Interim Report
January 1st to September 30th 2008

- **Consolidated sales slightly above prior year level**
- **Consolidated group earnings below prior year level due to weak 3rd quarter**

Overview of the Villeroy & Boch Group

	01/01 - 09/30		Change	
	2008 Euro million	2007 (1) Euro million	in Euro million	in %
Total sales	**635.1**	**631.6**	**3.5**	**0.6**
Germany	**138.4**	**132.1**	**6.3**	**4.8**
Abroad	**496.7**	**499.5**	**-2.8**	**-0.6**
Earnings before income tax and interest (EBIT)	**15.2**	**20.1**	**-4.9**	**-24.4**
Earnings before income tax (EBT)	**9.3**	**12.9**	**-3.6**	**-27.9**
Consolidated group earnings	**6.5**	**9.0**	**-2.5**	**-27.8**
Capital expenditure	**12.9**	**18.9**	**-6.0**	**-31.9**
Employees	**10,231**	**9,163**	**1,068**	**11.7**

(1) Prior year comparison: Continued segments without Tile Division

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Interim Report of the Villeroy & Boch Group for the Third Quarter of 2008

Global Economy under Pressure

The current situation and also further expectations with regard to the global economy are being significantly affected by the financial and commodities markets. The turmoil on the stock exchanges is currently dampening spirits in all sectors and having an adverse effect on macroeconomic development.

Slight Improvement in Sales, Earnings Down on Prior Year Level

The third quarter of 2008 saw the Villeroy & Boch Group achieve sales of €200.3 million under the influence of the global financial and real estate crisis, compared with €212.9 million in the same quarter of the prior year.
In terms of the cumulative result for the Group, this equates to sales of €635.1 million, which is slightly (0.6%) above the prior year figures (currency adjusted + 2.1%).

Orders on hand as of September 30th 2008 stand at €62.8 million (prior year: €75.4 million), 54.0% of these being accounted for by the Bathroom and Wellness Division (prior year: 68.4%).

The January to September reporting period saw the Group generate earnings before tax (EBT) of €9.3 million. The poor market situation in the third quarter meant that it was not possible to achieve the prior year result (EBT €12.9 million). In the third quarter, which is generally the weakest during the year, the EBT was at €-4.1 million, compared to €-0,1 million in the previous year.

Owing, in particular, to acquisitions, net liquidity in the Group has decreased by €16.2 million, falling from €20.7 million at the comparable balance sheet date in the prior year to €4.5 million.
In comparison with figures as of December 31st 2007, the equity ratio as of September 30th 2008 is virtually unchanged even in the face of a decrease in the balance-sheet total, standing at 43.0%.

Development in the Divisions

Bathroom and Wellness: Sales Slightly above Prior Year Level

The third quarter of 2008 saw the Bathroom and Wellness Division achieve sales of €128.9 million, which represents a 4% increase compared with the prior year. This figure contains sales of around €4.8 million, contributed by the acquisitions in Thailand and Germany (Sanipa). The January to September reporting period generated sales totaling €407.6 million, surpassing the prior year by 2.8% (the share provided by the acquisitions was €8.8 million).
The individual sales regions showed varying development: Germany is standing up well, showing stronger-than-average growth. Villeroy & Boch was able to profit from the continuing healthy economic climate in the Asian countries and Russia, achieving two-digit growth rates in both Eastern Europe and Asia. By contrast, the mortgage and financial crisis on the American continent, and now also in a number of Western European and Scandinavian countries, caused significant falls in sales. In the USA, in particular, sales fell by €9.3 million compared with the prior year.
The significant increase in procurement prices for energy and raw materials has left its mark on earnings in the Bathroom & Wellness Division in the first three quarters of 2008. Coupled with this, expenses were incurred both in further opening up new markets in the global growth regions and in integrating the newly acquired investments. For these reasons, the operating result (EBIT) achieved by the Division (€12.3 million) is below that of the prior year (€14.1 million). It should be borne in mind here that prior year earnings were negatively impacted by special expenses in the amount of €3.3 million for safety measures for bathtubs.

Tableware: Financial Crisis and Weak Markets Have an Adverse Effect on Sales and Earnings

Sales figures of €71.4 million achieved by the Tableware Division in the third quarter of 2008 were €17.4 million or 19.6% below those of the prior year. The significant difference is mainly due to large-scale advertising projects totaling €13.8 million in the third quarter of 2007. Adjusted for this effect, the fall is around €3.6 million or 5.0%, stemming mainly from the markets in the USA, Spain and the UK. The real estate and financial crisis has been having a grave impact on the real economy in these countries for a number of months. The decline in the third quarter used up the significant increases provided by the first half-year. The entire reporting period of 2008 has seen a drop in sales of 3.3%. The influence of currency effects on sales is around €-5.3 million; if this effect is removed, the Division is 1.0% below the prior year.
The 6.2% increase in sales in the difficult German market is pleasing. There was a similarly positive development in other European markets such as Italy, Austria, the Benelux countries and Russia, the Eastern European markets, but also Asia / Australia and the Middle East.

Operating income for the Tableware Division showed a sales-related reduction to €2.9 million in the reporting period, compared with figures of €5.9 million in the prior year.

Volume of Capital Expenditure

The first nine months of the financial year saw the Villeroy & Boch Group make a total capital expenditure outlay of €12.8 million (prior year: €18.9 million), excluding acquired goodwill. The proportion of investments abroad was 69.6%, compared with 58.2% in the prior year. For additional information, see page 13.

Outlook for Financial Year 2008

Autumn 2008 finds the global economy experiencing a downturn, with the economies of important industrial countries in danger of sliding into recession. It is difficult to get an overview of further effects of the financial crisis on the real economy, it being well-nigh impossible to estimate the duration and scope of this crisis. In the markets that have been particularly affected by the real estate and financial crisis, such as in the USA, England and Spain, there has been a drastic fall in demand for both building-related and sophisticated consumer goods. Even Villeroy & Boch suffered falls in sales in these important foreign markets in the third quarter. The above-average growth in Eastern Europe and Asia was not able to offset these deficits, with the result that the positive outlook after the second quarter needs to be revised. Considering the advancing economic crisis the development of the upcoming Christmas business is difficult to forecast at this moment. In terms of the year as a whole, Villeroy & Boch is therefore assuming that sales will be at prior year level, which means that, also in the light of increased expenses for extending sales structures to new markets and higher energy costs, we expect an EBT between €15 and €20 million for the 2008 financial year (prior year: €28.6 million).

Opportunities and Risks

The current mood on the real estate and financial markets is causing the economy to cool down. The repercussions of the financial market crisis on the real economy will put the global economy under strain for some time to come. The opportunities and risks described in the 2007 Annual Report continue to exist unaltered. It is not possible to identify any risks that might endanger the future of the company as a going concern.

Report on Significant Transactions with Related Parties

V&B Fliesen GmbH is regarded as a related party. A description is provided in Note 17 in the Notes to the Consolidated Financial Statements.

Villeroy & Boch Share

The closing price of the Villeroy & Boch preference share as of September 30th 2008 was €6.70, which represents a fall of around 45% compared with the closing price of 2007, being equivalent to the losses suffered by the comparative index of the "Prime Household" sector.

Mettlach, October 2008

Villeroy & Boch Aktiengesellschaft

The Management Board

Financial Calendar:

March 31st 2009	Press conference on the Annual Financial Statements for 2008
April 30th 2009	Report on the first three months of 2009
May 15th 2009	General Meeting of Shareholders in the Merzig Stadthalle
July 30th 2009	Report of the first half of 2009
October 29th 2009	Report on the first nine months of 2009

Villeroy & Boch Group

Consolidated balance sheet as of September 30th 2008

Assets

in Euro `000	Notes	09/30/2008	12/31/2007
Non-current assets			
Intangible assets	1	**52,328**	48,163
Property, plant and equipment	2	**200,750**	205,506
Investment properties		**15,970**	16,571
Investment accounted for using the equity method		**1,182**	1,092
Other financial assets	3	**43,919**	25,046
		314,149	296,378
Other non-current assets		**66**	78
Deferred tax assets		**43,069**	46,471
		357,284	342,927
Current assets			
Inventories	4	**192,327**	168,726
Trade receivables	5	**145,336**	135,008
Financial assets	6	**50,704**	45,219
Other current assets	7	**24,091**	32,632
Income tax claims		**11,266**	5,285
Cash and cash equivalents	8	**10,041**	75,091
		433,765	461,961
Total Assets		**791,049**	804,888

Shareholders' Equity and Liabilities

TEuro	Notes	09/30/2008	12/31/2007
Equity attributable to Villeroy & Boch AG shareholders			
Issued capital		**71,909**	71,909
Capital surplus		**193,587**	193,587
Retained earnings	9	**68,125**	71,723
Consolidated result		**6,478**	7,171
		340,099	344,390
Equity attributable to minority interests		**172**	184
Total equity		**340,271**	344,574
Non-current liabilities			
Provisions for pensions		**151,995**	154,326
Non-current provisions for personnel		**19,238**	19,372
Other non-current provisions		**4,865**	5,166
Non-current financial liabilities		**70,000**	70,000
Other non-current financial liabilities		**3,341**	3,717
Deferred tax liabilities		**14,932**	15,432
		264,371	268,013
Current liabilities			
Current provisions for personnel		**7,015**	8,234
Other current provisions		**23,810**	24,290
Current financial liabilities	10	**6,560**	1,972
Other current liabilities	11	**82,259**	83,750
Trade payables		**61,912**	66,782
Income Tax liabilities	12	**4,851**	7,273
		186,407	192,301
Total liabilities		**450,778**	460,314
Total equity and liabilities		**791,049**	804,888

Villeroy & Boch Group

Consolidated Income Statement as of September 30th 2008

in Euro `000	Notes	1st - 3rd quarter 2008	1st - 3rd quarter 2007 [1]
Revenue	13	**635,092**	631,620
Costs of sales		**-385,585**	-379,860
Gross profit		**249,507**	**251,760**
Selling, marketing and development costs	14	**-190,150**	-184,515
General and administrative expenses		**-38,041**	-36,693
Other operating income/expenses		**-6,203**	-10,558
Result of associates accounted for using the equity method		**90**	90
Operating result (EBIT)		**15,203**	**20,084**
Financial results	**15**	**-5,941**	**-7,197**
Earnings before taxes		**9,262**	**12,887**
Income taxes		**-2,779**	-3,866
Result after tax (group)		**6,483**	**9,021**
Thereof attributable to minority interests		**-5**	2
OF WHICH GROUP EQUITY HOLDERS ARE ENTITLED OF (CONSOLIDATED RESULT)		**6,478**	**9,023**
EARNINGS PER SHARE in Euros			
Earnings per ordinary share		**0.22**	0.32
Earnings per preference share		**0.27**	0.37

in Euro `000	Notes	3rd quarter 2008	3rd quarter 2007 [1]
Revenue	13	**200,316**	212,930
Costs of sales		**-126,604**	-133,441
Gross profit		**73,712**	**79,489**
Selling, marketing and development costs	14	**-61,971**	-60,862
General and administrative expenses		**-12,771**	-11,586
Other operating income/expense		**-1,027**	-5,123
Result of associates accounted for using the equity method		**30**	30
Operating result (EBIT)		**-2,027**	**1,948**
Financial results	**15**	**-2,048**	**-2,087**
Earnings before taxes		**-4,075**	-139
Income taxes		**1,223**	42
Result after tax (group)		**-2,852**	**-97**
Thereof attributable to minority interests		**-2**	5
OF WHICH GROUP EQUITY HOLDERS ARE ENTITLED OF (CONSOLIDATED RESULT)		**-2,854**	**-92**

[1] Previous year: Continued opertaions without discontinued business segment tiles (sold as of 31.12.2007)

Villeroy & Boch Group

Consolidated Statement of Equity as of September 30th 2008

in Euro '000 Notes	Issued capital	Capital surplus	Retained earnings 9	Consolidated result	Equity attributable to Villeroy & Boch AG shareholders	Equity attributable to minority interests	Total Equity
As of 01/01/2007	**71,909**	**193,587**	**67,556**	**17,037**	**350,089**	**310**	**350,399**
Dividend				-10,389	-10,389	-30	-10,419
Reclassification of prior-year			6,648	-6,648	0		0
Consolidated result 01/01 - 09/30 Thereof from continued operations				9,552	9,552 (9,023)	-2 (-2)	9,550 (9,021)
Subsequent measurement IAS 39			2,003		2,003		2,003
Acquisition of minority interests					0	-86	-86
Currency adjustment			-2,496		-2,496		-2,496
Other changes in equity			-117		-117		-117
As of 09/30/2007	**71,909**	**193,587**	**73,594**	**9,552**	**348,642**	**192**	**348,834**
As of 01/01/2008	**71,909**	**193,587**	**71,723**	**7,171**	**344,390**	**184**	**344,574**
Dividend				-10,388	-10,388	-8	-10,396
Reclassification of prior-year			-3,217	3,217	0		0
Consolidated result 01/01 - 09/30				6,478	6,478	5	6,483
Subsequent measurement IAS 39			-1,068		-1,068		-1,068
Acquisition of minority interests					0		0
Currency adjustment			455		455		455
Other changes in equity			232		232	-9	223
As of 09/30/2008	**71,909**	**193,587**	**68,125**	**6,478**	**340,099**	**172**	**340,271**

Villeroy & Boch Group
Consolidated Cash Flow Statement as of September 30th 2008

in Euro '000	1st - 3rd quarter 2008	1st - 3rd quarter 2007 [1]
Result after taxes	**6,483**	9,550
Depreciation of non-current assets	**28,231**	31,546
Change in non-current provisions	**-9,187**	-13,598
Profit from dispoal of fixed assets	**-215**	-1,437
Change in inventories, receivables and other assets	**-32,075**	-9,279
Change in liabilities, current provisions and other liabilities	**-17,864**	-5,940
Other non-cash income/expenses	**11,176**	8,622
Cash Flow from operating activities	**-13,451**	**19,464**
Purchase of intangible assets, property, plant and equipment	**-12,749**	-18,851
Investment in non-current financial assets and cash payments for the acquisition of consolidated companies	**-29,084**	-1,931
Cash payments for restricted deposits	**-6,669**	0
Cash receipts for discontinued operations	**7,857**	15,341
Cash receipts from disposals of fixed assets	**1,091**	2,864
Cash Flow from investing activities	**-39,554**	**-2,577**
Change in financial liabilities	**-1,785**	5,948
Dividend payments	**-10,389**	-10,389
Cash Flow from financing activities	**-12,174**	**-4,441**
Sum of cash flows	**-65,179**	**12,446**
Changes due to exchange rates	**55**	85
Net increase in cash and cash equivalents	**-65,124**	**12,531**
Balance of cash and cash equivalents as of 01/01	**75,091**	11,596
Change in consolidated companies	**74**	-3,441
Net increase in cash and cash equivalents	**-65,124**	12,531
Balance of cash and cash equivalents as of 09/30	**10,041**	20,686

The balance of cash and cash equivalents consists of the items 'Cash at bank' and 'Cash on hand (including cheques)'.

[1] Incl. Tiles Division (Disfunding as of 2007 31st 2007)

Villeroy & Boch Group 1st - 3rd quarter Segment Report as of September 30th 2008

	BATHROOM & WELLNESS		TABLEWARE		TRANSITION / OTHER		VILLEROY & BOCH GROUP	
in Euro '000	**2008**	**2007**	**2008**	**2007**	**2008**	**2007**	**2008**	**2007** [1]
Revenue								
Segment revenue from sales to external customers	**407,564**	396,525	**227,528**	235,095	**0**	0	**635,092**	631,620
Segment revenue from transactions with other segments	**604**	1,062	**0**	105	**-604**	-1,167	**0**	0
Result								
Segment result	**12,336**	14,139	**2,867**	5,945	**0**	0	**15,203**	20,084
Financial result					**-5,941**	-7,197	**-5,941**	-7,197
Other information								
Segment assets	**414,716**	384,724	**175,458**	184,592	**200,875**	145,764	**791,049**	715,080
Segment liabilities	**146,378**	120,839	**43,523**	44,546	**260,877**	219,215	**450,778**	384,600
Capital expenditures	**13,842**	12,742	**3,638**	5,072	**0**	0	**17,480**	17,814
Scheduled depreciation of segment assets	**17,344**	16,758	**10,887**	12,095	**0**	0	**28,231**	28,853

Villeroy & Boch Group 3rd quarter Segment Report as of September 30th 2008

	BATHROOM & WELLNESS		TABLEWARE		TRANSITION / OTHER		VILLEROY & BOCH GROUP	
in Euro '000	**2008**	**2007**	**2008**	**2007**	**2008**	**2007**	**2008**	**2007** [1]
Revenue								
Segment revenue from sales to external customers	**128,949**	124,137	**71,367**	88,792	**0**	0	**200,316**	212,929
Segment revenue from transactions with other segments	**191**	477	**0**	13	**-191**	-490	**0**	0
Result								
Segment result	**-1,153**	-2,754	**-874**	4,702	**0**	0	**-2,027**	1,948
Financial result					**-2,048**	-2,087	**-2,048**	-2,087
Other information								
Capital expenditures	**7,796**	5,309	**1,588**	1,877	**0**	0	**9,384**	7,186
Scheduled depreciation of segment assets	**5,941**	5,563	**3,636**	4,050	**0**	0	**9,577**	9,613

[1] Previous year: Continued opertaions without discontinued business segment tiles (sold as of 31.12.2007)

Villeroy & Boch Group Notes
to the Third Quarterly Report of 2008

General Information

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

This interim report covers the period from January 1st to September 30th 2008. It was released for publication on October 27th 2008 after the Management Board had consulted the Audit Committee of the Supervisory Board. It was prepared in accordance with section 315a of the German Commercial Code, applying the IASC rules adopted by the European Commission. No audit or inspection of these condensed interim financial statements has been carried out by an auditing company. In the view of the Management Board, the interim financial statements presented give a true and fair view of the results of operations, financial position and net assets. Pursuant to IAS 34, the interim report contains condensed consolidated statements with selected explanatory notes. For this reason, it should be read in conjunction with the consolidated financial statements as of December 31st 2007. The accounting, valuation and consolidation methods described in the 2007 Annual Report were continued unaltered in the reporting period.

Consolidated Companies

The consolidated companies in the Villeroy & Boch Group increased their number by two, from 61 to 63, compared with year-end 2007.

With effect from May 1st 2008, Villeroy & Boch acquired various assets required for the continuation of operations from the insolvency estate of the Bavarian bathroom furniture manufacturer Sanipa. These were placed in a dormant company that had been previously acquired. Furthermore, an 80% stake in Nahm Sanitaryware Co. Ltd., the Thai sanitary ware producer, was acquired on April 10th 2008, likewise with effect from May 1st 2008.

The following section provides further information on both acquisitions.

Acquisitions / Disinvestments / Discontinued Operations

The two new acquisitions included in the consolidated financial statements were first consolidated on May 1st 2008. A total purchase price of Euro 8.8 million was paid in cash for the two acquisitions. Since belonging to the Group, the two companies have achieved sales of Euro 8.8 million. The employee figures have increased by around 920 employees due to the new acquisitions. For the sanitary ware business, the Thai acquisition provides a platform for the entire Asian region including Australia. The acquisition of Sanipa’s bathroom furniture base in Treuchtlingen completes the Group’s existing product portfolio.

All acquired assets and liabilities were carried at their fair value. These were as follows at the time of acquisition/ reporting:

Euro '000	Carried at acquisition	09/30/2008
Fixed assets	9,685	9,660
Inventories	2,747	2,917
Non-current and current other assets	2,200	3,740
Liquid funds	87	3
Assets assumed	14,719	16,320
Other non-current provisions	683	694
Current financial liabilities	5,331	5,544
Other current liabilities	4,260	5,796
Liabilities assumed / total liabilities	10,274	12,034
Fair value of net assets / equity	4,445	4,286
Goodwill arising from company acquisition	4,730	4,730
Acquisition costs	9,175	-
Incidental acquisition costs contained therein	358	-

Both companies first drew up an IFRS opening balance sheet at the time they were taken over. It is therefore not possible to state assets and liabilities as required by IFRS before the takeover.

The recorded goodwill is due to expected synergies and other effects from amalgamating assets and activities of the acquired units with those of the Villeroy & Boch Group. Future market developments, particularly in the Asian-Pacific region, and the know-how of the acquired workforce were also taken into account. These advantages cannot be recognized separately from goodwill, as the benefit resulting from them cannot be reliably assessed.

Dividend Distributed by Villeroy & Boch AG for the Financial Year 2007

The Villeroy & Boch AG dividend of Euro 0.37 per individual ordinary share (prior year: Euro 0.37) and Euro 0.42 per individual preference share (prior year: Euro 0.42), approved by the General Meeting of Shareholders on May 30th 2008, was distributed on June 2nd 2008. The dividend payment is shown separately in the cash flow statement.

Seasonal Influences on Business Activity

Christmas-related business leads the Tableware Division to regularly expect to attain higher sales and operating profits in the fourth quarter than in the other quarters. These influences are also evident at Group level, since no other seasonal effects are identifiable in the remaining product portfolio. In each of the last two years, the fourth quarter witnessed the strongest growth in sales and profits.

Notes to the Consolidated Balance Sheet

This section describes the composition of selected balance sheet items.

<u>Fixed Assets</u>

Movement of fixed assets in the reporting period was as follows:

In Euro ‘000 Text reference	Intangible assets 1	Property, plant and equipment 2	Investment properties	Financial assets accounted for using the equity method	Other financial assets 3	Total
Accumulated costs						
As of 01/01/2008	**61,493**	**733,157**	**67,852**	**1,092**	**33,051**	**896,645**
Addition from company acquisition	451	22,788	0	0	0	23,239
Currency adjustment	-83	449	0	0	0	366
Additions	5,081	12,399	0	90	20,310	37,880
Disposals	-55	-5,630	0	0	-1,490	-7,175
Transfers	52	-52	0	0	0	0
As of 09/30/2008	**66,939**	**763,111**	**67,852**	**1,182**	**51,871**	**950,955**
Accumulated depreciation						
As of 01/01/2008	**13,330**	**527,651**	**51,281**	**0**	**8,005**	**600,267**
Addition from company acquisition	178	13,376	0	0	0	13,554
Currency adjustment	35	-172	0	0	0	-137
Scheduled depreciation	1,119	26,511	601	0	0	28,231
Disposals	-51	-5,005	0	0	-53	-5,109
As of 09/30/2008	**14,611**	**562,361**	**51,882**	**0**	**7,952**	**636,806**
Net book values						
As of 09/30/2008	**52,328**	**200,750**	**15,970**	**1,182**	**43,919**	**314,149**
As of 12/31/2007	48,163	205,506	16,571	1,092	25,046	296,378

1. Intangible Assets

Due to the acquisitions, goodwill increased to Euro 45.485 million, a rise of Euro 4.730 million (see the section entitled “Acquisitions / Disinvestments / Discontinued Operations”).

2. Property, Plant and Equipment

Items of property, plant and equipment in the amount of Euro 12.399 million (prior year: Euro 18.539 million) were acquired during the reporting period. By and large, these involved replacement or rationalization measures, with the main focus being on optimizing production processes in Mexico and Sweden. The foreign share amounted to

71.5%. The same period saw the disposal of items of property, plant and equipment with a book value of Euro 0.625 million (prior year: Euro 0.558 million).

At the time of reporting, the Villeroy & Boch Group had obligations for the acquisition of items of property, plant and equipment in the amount of Euro 3.019 million (as at 12/31/2007: Euro 1.034 million).

3. Other Financial Assets

Other financial assets comprise the following:

in Euro '000	09/30/2008	12/31/2007
Available-for-sale financial assets		
Equity instruments of unrelated companies (investments)	12,280	12,280
Held-to-maturity investments		
Promissory note loan (a)	20,304	0
Loans measured at costs		
Loans to related companies (b)	9,528	10,719
Loans to third parties	1,807	2,047
Other financial assets	**43,919**	**25,046**

(a) Villeroy & Boch AG signed a two-year promissory note loan with a nominal volume of Euro 20 million. Interest totaling Euro 0.304 million has been recognized, in accordance with the effective interest method. The loan is protected by the German Einlagensicherungsfonds (Deposit Protection Fund).

(b) The reduction in this item is due to a principal payment installment by V&B Fliesen GmbH, paid according to schedule. The loan is secured by a guarantee.

4. Inventories

On the balance sheet date, inventories comprise:

in Euro '000	09/30/2008	12/31/2007
Raw materials and supplies	30,565	29,103
Work in progress	28,270	28,306
Finished goods	132,236	110,178
Advance payments / emission allowances	1,256	1,139
	192,327	**168,726**

Due to the acquisitions, inventories in the Bathroom & Wellness Division increased by Euro 2.917 million. Euro 12.193 million of the total increase of Euro 22.058 million witnessed by finished goods was accounted for by the Tableware Division and Euro 9.865 million (Euro 0.170 million of which was from acquisitions) by the Bathroom and Wellness Division. The increase in finished goods is basically due to sales-dependent stockpiling to ensure delivery capacity and the seasonal rise in connection with Christmas business. The Tableware Division contains, in addition, a volume of around Euro 3 million of short delivery products from a large-scale order. Value adjustments on inventories increased, on average, by Euro 5.160 million in the reporting period, from Euro 23.329 million to Euro 28.489 million, which had an effect on the operating result; Euro 0.416 million of this increase was down to acquisitions.

5. Trade Receivables

The regional distribution of trade receivables is as follows:

in Euro '000	09/30/2008	Thereof: due in more than 1 year	12/31/2007	Thereof: due in more than 1 year
Germany	**85,543**	73	**76,771**	74
Rest of Eurozone	**11,291**	0	**32,965**	0
Other international destinations	**48,502**	0	**25,272**	0
Trade receivables	**145,336**	73	**135,008**	74

The reporting period saw the individual and portfolio-based value adjustments on trade receivables increase, on balance, by Euro 0.329 million to Euro 5.720 million. With respect to recoverable receivables, there are no indications that the debtors will not comply with their payment obligations.

6. Current Financial Assets

Current financial assets are held with banks in the following regions:

in Euro '000	09/30/2008	12/31/2007
Germany	30,601	20,000
Rest of Eurozone	0	25,219
Other international destinations	20,103	0
Book value	**50,704**	**45,219**

The outstanding time deposits will be redeemed by no later than November 2008. Each of the time deposits is fully secured by the corresponding deposit protection systems. Interest income of Euro 1.070 million was recorded in the reporting period.

7. Non-Current and Current Other Assets

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

in Euro '000	Book value 09/30/2008	Remaining term up to 1 year	Remaining term over 1 year	Book value 12/31/2007	Remaining term up to 1 year	Remaining term over 1 year
Original financial instruments						
Security deposits & advance payments	**2,646**	2,646	0	**3,017**	3,017	0
Receivables from associates (a)	**2,503**	2,503	0	**5,037**	5,037	0
Remaining other assets (b)	**7,467**	7,424	43	**13,675**	13,644	31
Derivative financial instruments						
Currency futures	**1,867**	1,867	0	**2,099**	2,099	0
Other items						
Other tax claims	**6,991**	6,991	0	**6,684**	6,684	0
Prepaid expenses	**2,683**	2,660	23	**2,198**	2,151	47
	24,157	**24,091**	**66**	**32,710**	**32,632**	**78**

(a) On September 30th, 2008 the V&B Fliesen GmbH paid off a short-term loan, that was granted by the Villeroy & Boch AG in the amount of Euro 2.0 million .

(b) The reduction of other assets is primarily due to the retirement of the residual purchase price receivables from the sale of the V&B Fliesen GmbH in the amount of Euro 3.976 million.

8. Cash and Cash Equivalents

Cash comprises the following:

in Euro '000	09/30/2008	12/31/2007
Cash on hand and checks	230	900
Cash in demand accounts with banks	2,317	29,064
Current money market investments	7,494	45,127
	10,041	**75,091**

The cash equivalents held are fully secured by deposit protection systems. The cash balance in banks for the entire Group was consolidated by Villeroy & Boch AG with bank liabilities in the amount of Euro 1.998 million (as of 12/31/2007: Euro 1.371 million), since the necessary netting facts and conditions and the intention of net settlement are present (IAS 32.42).

9. Retained Earnings

Retained earnings include the following items:

in Euro '000	12/31/2007	Increase	Reduction	30/09//2008
Reserve for treasury shares pursuant to IAS 32.33 (a)	-14,099	0	0	-14,099
Currency translation pursuant to IAS 21.32 (b)	-4,341	274	0	-4,067
Revaluation of currency futures pursuant to IAS 39 (c)	2,001	0	-1,278	723
Revaluation of commodities futures pursuant to IAS 39	0	0	-64	-64
Revaluation of interest rate swaps pursuant to IAS 39	-248	167	0	-81

(a) Villeroy & Boch AG holds unchanged 1,683,029 treasury shares.

(b) Companies in Mexico and the USA were granted loans, which have been classified as a net investment in a foreign business operation.

(c) The third quarter saw the period-based conclusion of the first hedging transactions for the 2009 financial year. Mainly the following parities had an impact on the change in market value: SEK purchase – DKK sale, EUR purchase – AUD sale and USD purchase – SEK sale.

10. Non-Current and Current Financial Liabilities

Owing to the acquisitions, current financial liabilities increased by Euro 5.544 million. This loan matures in June 2009. In addition, interest on non-current loans was carried as a liability.

11. Other Non-Current and Current Liabilities

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

In Euro '000	Book value 09/30/2008	Remaining term up to 1 year	Remaining term over 1 year	Book value 12/31/2007	Remaining term up to 1 year	Remaining term over 1 year
Original financial instruments						
Advances received on purchase orders	**1,175**	1,175	0	**5,213**	5,213	0
Bonuses and rebates	**33,692**	33,692	0	**37,057**	37,057	0
Other liabilities	**5,888**	4,530	1,358	**6,680**	5,322	1,358
Derivative financial instruments						
Interest rate swaps	**225**	8	217	**1,007**	793	214
Currency futures	**1,321**	1,321	0	**60**	60	0
Commodities futures	**261**	261	0	**666**	666	0
Other items						
Personnel liabilities	**31,805**	31,121	684	**25,683**	24,999	684
Other tax liabilities	**9,894**	9,894	0	**8,868**	8,868	0
Government grants	**1,224**	198	1,026	**1,283**	198	1,085
Deferred income	**115**	59	56	**950**	574	376
	85,600	**82,259**	**3,341**	**87,467**	**83,750**	**3,717**

12. Non-Current and Current Income Tax Liabilities

On the balance-sheet date, non-current and current income tax liabilities comprise the following:

In Euro '000	Book value 09/30/2008	Remaining term up to 1 year	Remaining term over 1 year	Book value 12/31/2007	Remaining term up to 1 year	Remaining term over 1 year
Income tax liabilities	241	241	0	795	795	0
Income tax provisions	4,610	4,610	0	6,478	6,478	0
	4,851	**4,851**	**0**	**7,273**	**7,273**	**0**

The reduction in income tax liabilities is commensurate with the development of operating business activity. Income tax within the year is determined, in principle, in accordance with the same rules and methods used for the annual financial statements, with due regard for the anticipated extrapolated average annual income tax rate for the whole of 2008. The income tax expense reported in the condensed Group income statement comprises actual tax portions in the amount of Euro 1.028 million and deferred portions in the amount of Euro –3.807 million, mainly from the change in the deferred tax arising from loss carry-forwards.

Notes to the Consolidated Income Statement

13. Sales revenue

Sales revenue is itemized in segment reporting.

14. Selling, Marketing and Development Costs

This item contains the following expenses for research and development in the reporting period:

in Euro '000	2008		2007	
	1st - 3rd quarter	3rd quarter	1st - 3rd quarter	3rd quarter
Bathroom and Wellness	5,580	1,652	5,278	1,840
Tableware	2,109	728	1,690	569
	7,689	**2,380**	**6,968**	**2,409**

15. Financial Result

The financial result is itemized as follows:

in Euro '000	2008		2007	
	1st- 3rd quarter	3rd quarter	1st - 3rd quarter	3rd quarter
Interest income	5,600	1,800	4,096	2,459
Interest expenses	-5,146	-1,719	-4,429	-2,267
Net interest income/expense	**454**	**81**	**-333**	**192**
Interest from changes to the provisions for pensions and other obligations	-6,420	-2,142	-6,834	-2,301
Other financial income /expense	25	13	-30	22
	-5,941	**-2,048**	**-7,197**	**-2,087**

Other Notes

16. Financial Instruments

The derivative financial instruments accounted for at fair value are reported in note 7 if they have positive market values and in note 11 if they have negative market values. There were no reclassifications between the individual valuation categories. In the reporting period, there were neither changes to risk exposures faced by the Villeroy & Boch Group nor changes in the way in which risk is controlled and measured.

17. Related Parties

No contracts of material significance were concluded with related parties in the reporting period. On the balance-sheet date there are net receivables of Euro 2.224 million from V & B Fliesen GmbH, arising from various service charges. The service charge is undertaken at arm’s length. Note 3b describes the non-current loan to V&B Fliesen GmbH.

18. Events Subsequent to the Balance Sheet Date

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

Mettlach, October 28th 2008

Manfred Finger | Frank Göring | Volker Pruschke