Interim Report
January 1st to June 30th 2008

- **Consolidated sales up 3.8% above prior year level**
- **Slight improvement in EBT**

Overview of the Villeroy & Boch Group

	01/01-06/30/2008 Euro million	01/01-06/30/2007 (1) Euro million	Change Euro million	Change %
Total sales	434.8	418.7	16.1	3.8
Germany	91.0	90.6	0.4	0.4
Abroad	343.8	328.1	15.7	4.8
Earnings before				
income tax and interest/EBIT	17.2	18.1	-0.9	-5.0
income tax/EBT	13.3	13.0	0.3	2.3
Consolidated group earnings	9.3	9.1	0.2	2.3
Capital expenditure	8.1	10.6	-2.5	-23.6
Employees	10,233	9,171	1,062	11.6

(1) Prior year comparison: Continued segments without Tile Division (deconsolidated as of December 31st 2007)

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Global Economy under Pressure

The current situation and also further expectations with regard to the global economy are being significantly affected by commodities and financial exchanges. The increase in the price of energy and industrial raw materials as well as food is currently dampening spirits in all sectors and having an adverse effect on macroeconomic development.

Slight Improvement in Sales and Earnings Compared with Prior Year

The Villeroy & Boch Group achieved sales of €434.8 million in the first half of 2008, a 3.8% improvement over the prior year's reference value. If currency influences were eliminated, this would equate to an increase of 5.5% compared with the prior year.
The proportion of foreign sales stands at 79.1% (prior year 78.3%).
Orders on hand in the Group as of June 30th 2008 stand at €66.1 million, compared with €59.5 million at the beginning of the financial year.

EBT for the first half of 2008 amounts to €13.3 million, which means that earnings have experienced a slight increase of €0.3 million compared with the prior year.

Development in the Divisions

Bathroom and Wellness: Sales Slightly above Prior Year Level

The first half of 2008 has seen global sales achieved by the Bathroom and Wellness Division grow to €278.6 million, an increase of 2.3% compared with the corresponding prior year period. The acquisitions in Thailand and Germany, which have been added since May, contributed around €4 million to this figure.

The individual sales regions showed varying development:

The underlying conditions in the markets of Germany and France remained difficult, with the result that the current financial year has seen sales fall by 4%. The Division was, however, able to increase its sales in the rest of Western Europe by 4% in the first half year.

The Eastern European markets increased their growth once again in the second quarter, their sales figures now being 19% above the reference value for the period between January and June 2007.

Villeroy & Boch was able to profit from the continuing healthy economic climate in the Asian countries, achieving a 27% increase in sales compared with the prior year.

Sales figures for Mexico showed a 3% increase. By contrast, the crisis in the US real estate market is having a very negative impact on business there, resulting in the Division recording a total drop in sales of 18.6%.

The significant increase in energy prices has also left its mark on earnings in the first half of 2008. Coupled with this, significant expenses were incurred in further opening up new markets in the global growth regions, while special expenses arose in integrating the newly acquired investments. The EBIT achieved by the Division (€13.5 million) is therefore significantly below that of the prior year (€16.9 million).

Tableware: Stable Situation despite Floundering Market

Sales figures of €156.2 million achieved by the Tableware Division in the first half of 2008 were 6.7% above the prior year's reference values. This is mainly due to the settlement of a large-scale order in Spain.
The 5.4% 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, but also Asia and the Middle East. By contrast, the negative economic development in the USA was also keenly felt in the Tableware Division.

We are pushing ahead with the global expansion of our sales network. To this end, new Villeroy & Boch shops were opened, for example, in China, South Korea, Israel and Turkey.

Operating income (EBIT) in the first half year for the Tableware Division showed a significant increase from €1.2 million to €3.7 million, compared with the prior year.

Volume of Capital Expenditure

The first half of 2008 saw the Villeroy & Boch Group make a total capital expenditure outlay of €8.1 million, compared with €10.6 million in the prior year period.
€7.9 million of this figure was accounted for by property, plant and equipment and €0.2 million by intangible assets. The proportion of investments abroad was 70.4%.
The acquisition, in March, of Nahm Sanitaryware Co. Ltd., the Thai sanitary ware producer, provided an excellent basis for opening up the Asian market. The company has been fully consolidated in the Group since the beginning of May. In addition, the bathroom furniture manufacturer Sanipa was acquired, in order to extend the very successful bathroom furniture range. Capital expenditure on the acquisitions totaled €8.8 million.

Outlook for Financial Year 2008

North America will only see an improvement in the economic situation in the medium term. The underlying conditions will therefore remain difficult, on the whole, in the second half of the year. Nevertheless, we expect to see a slightly positive sales development over the entire year.

In addition, we must continue to expect drastic increases in energy costs. We will counter this as of August with a price rise surcharge in the Bathroom & Wellness Division.

In terms of earnings, we are expecting the same slightly positive development for the entire year as was witnessed in the first half of the year.

Villeroy & Boch Share

The closing price of the Villeroy & Boch share as of June 30th 2008 was €8.91, which represents a slight improvement compared with the closing price of the first quarter (+2.3%). Since December 31st 2007, there has been a fall of 26%, which is virtually the same as the losses suffered by the comparative index of the "Prime Household" sector.

Mettlach, July 2008

Villeroy & Boch Aktiengesellschaft

The Management Board

Financial Calendar:
October 28th 2008 Report on the first nine months of 2008

Villeroy & Boch Group

Consolidated balance sheet as of June 30th 2008

Assets

in Euro `000	Notes	06/30/2008	12/31/2007
Non-current assets			
Intangible assets	1	**47,595**	48,163
Property, plant and equipment	2	**196,654**	205,506
Investment properties		**16,170**	16,571
Investment accounted for using the equity method		**1,152**	1,092
Other financial assets	3	**43,649**	25,046
		305,220	296,378
Other non-current assets		**54**	78
Deferred tax assets		**42,533**	46,471
		347,807	342,927
Current assets			
Inventories	4	**189,929**	168,726
Trade receivables	5	**142,149**	135,008
Financial assets	6	**21,708**	45,219
Other current assets	7	**33,833**	32,632
Income tax claims		**7,848**	5,285
Cash and cash equivalents	8	**32,383**	75,091
		427,850	461,961
Total Assets		**775,657**	804,888

Shareholders' Equity and Liabilities

TEuro	Notes	06/30/2008	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	**68,111**	71,723
Consolidated result		**9,332**	7,171
		342,939	344,390
Equity attributable to minority interests		**175**	184
Total equity		**343,114**	344,574
Non-current liabilities			
Provisions for pensions		**152,840**	154,326
Non-current provisions for personnel	10	**18,731**	19,372
Other non-current provisions	11	**5,163**	5,166
Non-current financial liabilities		**70,000**	70,000
Other non-current financial liabilities	12	**3,197**	3,717
Deferred tax liabilities		**13,931**	15,432
		263,862	268,013
Current liabilities			
Current provisions for personnel	10	**5,068**	8,234
Other current provisions	11	**21,077**	24,290
Current financial liabilities		**109**	1,972
Other current liabilities	12	**71,521**	83,750
Trade payables		**62,320**	66,782
Income Tax liabilities	13	**8,586**	7,273
		168,681	192,301
Total liabilities		**432,543**	460,314
Total equity and liabilities		**775,657**	804,888

Villeroy & Boch Group

Consolidated Income Statement as of June 30th 2008

in Euro `000	Notes	1st mid-year 2008	1st mid-year 2007 [1]
Revenue	14	**434,776**	418,690
Costs of sales		**-258,981**	-246,419
Gross profit		**175,795**	**172,271**
Selling, marketing and development costs	15	**-128,179**	-123,653
General and administrative expenses		**-25,270**	-25,107
Other operating income/expenses		**-5,176**	-5,435
Result of associates accounted for using the equity method		**60**	60
Operating result (EBIT)		**17,230**	**18,136**
Financial results	**16**	**-3,893**	**-5,110**
Earnings before taxes		**13,337**	**13,026**
Income taxes		**-4,002**	-3,908
Result after tax (group)		**9,335**	**9,118**
Thereof attributable to minority interests		**-3**	-3
OF WHICH GROUP EQUITY HOLDERS ARE ENTITLED OF (CONSOLIDATED RESULT)		**9,332**	**9,115**
EARNINGS PER SHARE in Euros			
Eearnings per ordinary share		**0.33**	0.32
Earnings per preference share		**0.38**	0.37

in Euro `000		2 nd quarter 2008	2 nd quarter 2007 [1]
Revenue	14	**213,848**	210,813
Costs of sales		**-126,912**	-126,565
Gross profit		**86,936**	**84,248**
Selling, marketing and development costs	15	**-63,537**	-61,399
General and administrative expenses		**-13,263**	-13,079
Other operating income/expense		**-3,087**	-2,339
Result of associates accounted for using the equity method		**30**	30
Operating result (EBIT)		**7,079**	**7,461**
Financial results	**16**	**-2,075**	**-2,472**
Earnings before taxes		**5,004**	**4,989**
Income taxes		**-1,502**	-1,413
Result after tax (group)		**3,502**	**3,576**
Thereof attributable to minority interests		**-4**	1
OF WHICH GROUP EQUITY HOLDERS ARE ENTITLED OF (CONSOLIDATED RESULT)		**3,498**	**3,577**
EARNINGS PER SHARE in Euros			
Eearnings per ordinary share		**0.11**	0.11
Earnings per preference share		**0.16**	0.16

[1] Previous year: Continued operations without discontinued business segment tiles (sold as of 12/31/2007)

Villeroy & Boch Group

Consolidated Statement of Equity as of June 30th 2008

in Euro '000	Issued capital	Capital surplus	Retained earnings	Consolidated result	Equity attributable to Villeroy & Boch AG shareholders	Equity attributable to minority interests	Total Equity
Notes			9				
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 - 06/30				9,676	9,676	3	9,679
Thereof from continued operations					(9,115)	(3)	(9,118)
Subsequent measurement IAS 39			3,247		3,247		3,247
Acquisition of minority interests					0	-86	-86
Currency adjustment			-1,156		-1,156		-1,156
Other changes in equity			-26		-26		-26
As of 06/30/2007	**71,909**	**193,587**	**76,269**	**9,676**	**351,441**	**197**	**351,638**
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 - 06/30				9,332	9,332	3	9,335
Subsequent measurement IAS 39			-2,281		-2,281		-2,281
Acquisition of minority interests					0		0
Currency adjustment			1,237		1,237	-4	1,233
Other changes in equity			649		649		649
As of 06/30/2008	**71,909**	**193,587**	**68,111**	**9,332**	**342,939**	**175**	**343,114**

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

in Euro '000	**1st mid-year 2008**	1st mid-year 2007 [1]
Result after tax	**9,335**	9,679
Depreciation of non-current assets	**18,635**	21,709
Change in non-current provisions	**-6,409**	-10,507
Profit from disposal of fixed assets	**46**	-340
Change in inventories, receivables and other assets	**-28,557**	-16,068
Change in liabilities, current provisions and other liabilities	**-26,490**	-15,045
Other non-cash income/expenses	**8,844**	2,640
Cash Flow from operating activities	**-24,596**	**-7,932**
Purchase of intangible assets, property, plant and equipment	**-8,096**	-11,587
Investment in non-current financial assets and cash payments for the acquisition of consolidated companies	**-28,784**	-1,562
Cash payments for restricted deposits	**22,221**	0
Cash receipts for discontinued operations	**7,857**	15,341
Cash receipts from disposals of fixed assets	**749**	2,741
Cash Flow from investing activities	**-6,053**	**4,933**
Change in financial liabilities	**-1,978**	19,763
Dividend payments	**-10,389**	-10,389
Cash Flow from financing activities	**-12,367**	**9,374**
Sum of cash flows	**-43,016**	**6,375**
Changes due to exchange rates	**308**	129
Net increase in cash and cash equivalents	**-42,708**	**6,504**
Balance of cash and cash equivalents as of 01/01	**75,091**	11,596
Change in consolidated companies	**0**	-3,142
Net increase in cash and cash equivalents	**-42,708**	6,504
Balance of cash and cash equivalents as of 06/30	**32,383**	14,958

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

[1] Continued operations without discontinued business segment tiles (sold as of 12/31/2007)

Villeroy & Boch Group 1st mid-year Segment Report as of June 30th 2008

in Euro '000	BATHROOM & WELLNESS 2008	BATHROOM & WELLNESS 2007	TABLEWARE 2008	TABLEWARE 2007	TRANSITION / OTHER 2008	TRANSITION / OTHER 2007	VILLEROY & BOCH GROUP 2008	VILLEROY & BOCH GROUP 2007 [1]
Revenue								
Segment revenue from sales to external customers	**278,615**	272,388	**156,161**	146,303	**0**	0	**434,776**	418,691
Segment revenue from transactions with other segments	**413**	585	**0**	92	**-413**	-677	**0**	0
Result								
Segment result	**13,489**	16,893	**3,741**	1,243	**0**	0	**17,230**	18,136
Financial result					**-3,893**	-5,110	**-3,893**	-5,110
Other information								
Segment assets	**408,486**	391,815	**172,621**	183,181	**202,695**	147,126	**783,802**	722,122
Segment liabilities	**129,613**	112,646	**39,502**	42,531	**271,573**	233,502	**440,688**	388,679
Capital expenditures	**6,046**	7,433	**2,050**	3,195	**0**	0	**8,096**	10,628
Scheduled depreciation of segment assets	**11,403**	11,195	**7,250**	8,045	**0**	0	**18,653**	19,240

Villeroy & Boch Group 2nd quarter Segment Report as of June 30th 2008

in Euro '000	BAD UND WELLNESS 2008	BAD UND WELLNESS 2007	TISCHKULTUR 2008	TISCHKULTUR 2007	ÜBERLEITUNG / SONSTIGE 2008	ÜBERLEITUNG / SONSTIGE 2007	VILLEROY & BOCH KONZERN 2008	VILLEROY & BOCH KONZERN 2007 [1]
Revenue								
Segment revenue from sales to external customers	**142,204**	135,213	**71,644**	75,601	**0**	0	**213,848**	210,814
Segment revenue from transactions with other segments	**217**	261	**0**	0	**-217**	-353	**0**	0
Result								
Segment result	**6,582**	7,317	**497**	144	**0**	0	**7,079**	7,461
Financial result					**-2,075**	-2,472	**-2,075**	-2,472
Other information								
Capital expenditures	**3,825**	4,639	**1,052**	1,951	**0**	0	**4,877**	6,590
Scheduled depreciation of segment assets	**5,657**	5,582	**3,634**	4,013	**0**	0	**9,291**	9,595

[1] Previous year: Continued operations without discontinued business segment tiles (sold as of 12/31/2007)

Villeroy & Boch Group Notes
to the 2008 Six-Month Report

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 June 30th 2008. It was released for publication on July 24th 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. In the opinion 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. This interim financial statement has not been subject to audit or review by an auditing company. 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 first half year saw the consolidated companies in the Villeroy & Boch Group increase in 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. For accounting purposes, these interim financial statements carry the purchase price within "Current Other Assets" until purchase price allocation. Since belonging to the Group, the two companies have achieved sales of Euro 3.7 million. The employee figures indicated contain around 920 employees from new acquisitions to the Villeroy & Boch Group.

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.

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

The General Meeting of Shareholders on May 30th 2008 approved the dividend of Euro 0.37 per ordinary share and Euro 0.42 per preference share proposed by the Supervisory Board and Management Board of Villeroy & Boch AG. This distribution is equivalent to a dividend payment on the common share capital of Euro 5,196,576.00 (2006: Euro 5,196,576.00) and Euro 5,192,943.82 (2006: Euro 5,192,943.82) on the preferred share capital. At the time the dividend was distributed, the Villeroy & Boch Group held 1,683,029 treasury preference shares, as was also the case in the prior year. These were not entitled to dividend. The dividend payment was made on June 2nd 2008.

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.

Fixed Assets

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**
Currency adjustment	51	2,817	0	0	-1	2,867
Additions	162	7,934	0	60	20,010	28,166
Disposals	-53	-2,805	0	0	-1,406	-4,264
Transfers	-1	1	0	0	0	0
As of 06/30/2008	**61,652**	**741,104**	**67,852**	**1,152**	**51,654**	**923,414**
Accumulated depreciation						
As of 01/01/2008	**13,330**	**527,651**	**51,281**	**0**	**8,005**	**600,267**
Currency adjustment	57	1,514	0	0	0	1,571
Scheduled depreciation	722	17,512	401	0	0	18,635
Disposals	-52	-2,227	0	0	0	-2,279
As of 06/30/2008	**14,057**	**544,450**	**51,682**	**0**	**8,005**	**618,194**
Net book values						
As of 06/30/2008	**47,595**	**196,654**	**16,170**	**1,152**	**43,649**	**305,220**
As of 12/31/2007	48,163	205,506	16,571	1,092	25,046	296,378

1. Intangible Assets

The goodwill contained in the intangible assets is unchanged compared with year-end 2007, apart from insignificant exchange rate influences.

2. Property, Plant and Equipment

Items of property, plant and equipment in the amount of Euro 7.934 million were acquired during the reporting period (H1 2007: Euro 11.458 million), with the foreign share amounting to 71.7%. By and large, these involved replacement or rationalization measures, with the main focus being on Sweden, Mexico, France and Germany.

3. Other Financial Assets

Other financial assets comprise securities held on a long-term basis, investments and loans.

in Euro '000	06/30/2008	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)	20,006	0
Loans measured at costs		
Loans to related companies (b)	9,528	10,719
Loans to third parties	1,835	2,047
Other financial assets	**43,649**	**25,046**

(a) On June 28th 2008, Villeroy & Boch AG signed a promissory note loan with a nominal volume of Euro 20 million, issued by a German bank. The promissory note loan is fully protected by the Einlagensicherungsfonds des Bundesverbandes Deutscher Banken (Deposit Protection Fund of the Association of German Banks).

(b) The reduction in this item is due to a principal payment installment of Euro 1.191 million by V&B Fliesen GmbH, paid according to schedule on June 30th 2008. The liability is secured by a guarantee.

4. Inventories

On the balance sheet date, inventories comprise:

in Euro '000	06/30/2008	12/31/2007
Raw materials and supplies	30,190	29,103
Work in progress	30,228	28,306
Finished goods	128,806	110,178
Advance payments	704	1,138
Emission allowances	1	1
	189,929	**168,726**

Value adjustments on inventories increased, on average, by Euro 2.660 million in the reporting period, from Euro 23.329 million on January 1st to Euro 25.989 million, which had an effect on the operating result. Euro 0.705 million (as of 12/31/2007: Euro 1.139 million) of the inventories reported on the balance sheet date are accounted for at net realizable value.

5. Trade Receivables

For sales of goods and merchandise, country and industry-specific payment terms are granted. Regionally, these trade receivables are distributed as follows:

in Euro '000	06/30/2008	Thereof: due in more than 1 year	12/31/2007	Thereof: due in more than 1 year
Germany	**87,349**	73	**76,771**	74
Rest of Eurozone	**9,956**	0	**32,965**	0
Other international destinations	**44,844**	0	**25,272**	0
Trade receivables	**142,149**	73	**135,008**	74

The reporting period saw the individual and portfolio-based value adjustments on trade receivables increase, on balance, by Euro 0.248 million to Euro 5.638 million. With respect to the reported receivables, there are no indications of a possible default by the debtor.

6. Current Financial Assets

Time deposits with a maximum term of up to 12 months are reported as current financial assets. The banks are located in the following regions:

in Euro '000	06/30/2008	12/31/2007
Germany	21,708	20,000
Rest of Eurozone	0	25,219
Book value	21,708	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 0.418 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:

	Book value	Remaining term		Book value	Remaining term	
		up to	over		up to	over
in Euro '000	06/30/2008	1 year	1 year	12/31/2007	1 year	1 year
Original financial instruments						
Security deposits	**1,008**	1,008	0	**974**	974	0
Advance payments	**955**	955	0	**2,043**	2,043	0
Receivables from associates	**4,222**	4,222	0	**5,037**	5,037	0
Remaining other assets	**16,425**	16,394	31	**13,675**	13,644	31
Derivative financial instruments						
Currency futures	**501**	501	0	**2,099**	2,099	0
Commodities futures	**24**	24	0	**0**	0	0
Other items						
Other tax claims	**7,254**	7,254	0	**6,684**	6,684	0
Prepaid expenses	**3,498**	3,475	23	**2,198**	2,151	47
	33,887	**33,833**	**54**	**32,710**	**32,632**	**78**

8. Cash and Cash Equivalents

Cash comprises the following:

in Euro '000	06/30/2008	12/31/2007
Cash on hand and checks	172	900
Cash in demand accounts with banks	11,534	29,064
Cash equivalents	20,677	45,127
	32,383	75,091

At the time of reporting, the Group holds 72% of all cash in Germany. The cash balance in banks for the entire Group was consolidated by Villeroy & Boch AG with bank liabilities in the amount of Euro 2.070 million (as of

12/31/2007: Euro 1.371 million), since the necessary netting facts and conditions and the intention of net settlement are fulfilled (IAS 32.42).

9. Retained Earnings

Retained earnings contain the following items:

in Euro '000	12/31/2007	Increase	Reduction	06/30/2008
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	0	-348	-4,689
Revaluation of currency futures pursuant to IAS 39	2,001	0	-2,472	-471
Revaluation of interest rate swaps pursuant to IAS 39	-248	191	0	-57

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

(b) As a result of the Mexican peso's exchange rate recovery, it was possible to reduce the reduction in equity witnessed by the first quarter of 2008 by Euro 0.487 million, from Euro 0.636 million to Euro 0.149 million.

10. Non-Current and Current Personnel Provisions

Movement in non-current and current personnel provisions in the reporting period was as follows:

in Euro '000	06/30/2008	12/31/2007
Non-current personnel provisions	**18,731**	**19,372**
Thereof from partial retirement	9,688	10,470
anniversary bonuses	5,087	5,115
severance payments	3,956	3,787
Current personnel provisions	**5,068**	**8,234**
Thereof from royalties, bonuses and similar obligations	4,873	7,889
other matters	195	345

11. Other Non-Current and Current Provisions

Movement in other non-current and current provisions in the reporting period was as follows:

in Euro '000	06/30/2008	12/31/2007
Other non-current provisions	**5,163**	**5,166**
Thereof from recultivation projects	3,818	3,818
other matters	1,345	1,348
Other current provisions	**21,077**	**24,290**
Thereof from guarantees	10,552	11,266
restructuring	3,677	4,513
sales commission	903	897
other taxes (excluding income taxes)	916	1,008
other matters	5,029	6,606

12. Other Non-Current and Current Liabilities

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

in Euro '000	Book value 06/30/2008	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	**1,186**	1,186	0	**5,213**	5,213	0
Bonuses and rebates	**26,930**	26,930	0	**37,057**	37,057	0
Other liabilities	**4,543**	3,185	1,358	**6,680**	5,322	1,358
Derivative financial instruments						
Interest rate swaps	**57**	24	33	**1,007**	793	214
Currency futures	**892**	892	0	**60**	60	0
Commodities futures	**118**	118	0	**666**	666	0
Other items						
Personnel liabilities	**30,993**	30,309	684	**25,683**	24,999	684
Other tax liabilities	**8,614**	8,614	0	**8,868**	8,868	0
Government grants	**1,244**	198	1,046	**1,283**	198	1,085
Deferred income	**141**	65	76	**950**	574	376
	74,718	**71,521**	**3,197**	**87,467**	**83,750**	**3,717**

13. Non-Current and Current Income Tax Liabilities

Non-current and current income tax liabilities comprise:

in Euro '000	Book value 06/30/2008	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	316	316	0	795	795	0
Income tax provisions	8,270	8,270	0	6,478	6,478	0
	8,586	**8,586**	**0**	**7,273**	**7,273**	**0**

Notes to the Consolidated Income Statement

14. Sales revenue

Sales revenue is itemized in the segment reporting.

15. 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 half year	2nd quarter	1st half year	2nd quarter
Bathroom and Wellness	3,927	2,011	3,439	1,659
Tableware	1,381	711	1,120	562
	5,308	**2,722**	**4,559**	**2,221**

16. Financial Result

The financial result is itemized as follows:

in Euro '000	2008		2007	
	1st half year	2nd quarter	1st half year	2nd quarter
Interest income	3,801	1,852	1,637	352
Interest expenses	-3,428	-1,658	-2,162	-664
Net interest income/expense	**373**	**194**	**-525**	**-312**
Interest from changes to the provisions for pensions and other obligations	-4,278	-2,139	-4,533	-2,189
Other financial income /expense	12	-130	-52	29
	-3,893	**-2,075**	**-5,110**	**-2,472**

Other Notes

17. Personnel

Personnel expenses and the average number of persons employed are comprised as follows:

in Euro '000	1st half year 2008		1st half year 2007	
	Personnel expenses	Employees	Personnel expenses	Employees
Bathroom and Wellness	89,158	6,914	85,585	5,899
Tableware	50,446	2,903	51,374	2,824
Others	11,682	416	11,244	448
	151,286	**10,233**	**148,203**	**9,171**

The increase in the number of employees in the Bathroom and Wellness Division is mainly the result of including the two new acquisitions (110 employees from the bathroom furniture manufacturer Sanipa in Germany and 809 employees from the ceramics producer Nahm in Thailand).

18. 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 12 if they have negative market values. There were no reclassifications between the individual valuation categories in the first half year. 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.

19. Contingent Liabilities, Contingencies and Financial Obligations

Movement in contingent liabilities and contingencies in the reporting period was as follows:

in Euro '000	06/30/2008	12/31/2007
Obligations for the acquisition of plant, property and equipment	2,422	1,034
Rental obligations	972	1,060
Trustee obligations	305	315
Obligations for the acquisition of intangible assets	105	2
Other contingencies	19	19

20. Related Parties

No contracts of material significance were concluded with related parties in the reporting period. In addition to the long-term loan (see note 3), there are receivables of Euro 3.416 million from V & B Fliesen GmbH arising from various service charges. These are undertaken at arm's length.

21. Changes to the Supervisory Board

On conclusion of the General Meeting of Shareholders on May 30th 2008, the mandates of the current shareholders' representatives on the Supervisory Board expired, with the exception of the mandate of Mr. Wendelin von Boch-Galhau.

The shareholders elected the following to serve on the Supervisory Board: Peter Prinz Wittgenstein, Dr. Alexander von Boch-Galhau, Eugen von Boch, Dr. Jürgen Friedrich Kammer, and Charles Krombach.

In a separate procedure, employees elected the following from their own ranks to serve on the Supervisory Board: Hannsgeorg Edinger, Werner Jäger, Dietmar Langenfeld, Ralf Runge, Jürgen Beining, and Ralf Sikorski.

In the Supervisory Board's constitutive meeting on May 30th 2008, Peter Prinz Wittgenstein was elected Chairman, Mr. Ralf Runge First Vice Chairman and Mr. Wendelin von Boch-Galhau Second Vice Chairman. Mr. Lutwin Gisbert von Boch-Galhau was appointed an honorary member of the Supervisory Board.

The committees were filled as follows:

Audit Committee:	Charles Krombach (Chairman), Werner Jäger and Peter Prinz Wittgenstein
Investment Committee:	Peter Prinz Wittgenstein (Chairman), Wendelin von Boch-Galhau and Dietmar Langenfeld
Human Resources Committee:	Peter Prinz Wittgenstein (Chairman), Ralf Sikorski and Dr. Jürgen Friedrich Kammer
Mediation Committee:	Peter Prinz Wittgenstein (Chairman), Ralf Runge, Ralf Sikorski and Wendelin von Boch-Galhau

Furthermore, the regulations governing remuneration of the Supervisory Board (Article 7, no. 10 of the Memorandum and Articles of Association of Villeroy & Boch AG) were reformed. Members of the Supervisory Board will in future receive remuneration of Euro 1,250.00 for each meeting of the full board. The fixed annual basic remuneration will be raised by Euro 8,000 to Euro 20,000.00. In addition to the basic remuneration, the Chairman will receive Euro 45,000.00 and the Vice Chairman Euro 13,500.00. Members of the Audit Committee, the Investment Committee and the Human Resources Committee will each receive Euro 2,500.00 in addition to the basic remuneration, while the chairmen of these committees will each receive Euro 4,000.00. The change to the Memorandum and Articles of Association will take effect once registration has been made with the Commercial Register for the term of office commencing on May 30th 2008.

22. Adoption of Resolution on the Appointment of the Auditor for Financial Year 2008

The General Meeting of Shareholders resolved to appoint KPMG Deutsche Treuhand-Gesellschaft, Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Berlin and Frankfurt am Main, to audit the annual financial statements and the consolidated financial statements for the financial year 2008.

23. Events Subsequent to the Balance Sheet Date

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

24. 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, July 29th 2008

Manfred Finger Frank Göring Volker Pruschke