Half-Year Report
1 January to 30 June 2007

- **Consolidated sales 5.3% above prior-year level**
- **Operating result shows significant improvement on prior year**
- **Final consolidation of V&B Fliesen GmbH to 30 June 2007**

Villeroy & Boch Group at a glance

	1/1 - 30/06/2007 Euro million	1/1 - 30/06/2006 Euro million	Change Euro million	Change %
Sales				
Domestic	131,9	137,2	-5,3	-3,8
Foreign	364,7	334,5	30,2	9,0
Total	496,6	471,7	24,9	5,3
Earnings before				
interest and tax/EBIT	18,9	13,3	5,6	42,1
tax/EBT	13,8	8,7	5,1	58,6
Capital expenditure	11,6	13,5	-1,9	-14,1
Group earnings per share (Euro)	0,37	0,24	0,13	54,2
Employees	9.175	9.248	-73	-0,8

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Global economy continues on path of strong expansion

The global economy continued its definite upward momentum in the first half of 2007 and there is still no end in sight to this strong upturn in the world economy. The reason for this is the continued excellent development of global production levels – especially in China and India – and a stable monetary policy. The available data on the USA seems to indicate that its economy has also found its feet again in recent weeks.

In its most recent forecasts, the Kiel Institute for Economic Research (Institut für Wirtschaftsforschung – IfO) raised its assessment of the growth rate of the global economy slightly to 4.8% for the current year and 4.7% for the coming year.

Within the Eurozone, the economy is expected to continue to move upwards.

While it is anticipated that the second half of the year will see a slight slowdown in the growth of the economy, due to the abatement of impetus from money market policy, GDP is expected to grow by 2.9% in 2007 and by 2.5% in 2008.

In Germany, too, there is a strong dynamic in the economy. While the growth rate of GDP remains below last year's level, a rate of 3.2% for 2007 is higher than that of the previous year (2.8%). After the significant increases in the second quarter, the IfO increased its forecasts by 0.4% due to improved leading indicators.

Sales above prior-year levels

In the first six months of its 2007 financial year, the Villeroy & Boch Group achieved sales of €496.6 million, an increase of 5.3% over the comparable prior-year period (€471.7 million). Overall, the main contributor to this gratifying development was foreign sales, which grew by 9.0%. Domestic sales, however, were 3.8% down on the previous year.

Orders-on-hand in the Villeroy & Boch Group as at 30 June 2007 amounted to €104.5 million, compared with €62.8 million at the start of the financial year. The major proportion of these orders, at 48.4%, was in the Bathroom and Wellness Division. 40.0% related to the Tableware Division, and 11.6% to the Tile Division.

Earnings before tax (EBT) for the first half of 2007 amounted to €13.8 million. This represents a year-on-year increase of €5.1 million, or around 59%, on the comparable period in the previous year.

Trend in the Divisions

Bathroom and Wellness: Increased sales and result

The Bathroom and Wellness Division increased its sales in the first 6 months of 2007 by 12.6% on the previous year, to €272.4 million. First quarter growth continued at almost identical levels in the second quarter.

Excluding the Mexican sanitary ware factories acquired in 2006, the rise in sales in the first half of the year was 2.9%, following the rise of 3.9% recorded at the end of March.

Looking at the regions individually, both traditional and new export markets continue to grow significantly. Alongside the cool-off experienced by the industry as a whole, growth in the German bathroom sector weakened during the second quarter.

Double-digit growth rates were recorded in Benelux, Switzerland, Austria and Italy, as well as in the markets of the former Soviet Union.

Along with those in the Far East, the Hungarian and Romanian markets remain at the highest levels of sales growth, experiencing a rise of over 20%.

At €17.5 million, the operating result of this Division was comparable to the previous year's result.

Through several projects we are making concerted efforts to further optimise our performance levels towards market partners. In particular these relate to strengthening of our sales and distribution organisations on an international stage as well as the general, systematic improvement of supply-chain processes within the Division, which is growing right across the globe.

We continue to anticipate growth in sales for the 2007 financial year, and a stable trend in results in comparison with the previous year.

Tiles: Improved year-on-year results

Sales in the first half of 2007 were 3.1% above the previous year, at €77.9 million.
Exports made a disproportionately high contribution to the growth in sales. Our investment in markets and the strategy of growing more on an international stage are paying dividends here.
In contrast to expectations, sales in Germany fell by 3.4% during the first half of 2007. This is partially due to delivery problems at the start of the second quarter for new products that were in heavy demand. These initial delivery bottlenecks were resolved by the end of the quarter, however.
France, our second-largest market, also experienced disproportionate growth in the second quarter of 2007. While the region posted an increase on the previous year of just 2.5% at the end of the first quarter, the first six months of the year recorded year-on-year growth of 3.7%.

The operating result (EBIT) improved year on year from €-1.3 million to €-0.2 million, due to the positive growth in sales, but also in particular due to a programme of cost savings.

In relation to the sale of a 51% stake in V&B Fliesen GmbH to the Turkish Eczacibasi Group on 30 June 2007, the company has initially been finally consolidated at book value, as the final purchase price will probably not be known until the fourth quarter of 2007. In this respect, a negative financial consolidation result amounting to some €15 million is expected at the end of the year. In 2007 the Villeroy & Boch Group's cash flow will improve by some €16 million following payment of the purchase price.

Tableware: Positive outlook despite difficult market conditions

Sales in the Tableware Division in the first half of 2007 were below the level recorded the previous year. Nevertheless, there was a solid increase in the volume of orders received. This was accomplished against a backdrop of continuing economic tension in the sector. The pressure of competition and aggressive pricing are increasing in many markets, exacerbated by the rising number of imports from China. The decrease amongst specialist distributors in Europe continues, causing pressure on other distribution channels to increase yet further.

Order books recorded growth of 6.8% in comparison with the first six months of 2006, at €173.1 million.

Sales were 5.1% down on the previous year, at €146.3 million. Adjusted for extraordinary orders and effects, sales in the Tableware Division were nevertheless only slightly below the levels recorded in the previous year. Positive sales growth was recorded in the markets of Spain/Portugal, Switzerland and Eastern Europe, which almost outweighed the falling performance of the German and American markets.

The e-Commerce, Premium and Incentive distribution channels put in a gratifying performance, as did our Concessions. They were almost able to compensate in full for other, somewhat declining distribution channels.

Orders-on-hand were 94.6% up on their position as at 30 June 2006, at €41.8 million. This increase was caused by a major order in Spain amounting to some €15 million.

The half-year operating result (EBIT) for the Tableware Division increased year-on-year, from €-2.7 million to €1.6 million. After excluding €3.0 million of the previous year's figure that was allocated to restructuring costs at the Luxembourg site, this represents a year-on-year increase of €1.3 million.

The Tableware Division is anticipating a significantly improved result for the year as a whole in comparison with the previous year. This is largely due to the end of the burden caused by restructuring costs, and the very high capacity utilisation of our production plants. The effects of increases in staff costs due to a wage agreement and of increases in energy and raw materials costs are countering this improvement.

Volume of capital expenditure

In total, the Villeroy & Boch Group invested €11.6 million in the first half of 2007, in comparison with €13.5 million in the first half of the previous year. Of this investment, 40.2% related to Germany and 59.8% abroad.

Outlook for the 2007 financial year

Business performance during the first six months has matched expectations. Villeroy & Boch continues to expect sales revenues for the entire financial year to increase in the Bathroom and Wellness Division and the Tableware Division.

Due to the sale of 51% of the shares in V&B Fliesen GmbH to the Turkish Eczacibasi Group on 30 June 2007, the sales revenues of the V&B Group will be correspondingly reduced in relation to the financial year as a whole.

Despite this, sales are expected to amount to some €940 million for the full financial year, in combination with an increase in the operating result. This will be supported by the effects of cost savings which, compared with the previous year, will be maintained over the financial year as a whole.

The Villeroy & Boch share

As at 30 June 2007, the Villeroy & Boch share recorded a price of €15.90. In comparison with the closing price of €13.37 as at the end of the 2006 financial year, this represents an increase in the share price of 18.9%.
Thus, the positive growth in value that could be observed in the first quarter intensified and rose in the second quarter by some 7%.
Against comparable indices, such as Prime Consumer and Prime Household, this represents a continued stronger rise, although the Prime Consumer is falling further behind. A similar trend can be recognised in the comparison with the SDAX.

Mettlach, July 2007

Villeroy & Boch Aktiengesellschaft

The Management Board

Financial calendar:

30 October 2007	Report on the first nine months of 2007

Villeroy & Boch consolidated balance sheet

	Notes	30.06.2007 Euro ´000	31.12.2006 Euro ´000
Assets			
Intangible assets	1	46,845	47,681
Property, plant and equipment	2	228,192	253,190
Investment properties		1,361	1,360
Investment accounted for at equity	3	22,030	1,058
Other financial assets	4	12,818	2,528
		311,246	**305,817**
Other non-current assets	8	76	240
Deferred tax assets		49,424	51,926
Non-current assets		**360,746**	**357,983**
Inventories	5	169,655	205,759
Trade receivables	6	158,034	163,486
Financial assets	7	0	10,348
Other current assets	8	28,951	24,184
Tax claims	9	12,529	16,017
Cash and cash equivalents	10	14,958	11,596
Current assets		**384,127**	**431,390**
Total Assets		**744,873**	**789,373**

	Notes	30.06.2007 Euro ´000	31.12.2006 Euro ´000
Shareholders' Equity and Liabilities			
Issued capital		71,909	71,909
Capital surplus		193,587	193,587
Retained earnings	11	76,269	67,556
Consolidated result		9,676	17,037
Equity attributable to minority interest	12	197	310
Total shareholders' equity		**351,638**	**350,399**
Provisions for pensions and similar obligations	13	178,757	187,045
Other non-current provisions	14	9,173	9,253
Non-current financial liabilities	15	0	0
Other non-current financial liabilities	16	3,129	3,606
Deferred tax liabilities		18,275	19,017
Non-current liabilities		**209,334**	**218,921**
Other current provisions	14	26,156	31,660
Current financial liabilities	15	13,819	0
Other current liabilities	16	64,692	89,641
Trade payables	17	62,051	82,391
Tax liabilities	18	17,183	16,361
Current liabilities		**183,901**	**220,053**
Total shareholders' equity and liabilities		**744,873**	**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. - 30.06.				6,242	45	6,287
Acquisition of minority interests					-3,331	-3,331
Subsequent valuation IAS 39			-587			-587
Currency change			-482		-13	-495
Other changes in shareholders' equity			-173			-173
As of 30.06.2006	**71,909**	**193,587**	**65,261**	**6,242**	**279**	**337,278**
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. - 30.06.				9,676	3	9,679
Acquisition of minority interests					-86	-86
Subsequent valuation IAS 39			3,247			3,247
Currency change			-1,156			-1,156
Other changes in shareholders' equity			-26			-26
As of 30.06.2007	**71,909**	**193,587**	**76,269**	**9,676**	**197**	**351,638**

Villeroy & Boch Consolidated Profit and Loss Statement

	Notes	**1 st mid-year 2007** Euro ´000	**1 st mid-year 2006** Euro ´000
Revenue	19	496,611	471,712
Costs of sales		-301,257	-287,589
Gross profit		**195,354**	**184,123**
Selling, marketing and development costs	20	-142,500	-138,888
General and administrative expenses		-28,242	-25,792
Other operating income/expense		-5,734	-6,184
Result from investments in associates		60	45
Operating result (EBIT)		**18,938**	**13,304**
Financial results	**21**	**-5,110**	**-4,571**
Earnings before taxes		**13,828**	**8,733**
Taxes on income		-4,149	-2,446
Net income		**9,679**	**6,287**
of which attributable to minority interests	22	-3	-45
Consolidated result		**9,676**	**6,242**
Earnings per ordinary share in Euros		0.34	0.21
Earnings per preference share in Euros		0.39	0.26

Villeroy & Boch Consolidated Profit and Loss Statement

		2 nd quarter 2007 Mio.Euro	**2 nd quarter 2006** Mio.Euro
Revenue	19	248,693	236,155
Costs of sales		-152,604	-145,710
Gross profit		**96,089**	**90,445**
Selling, marketing and development costs	20	-70,924	-68,728
General and administrative expenses		-14,876	-12,996
Other operating income/expense		-2,342	-5,254
Result from investments in associates		30	22
Operating result (EBIT)		**7,977**	**3,489**
Financial results	**21**	**-2,466**	**-2,033**
Earnings before taxes		**5,511**	**1,456**
Taxes on income		-1,654	-411
Net income		**3,857**	**1,045**
of which attributable to minority interests	22	1	-141
Consolidated result		**3,858**	**904**
Earnings per ordinary share in Euros		0.11	0.01
Earnings per preference share in Euros		0.16	0.06

Villeroy & Boch Consolidated Cash Flow Statement

	1 st mid-year 2007 Euro ´000	1 st mid-year 2006 Euro ´000
Profit after tax	9,679	6,287
Depreciation of non-current assets	21,709	22,938
Change in non-current provisions	-10,507	-4,736
Profit from disposal of fixed assets	-340	-24
Change in inventories, accounts receivable and other assets	-16,068	-18,302
Change in liabilities, current provisions and other liabilities	-15,045	-20,234
Other non-cash income/expenses	2,640	3,088
Cash Flow from operating activities	**-7,932**	**-10,983**
Purchase of intangible assets, property, plant and equipment	-11,587	-12,348
Investment in non-current financial assets and cash payments for the acquisition of consolidated companies	-1,562	-34,752
Cash receipt frome disposals of fixed assets	18,082	4,243
Cash Flow from investing activities	**4,933**	**-42,857**
Change in financial liabilities	19,763	16,232
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	**9,374**	**7,164**
Sum of cash flows	**6,375**	**-46,676**
Changes due to exchange rates	129	52
Net increase in cash and cash equivalents	**6,504**	**-46,624**
Balance of cash and cash equivalents as of 01.01.	**11,596**	**58,490**
Change in consolidated companies	-3,142	0
Net increase in cash and cash equivalents	6,504	-46,624
Balance of cash and cash equivalents as of 30.06.	**14,958**	**11,866**

Group Segment Reporting as of 1st. mid-year 2007 (in Euro ´000)

Segment reporting according to division - primary segments

	BATHROOM & WELLNESS		TILES		TABLEWARE		TRANSITION / OTHER		VILLEROY & BOCH GROUP	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
External revenue (net)	272,388	241,976	77,920	75,582	146,303	154,154	0	0	496,611	471,712
Seqment internal revenue	585	603	0	5	92	82	-677	-690	0	0
Revenue (net)	272,973	242,579	77,920	75,587	146,395	154,236	-677	-690	496,611	471,712
EBIT	17,527	17,381	-207	-1,335	1,618	-2,742			18,938	13,304
Financial result							-5,110	-4,571	-5,110	-4,571
Capital expenditure	7,359	9,553	1,078	872	3,150	3,043			11,587	13,468
Depreciation	11,036	10,914	2,721	2,888	7,952	8,451			21,709	22,253
Net operating assets	279,169	223,170	18,196	84,762	140,650	143,600	-86,377	-114,484	351,638	337,048
Number of employees [1)]	5,899	4,752	54	1,055	2,824	3,070	398	371	9,175	9,248

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

Group Segment Reporting as of 2nd quarter 2007 (in Euro ´000)

Segment reporting according to division - primary segments

	BATHROOM & WELLNESS		TILES		TABLEWARE		TRANSITION / OTHER		VILLEROY & BOCH GROUP	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
External revenue (net)	135,213	122,727	37,879	37,164	75,601	76,264	0	0	248,692	236,167
Seqment internal revenue	261	310	0	2	44	23	-305	-335	0	0
Revenue (net)	135,474	123,037	37,879	37,166	75,645	76,287	-305	-335	248,692	236,167
EBIT	7,647	7,973	-8	-593	338	-3,891			7,977	3,498
Financial result							-2,466	-2,033	-2,465	-2,038
Capital expenditure	4,588	6,464	505	471	1,921	921			7,014	7,856
Depreciation	5,504	5,523	1,370	1,449	3,969	4,259			10,843	11,231
Number of employees [1)]	5,920	4,757	54	1,033	2,823	3,040	398	368	9,195	9,198

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

Notes on the consolidated financial statement
of the Villeroy & Boch Group
for the first half of 2007

General information

Villeroy & Boch AG, with its registered seat at Mettlach, Saaruferstrasse, 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 June 2007 was cleared for publication by means of a Board of Directors resolution. The interim consolidated financial statement was compiled with consideration for Article 315a of the German Commercial Code ("HGB"), and employing the IASC regulations adopted by the European Commission. This interim financial statement has not been subject to audit or review by an auditing company.

In applying IAS 34, the interim financial statement does not contain any explanations and data prescribed for the annual financial statement, and should therefore 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.

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

Consolidated group

Villeroy & Boch AG and fully consolidated companies:	Domestic	International	Total
As of 1 January 2007	20	51	71
Additions through start-ups	-	2	2
acquisition of interests	-	-	-
Disposals through liquidation	-	-4	-4
partial disposal of interests	-1	-	-1
As of 30 June 2007	19	49	68
Companies accounted for at equity			
As of 1 January 2007	1	-	1
Additions through partial disposal of interests	1	-	1
As of 30 June 2007	2	-	2

With effect from 30 June 2007, Villeroy & Boch AG sold 51% of its shares in V & B Fliesen GmbH, which will now be recorded as an "at equity" company. Furthermore, in the first half year a new company was established in both Sweden and Hungary. Three of the four liquidated companies were in France and one in the Netherlands. Three of the liquidated companies had no operating unit. The activities of one French company were transferred to other consolidated companies.

Dividends distributed by Villeroy & Boch AG

The dividend of 0.37 euros on ordinary shares and 0.42 euros on preference shares proposed by the Supervisory Board and Board of Directors of Villeroy & Boch AG was approved at the General Meeting on 01 June 2007. The distribution of dividends amounts to a dividend payment for

ordinary share capital of:	5,196,576.00 euros	(previous year: 4,494,336.00 euros; 0.32 per share)
preference share capital of:	5,192,943.82 euros	(previous year: 4,573,855.27 euros: 0.37 per share)

The remainder amount of retained earnings totaling 19,015,828.09 euros will be carried forward. On the distribution date the Villeroy & Boch Group, as in the previous year, held 1,683,029 of its treasury preference shares. These were non-dividend bearing.

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. Meanwhile the anti-trust approvals have been granted. Final consolidation of the company was initially realized at book value as the closing process will continue over the next three to four months.

Continuation of the integrated marketing concept "House of Villeroy & Boch" will in future be guaranteed by closed license agreements. The land and buildings required for tile production will remain under the ownership of the Villeroy & Boch Group. The production sites in Germany and France will be continued by the purchaser.

The Villeroy & Boch Group thus relinquishes the net assets as at 30 June 2007 specified in the table below:

Euro ‘000	30 June 2007	31 Dec. 2006
Property, plant and equipment	14,501	15,679
Inventories	51,348	51,085
Other current and non-current assets	34,870	23,719
Assets inherited from the buyer	100,719	90,483
Provisions for pensions and similar obligations	2,394	8,417
Other provisions	1,080	1,780
Other liabilities	53,900	31.006
Liabilities inherited from the vendor	57,374	41,203
Current value of outgoing net assets for reconciliation	43,345	49,280

When V&B Fliesen GmbH ceases to be a consolidated company of the Villeroy & Boch Group it will in future be shown as an interest valued “at equity”. As at 30 June 2007 an initial advance in the amount of 11.8 million euros had been paid.

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

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.

Notes to 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 Footnote	Intangible assets 1	Property, plant and equipment 2	Investment properties	Investment accounted for at equity 3	Other financial assets 4	Total
Accumulated costs						
As of 1 Jan. 2007	**60,512**	**918,430**	**1,360**	**1,058**	**2,739**	**984,099**
Currency adjustment	-124	452	0	0	-1	327
Changes in consolidated companies	-316	-110,689	0	20,912	0	-90,093
Additions	129	11,457	1	60	10,844	22,491
Disposals	-47	-2,055	0	0	-594	-2,696
Transfers	37	-37	0	0	0	0
As of 30 June 2007	**60,191**	**817,558**	**1,361**	**22,030**	**12,988**	**914,128**
Accumulated depreciation and impairment						
As of 1 Jan. 2007	**12,831**	**665,240**	**0**	**0**	**211**	**678,282**
Currency adjustment	2	1,069	0	0	0	1,071
Changes in consolidated companies	-209	-96,188	0	0	0	-96,397
Scheduled depreciation/amortization	750	20,959	0	0		21,709
Disposals	-28	-1,714	0	0	-41	-1,783
Write-ups	0	0	0	0	0	0
Transfers	0	0	0	0	0	0
As of 30 June 2007	**13,346**	**589,366**	**0**	**0**	**170**	**602,882**
Net book values						
As of 30 June 2007	**46,845**	**228,192**	**1,361**	**22,030**	**12,818**	**311,246**
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. Pursuant to IFRS 3, goodwill is audited on an annual basis for value retention. The change in value of this item of 0.102 million euros by comparison with the end of the year relates purely to market rates.

The Group acquired 0.129 million euros in intangible assets in the reporting period (previous year: 0.346 million euros). The focal point for investment was Germany with an 80% share.

2. Property, plant and equipment

In the first half of 2007, 11.457 million euros (previous year: 11.057 million euros) was invested in property, plant and equipment. This had an international focus particularly in the optimization of production processes in Mexico, France and Hungary. The Group invested 4.667 million euros in Germany primarily in tools for innovations, tableware optimization – logistics processes and modernization of sanitary-ware production. In the same period, property, plant and equipment were sold for a book value of 0.341 million euros (previous year: 0.246 million euros). Scheduled depreciation in the first half of 2007 amounted to 20.959 million euros (previous year: 21.607 million euros).

At the time of reporting, the Villeroy & Boch Group had obligations to acquire property, plant and equipment amounting to 4.994 million euros (as of 31 Dec. 2006: 1.034 million euros).

3. Investments accounted for at equity

Following disposal of 51% of the shares in V & B Fliesen GmbH as of 30 June 2007, the remaining 49% holding will be shown as an investment measured “at equity”. Further information is provided under “Acquisitions / disinvestments / discontinued units”.

4. Other financial assets

The increase in other financial assets is essentially due to a long-term loan extended to V & B Fliesen GmbH, which is classified as an “Held to maturity” – investment. Fixed interest securities shown on 31 December 2006 in the “*Financial assets available for sale”* category and shares in a special fund in an amount of 0.359 million euros were sold during the first quarter. The resultant profit of 0.347 million euros is included in the financial result.

5. Inventories

On the balance sheet date, inventories included:

Euro ‘000	30 June 2007	31 Dec. 2006
Raw materials and supplies	29,552	35,046
Work in process	29,672	30,966
Finished goods	109,442	138,523
Advanced payments	939	923
Emission allowances	50	301
	169,655	**205,759**

6. Trade receivables

The following values have been accounted in trade receivables:

Euro '000	30 June 2007	remaining term more than 1 year	31 Dec. 2006	remaining term more than 1 year
Trade receivables	**158,034**	88	**163,486**	88

7. Current financial assets

During the reporting period, within this item an accounted loan against borrower's note was paid back in due time on 5 Feb. 2007.

8. Other current and non-current assets

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

	Book value	Remaining term		Book value	Remaining term	
Euro '000	30 June 2007	up to 1 year	more than 1 year	31 Dec. 2006	up to 1 year	more than 1 year
Accounts receivable from associates	**3,596**	3,596	0	**666**	666	0
Remaining other assets	**21,754**	21,721	33	**21,353**	21,133	220
Prepaid expenses	**3,677**	3,634	43	**2,405**	2,385	20
	29,027	**28,951**	**76**	**24,424**	**24,184**	**240**

9. Tax claims

Claims from tax refunds developed as follows:

	Book value	Remaining term		Book value	Remaining term	
Euro '000	30 June 2007	up to 1 year	more than 1 year	31 Dec. 2006	up to 1 year	more than 1 year
Claims from income tax	**6,193**	6,193	0	**4,883**	4,883	0
Other tax claims	**6,336**	6,336	0	**11,134**	11,134	0
	12,529	**12,529**	**0**	**16,017**	**16,017**	**0**

10. 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 58.897 million euros (as of 31 Dec. 2006: 11.220 million euros), since the necessary offset factors and the object of the transaction have been provided on a net basis (IAS 32.80).

11. 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 June 2007
Surplus for treasury 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 June 2007
Revaluation of foreign exchange futures / operations	-1,667	3,490	-649	1,174
Revaluation of interest swaps	-779	406	0	-373
	-2,446	**3,896**	**-649**	**801**

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 June 2007
Currency conversion pursuant to IAS 21.32	-1,028	0	-79	-1,107

12. 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 June 2007 this amounted to 0.197 million euros (as of 31 Dec. 2006: 0.310 million euros).

13. Provisions for pensions and similar obligations

Provision for pensions and similar obligations consists of:

Euro '000	30 June 2007	31 Dec. 2006
Provisions for pensions	165,001	171,643
Provisions for similar obligations	13,756	15,402
	178,757	**187,045**

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

14. 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 Personnel sector	Guarantee obligations	Restructuring	Others	Total	Aggregate amount
As of 1 Jan. 2007	**9,253**	**9,333**	**9,173**	**5,683**	**7,471**	**31,660**	**40,913**
Currency adjustment	-33	10	-46	24	-80	-92	-125
Utilization	-362	-8,544	-34	-1,951	-2,698	-13,227	-13,589
Reversal	0	-9	-26	0	-107	-142	-142
Allocation	325	4,348	255	1,848	2,576	9,027	9,352
Transfer	0	0	-30	0	30	0	0
Change in consolidated companies	-10	-636	-300	0	-134	-1,070	-1,080
As of 30 June 2007	**9,173**	**4,502**	**8,992**	**5,604**	**7,058**	**26,156**	**35,329**

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

15. Current and non-current financial liabilities

The Villeroy & Boch Group reported current liabilities totaling 13.819 million euros (as of 31 Dec. 2006: 0.000 million Euros). Accounts receivable in or liabilities to credit institutions were shown in balance of 58.897 million euros (as of 31 Dec. 2006: 11.220 million euros).

16. Other current and non-current liabilities

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

Euro '000	Book value 30 June 2007	Residual term up to 1 year	Residual term more than 1 year	Book value 31 Dec. 2006	Residual term up to 1 year	Residual term more than 1 year
Advances received on purchase orders	**2,498**	2,498	0	**1,055**	1,055	0
Payroll accounting	**29,859**	29,859	0	**28,785**	28,785	0
Bonuses and rebates	**25,257**	25,257	0	**45,574**	45,574	0
Other liabilities	**7,951**	6,320	1,631	**15,233**	13,166	2,067
Public grants	**1,353**	231	1,122	**1,371**	208	1,163
Deferred income	**903**	527	376	**1,229**	853	376
	67,821	**64,692**	**3,129**	**93,247**	**89,641**	**3,606**

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

17. Trade payables

This item consists of outstanding trade payables

Euro '000	Book value 30 June 2007	Remaining term up to 1 year	more than 1 year	Book value 31 Dec. 2006	Remaining term up to 1 year	more than 1 year
Trade payables	**62,051**	62,051	0	**82,391**	82,391	0

18. Current and non-current tax liabilities

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

Euro '000	Book value 30 June 2007	Remaining term up to 1 year	more than 1 year	Book value 31 Dec. 2006	Remaining term up to 1 year	more than 1 year
Tax liabilities	12,109	12,109	0	10,659	10,659	0
Tax provisions	5,074	5,074	0	5,702	5,702	0
	17,183	**17,183**	**0**	**16,361**	**16,361**	**0**

Notes to the profit and loss statement

19. Revenue

Revenues are itemized in Group segment reporting.

20. Selling, marketing and development costs

This item contains the costs of sales, agents, advertising and logistical expenses, license expenditure, and research and development costs.

The following expenditure was incurred on research and development in the reporting period.

Euro '000	2007		2006	
	1st half year	2nd quarter	1st half year	2nd quarter
Tiles	979	553	880	447
Bathroom and Wellness	3,439	1,659	3,825	1,925
Tableware	1,120	562	1,501	777
	5,538	**2,774**	**6,206**	**3,149**

21. Financial results

Financial results are made up as follows:

Euro '000	2007		2006	
	1st half year	2nd quarter	1st half year	2nd quarter
Other interest and similar income	1,637	352	1,834	928
Interest and similar expenditure	-2,162	-658	-2,211	-1,226
Interest component in the change in provisions for pensions and similar obligations	-4,533	-2,190	-4,959	-2,490
Total result on interest	-5,058	-2,496	-5,336	-2,788
Result of other financial operations	-52	30	765	755
	-5,110	**-2,466**	**-4,571**	**-2,033**

22. Net income attributable to minority interests

Minority interests in profit after tax amount to -0.003 million euros (1st mid-year 2006: -0.045 million euros). This decline was accounted for by the acquisition of further shares in Hungarian subsidiary.

Other explanatory notes

23. Financial instruments

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

	30 June 2007		31 Dec. 2006	
Euro '000	Book value	Market value	Book value	Market value
Foreign exchange futures / operations	87	87	435	435
Commodities hedges	287	287	0	0
Financial assets	374	374	435	435
Interest swap	373	373	1,623	1,623
Foreign exchange futures / operations	233	233	1,342	1,342
Financial liabilities	606	606	2,965	2,965

As regards interest swaps, the rise in interest rates in the EURO Area caused a reduction in the book value and market value totaling 1.141 million euros. Interest swaps were made on 30 March 2007. The accounting result is contained in the financial result

Financial liabilities decreased by 1.21 million euros in the reporting period as the result of concluding a foreign currency contract to hedge 3 billion Hungarian forints.

24. Related party disclosures

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

25. Events subsequent to the balance sheet date

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

26. Responsibility statement

To the best of our knowledge, and in accordance with the applicable reporting principles for interim financial 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, 26 July 2007

Frank Göring Manfred Finger