,787	15,253
Transfer	0	0	-30	0	30	0	0
Change in consolidated companies	-10	-667	-305	0	-123	-1,095	-1,105
Position as of 30 September 2007	9,171	6,017	9,003	5,385	9,752	30,157	39,328

The decrease in provisions in the Personnel sector is essentially due to outstanding bonus payments as a result of usage of provisions.

13. Current and non-current financial liabilities

The Villeroy & Boch Group reported, as on 31 December 2006, no current and non-current financial liabilities. Accounts receivable in or liabilities to credit institutions were shown in balance.

14. Other current and non-current liabilities

Other current and non-current liabilities include the following items:

Euro '000	Book value	Residual term		Book value	Residual term	
	30 Sept. 2007	up to 1 year	over 1 year	31 Dec. 2006	up to 1 year	over 1 year
Advances received on purchase orders	2,669	2,669	0	1,055	1,055	0
Payroll accounting	30,889	30,889	0	28,785	28,785	0
Bonuses and rebates	31,243	31,243	0	45,574	45,574	0
Other liabilities	6,358	4,727	1,631	15,233	13,166	2,067
Public grants	1,326	224	1,102	1,371	208	1,163
Deferred income	728	352	376	1,229	853	376
	73,213	70,104	3,109	93,247	89,641	3,606

The significant change in this position results from the regulation of bonus obligations.

15. Trade payables

This item consists of outstanding trade payables

Euro '000	Book value	Remaining term		Book value	Remaining term	
	30 Sept. 2007	up to 1 year	more than 1 year	31 Dec. 2006	up to 1 year	more than 1 year
Trade payables	61,097	61,097	0	82,391	82,391	0

16. Current and non-current tax liabilities

Current and non-current tax liabilities include tax obligations and tax provisions

Euro '000	Book value	Remaining term		Book value	Remaining term	
	30 Sept. 2007	up to 1 year	more than 1 year	31 Dec. 2006	up to 1 year	more than 1 year
Tax liabilities	12,273	12,273	0	10,659	10,659	0
Tax provisions	4,402	4,402	0	5,702	5,702	0
	16,675	16,675	0	16,361	16,361	0

Explanatory notes on the profit and loss statement

17. Revenue

Revenues are itemized in Group segment reporting.

18. Sales, marketing and development costs

This item contains the following expenditure for research and development during the reporting period.

Euro '000	2007		2006	
	1st – 3rd quarter	3rd quarter	1st – 3rd quarter	3rd quarter
Bathroom and Wellness	5,278	1,840	5,834	2,009
Tableware	1,690	569	2,107	606
Tiles	979	0	1,322	442
	7,947	2,409	9,263	3,057

19. Financial result

The financial result can be broken down as follows:

Euro '000	2007		2006	
	1st – 3rd quarter	3rd quarter	1st – 3rd quarter	3rd quarter
Other interest and similar income	4,096	2,459	2,739	906
Interest and similar expenditure	-4,429	-2,267	-3,594	-1,383
Interest component in the change in provisions for pensions and similar obligations	-6,834	-2,301	-7,442	-2,484
Total result on interest	-7,167	-2,109	-8,297	-2,961
Result of other financial operations	-30	22	702	-63
	-7,197	-2,087	-7,595	-3,024

Other explanatory notes

20. Financial instruments

Derivative financial instruments accounted by the Villeroy & Boch Group include:

Euro '000	30 Sept. 2007		31 Dec. 2006	
	Book value	Market value	Book value	Market value
Foreign exchange futures	886	886	435	435
Commodities hedges	70	70	0	0
Financial assets	956	956	435	435
Interest swap	315	315	1,623	1,623
Foreign exchange futures	309	309	1,342	1,342
Commodities hedges	4	4	0	0
Financial liabilities	628	628	2,965	2,965

21. Relationships with affiliated companies and persons

During the reporting period no contracts of material importance were entered into with affiliated companies and persons.

22. Changes on the Supervisory Board

Mr Josef Balle and Mr Berthold Scholtes, both employee representatives, stepped down from the Supervisory Board of Villeroy & Boch AG, with effect from 30 June 2007. Mr Werner Jäger and Mr Wolfgang Thieser were appointed as successors, with effect from 16 July 2007.

23. Events after the balance sheet date

At the time of release of the interim financial statement, no significant events were known.

Mettlach, 30 October 2007

Manfred Finger

Frank Göring

Volker Pruschke