Interim Report
1 January to 31 March 2013

- **Revenue for the first quarter down slightly year-on-year at €183.7 million.**
- **EBIT up slightly at €7.2 million**
- **Growth and earnings targets for 2013 as a whole confirmed.**
- **Equity ratio declines to 25 % due to change in accounting for retirement benefits.**

Villeroy & Boch Group at a glance	01.01. – 31.03. 2013 € million	2012 € million	Change in € million	Change in %
Revenue (total)	183.7	184.5	-0.8	- 0.4
Germany	54.3	51.5	2.8	5.4
Abroad	129.4	133.0	-3.6	- 2.7
Earnings before interest and taxes (EBIT)	7.2	7.1	0.1	1.4
Earnings before taxes (EBT)	4.8	4.4	0.4	9.1
Group result	3.4	3.1	0.3	9.7
Return on net operating assets (rolling)	10.2 %	10.2 % *		
Investments	1.8	6.3	- 4.5	- 71.4
Employees (FTEs at the end of the period)	7,412	7,415	-3	

*) Return on net assets as of 31 December 2012

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Interim Management Report of the Villeroy & Boch Group for the First Quarter of 2013

Global economic conditions

The global economy saw inconsistent development in the first quarter of 2013. While there was a slight upturn in Asia, the USA and Germany, economic development in the euro zone markets that are important to Villeroy & Boch continued to deteriorate as a result of the unresolved sovereign debt crisis, which led to the need for a bailout package for Cyprus in the period under review.

With the exception of Germany, unemployment in the euro zone hit a new record high, while the slight reduction in commodity prices has yet to provide any tangible impetus for the global economy.

We expect the euro zone to remain in a recession throughout 2013 and are not expecting the structural reforms and budget consolidation measures to result in moderate growth until 2014 onwards.

Basic information on the Group

The basic information on the Group as presented in the 2012 Group management report remains unchanged.

Report on net assets, financial position and results of operations

Villeroy & Boch Group

In the first quarter of 2013, the Villeroy & Boch Group generated net revenue of €183.7 million, down slightly on the prior-year figure of €184.5 million.

Orders on hand amounted to €49.0 million as at 31 March 2013, up €2.8 million on the start of the year. The Bathroom and Wellness Division accounted for €28.2 million of orders on hand, with the remaining €20.8 million attributable to the Tableware Division.

The Villeroy & Boch Group reported earnings before interest and taxes (EBIT) of €7.2 million in the first quarter of the year, a slight increase on the prior-year figure (€7.1 million). EBIT for the first three months of the current financial year contains a gain on the disposal of the former branch office in Frankfurt/Main in the amount of €1.3 million. Including the income from the reversal of a recultivation obligation, total extraordinary income was at a largely similar level to the gain on the disposal of the sanitary ware factory in Saltillo, Mexico, in the previous year.

The rolling net operating assets of the Villeroy & Boch Group amounted to €303.4 million at the reporting date (31 December 2012: €303.6 million). At 10 %, the return on net assets was unchanged as against 31 December 2012.

Development in the divisions

Bathroom and Wellness

The Bathroom and Wellness Division generated revenue of €117.0 million in the first quarter of 2013, down 4 % or €5.1 million on the same period of the previous year.

This development reflects the continued impact of the euro zone financial crisis on the Group’s markets in Western and Eastern Europe in particular. The prolonged winter weather in Europe also adversely affected construction activity in the first quarter of the year. The most notable downturns in revenue were in Russia (- 43 %), Switzerland (- 18 %) and the Netherlands (- 16 %). Outside Europe, there was negative revenue development in Mexico (- 38 %) and the USA (- 31 %) in particular. In Mexico, this is partially due to the targeted withdrawal from low-margin local project business in the previous year. In the USA, the temporary fall in revenue was due in particular to the sale of the St. Thomas Creation brand. Rising income from the new sales partnership with TOTO USA is expected from the second quarter onwards. Australia (+ 34 %) and China (+ 20 %) enjoyed positive revenue development, while performance in Germany was stable with revenue growth of 1%.

The Bathroom and Wellness Division recorded an operating result (EBIT) of €7.8 million. This was €0.5 million lower than the prior-year figure (€8.3 million) due to the aforementioned revenue development.

The rolling net operating assets of the division amounted to €206.5 million at the reporting date as against €208.7 million on 31 December 2012. The return on net operating assets amounted to 12 % (31 December 2012: 11 %).

The leading annual trade fair for the sanitary ware industry, ISH, which was held in Frankfurt/Main in March, saw a highly satisfactory presentation of the new collections in the Bathroom and Wellness Division. The new sanitary series “Architectura”, aimed at the important target group of planners and architects, was presented – and the first orders have already been placed. “Joyce”, a new collection for the customisation of family bathrooms, was also presented. The collection, whose SlimSeat WC seat received the internationally renowned “red dot design award 2013”, enjoyed extremely positive feedback from visitors to the trade fair. The current design trend is also reflected in the bathtub series “Squaro Edge 12” with its narrow rims and clear lines. In the area of bathroom furniture, the “Legato”, “Cantobay” and “Curvebay” collections were considered to be promising new developments.

Tableware

In the first quarter of 2013, revenue in the Tableware Division increased by €4.4 million or 7 % year-on-year to €66.7 million. Germany enjoyed encouraging revenue growth of + 14 %. Outside Germany, the markets of Russia (+ 35 %), Switzerland (+ 21 %), Austria (+ 21 %) and the United Kingdom (+ 14 %) saw particularly strong revenue development. The improved course of business in these countries in particular was further boosted by the fact that, unlike in the previous year, the first quarter of 2013 included Easter. The negative trend resulting from the euro zone financial crisis continued in Italy (- 6 %) and Spain (- 5 %). Australia also saw lower revenue (- 8 %).

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

The rolling net operating assets of the Tableware Division amounted to €96.9 million at the reporting date compared with €94.9 million on 31 December 2012. The return on net operating assets amounted to 9 % (31 December 2012: 8 %).

The presentation of new products at the “Ambiente” trade fair in Frankfurt/Main and other international trade fairs met with an extremely positive response. Feedback from market participants on the 2013 Christmas collection was particularly positive. Presentations at the spring trade fairs also adopted a heightened focus on the division’s range of gift items.
The Tableware Division also enjoyed success at this year’s “red dot design award”, with the jury giving an honourable mention to the “Artesano Original” and “Lina” collections.

Balance sheet structure

The application of the amended IAS 19 “Employee Benefits” resulted in a significant change to the Villeroy & Boch Group’s balance sheet structure compared with 31 December 2012. This modified IAS standard is required to be applied by all entities preparing IFRS financial statements. The most significant change for Villeroy & Boch is that actuarial losses, which were not recognised within the defined corridor until 31 December 2012, are required to be taken directly to equity with retrospective effect from 1 January 2013. As a result, equity decreased by €41.2 million in the opening balance sheet as at 1 January 2013 (see notes 8 and 9 to the consolidated notes). Provisions for pensions increased by €58.3 million as a result of the change in accounting treatment, while deferred tax assets increased by €17.1 million. The new accounting treatment meant that the equity ratio declined by 7 % to 25 % compared with 31 December 2012.

Net liquidity

The net liquidity of the Villeroy & Boch Group amounted to €-30.4 million at 31 March 2013, down €12.1 million as against the previous year. This is primarily due to the earlier payment of the dividend of €9.9 million compared with the previous year.

Investments

The Villeroy & Boch Group made investments of €1.8 million in the period under review (previous year: €6.3 million).
The planned investment projects for the current financial year are scheduled in particular for the second quarter onwards.
The Bathroom and Wellness Division accounted for 72 % or €1.3 million of the investments made in the first quarter of 2013, with the Tableware Division accounting for the remaining 28 % or €0.5 million.
Investments in the Bathroom and Wellness Division primarily related to the expansion of the product range at our wellness company in the Netherlands, continued capacity expansion measures in Thailand and replacement investments in Germany.
Investments in the Tableware Division primarily related to the optimisation of the distribution network and the infrastructure outside Europe.
At the reporting date, the Group had obligations to acquire property, plant and equipment in the amount of €3.6 million. These acquisitions will be financed from operating cash flow.

The information in the 2012 Group management report on planned investments for 2013 as a whole remains unchanged.

Opportunities and risks

The opportunities and risks described in the 2012 Annual Report remain unchanged.
On 20 March 2013, the General Court of the European Union heard at first instance our action for the annulment of the ruling on the fine in connection with the ongoing EU antitrust proceedings. The hearing for this case is now complete. The Court has yet to decide on a date for the announcement of its verdict. We expect the verdict to be announced towards the end of this year or early next year. We still consider the fine to be unjustified and hope to be reimbursed for at least part of the fine; however, an estimate is not possible on account of the special nature of the case.

There is no evidence of any individual risks that could endanger the continued existence of the Group.

Outlook for the 2013 financial year

For 2013, we expect economic development in our most important sales markets to move sideways and are forecasting only a marginal economic upturn on the whole. Irrespective of the increase in electricity taxes in Germany, the expected stability of global energy prices and the slow reduction in inflation in the euro zone will have a stabilising effect.
However, there remains a risk that the unresolved sovereign debt crisis and the fragile sentiment in the financial sector will result in further disruptions and setbacks in 2013.

The course of business in the first quarter serves to confirm our expectations for 2013. Despite unsatisfactory revenue development in the year to date, we are continuing to forecast growth in consolidated revenue of between 3 % and 5 % for 2013 as a whole. This will be driven by continued intensive investments in the high-growth markets of Russia and Asia, as well as organic growth in the saturated markets of Europe.
We will also press ahead with the rationalisation of production and workflows and structures in the areas of administration, logistics and sales.

The forecast earnings growth for 2013 remains significantly higher than the projected revenue growth, i.e. in excess of 5 %.

In terms of the rolling net operating assets of the Villeroy & Boch Group, the return on net assets is also expected to increase significantly in 2013 as a result of the earnings growth, as well as further measures in the area of working capital management.

Villeroy & Boch Group

Consolidated balance sheet as at 31 March 2013

Assets

in € million	Notes	as at 31/03/2013	as at 31/12/2012 (Restated)	as at 31/03/2012 (Restated)
Non-current assets				
Intangible assets		37.6	38.0	38.4
Property, plant and equipment	1	142.1	145.1	150.8
Investment property		13.8	14.0	15.3
Investment accounted for using the equity method		1.1	1.0	1.1
Other financial assets		9.1	9.1	10.1
		203.7	**207.2**	**215.7**
Other non-current assets	5	0.0	0.1	0.8
Deferred tax assets	4	53.4	53.4 [1)2)]	40.6 [1)2)]
		257.1	**260.7**	**257.1**
Current assets				
Inventories	2	155.5	150.9	146.1
Trade receivables	3	115.0	108.4	107.0
Other current assets	5	21.7	20.7	23.8
Income tax claims		3.5	2.9	2.9
Cash and cash equivalents	6	28.8	55.3	33.6
		324.5	**338.2**	**313.4**
Non-current asset held for sale	7	**9.5**	**10.0**	**3.8**
Total assets		**591.1**	**608.9**	**574.3**

Shareholders' Equity and Liabilities

in € million	Notes	as at 31/03/2013	as at 31/12/2012 (Restated)	as at 31/03/2012 (Restated)
Equity attributable to Villeroy & Boch AG shareholders				
Issued capital		71.9	71.9	71.9
Capital surplus		193.6	193.6	193.6
Treasury shares		-15.0	-15.0	-15.0
Retained earnings		-83.0	-72.0 [2)]	-69.4 [2)]
Valuation surplus	8	-22.0	-29.2 [1)]	0.2 [1)]
		145.5	**149.3**	**181.3**
Equity attributable to minority interests		**0.1**	**0.1**	**0.1**
Total equity		**145.6**	**149.4**	**181.4**
Non-current liabilities				
Provisions for pensions	9	194.2	194.9 [1)]	148.0 [1)]
Non-current provisions for personnel	10	16.4	16.7 [2)]	14.9 [2)]
Other non-current provisions		2.1	3.0	5.1
Non-current financial liabilities		50.0	50.0	50.0
Other non-current liabilities	12	2.7	3.4	2.9
Deferred tax liabilities		10.8	11.0	12.0
		276.2	**279.0**	**232.9**
Current liabilities				
Current provisions for personnel	10	5.7	12.6	4.5
Other current provisions	11	24.4	27.7	30.5
Current financial liabilities		9.2	1.3	1.9
Other current liabilities	12	65.4	73.9	74.9
Trade payables		60.5	60.9	43.6
Income Tax liabilities		4.1	4.1	4.6
		169.3	**180.5**	**160.0**
Total liabilities		**445.5**	**459.5**	**392.9**
Total equity and liabilities		**591.1**	**608.9**	**574.3**

[1)] Restatement of previous year values as a result of changes in accounting of defined benefit obligation (cp. note 9)

[2)] Restatement of previous year values as a result of changes in accounting of partial retirement (cp. note 10)

Villeroy & Boch Group

Consolidated Income Statement from 1 January to 31 March 2013

in € million	Notes	**2013** **01/01/-31/03/**	2012 01/01/-31/03/
Revenue	13	**183.7**	**184.5**
Costs of sales		-103.8	-107.5
Gross profit		**79.9**	**77.0**
Selling, marketing and development costs	14	-62.9	-59.6
General administrative expenses		-11.2	-11.2
Other operating income/expenses		1.3	0.6
Result of associates accounted for using the equity method		0.1	0.3
Operating result (EBIT)		**7.2**	**7.1**
Financial result	15	**-2.4**	**-2.7**
Earnings before taxes		**4.8**	**4.4**
Income taxes		-1.4	-1.3
Group result		**3.4**	**3.1**
Thereof attributable to			
Villeroy & Boch AG shareholders		3.4	3.1
Minority interests		0.0	0.0
		3.4	**3.1**
EARNINGS PER SHARE			
Earnings per ordinary share in Euro		0.11	0.09
Earnings per preference share in Euro		0.16	0.14

During the reporting period there were no share dilution effects.

Villeroy & Boch Group

Consolidated Statement of Comprehensive Income as at 31 March 2013

in € million	**2013** **01/01/-31/03/**	2012 01/01/-31/03/
Group result	**3.4**	**3.1**
Other comprehensive income		
● Items to be reclassified to profit or loss:		
Gains or losses on cash flow hedge	-0.2	1.4
Unrealised exchange differences on translation	3.4	1.3
Deferred income tax effect on items to be reclassified to profit or loss	-0.2	0.1
● Items not to be reclassified to profit or loss:		
Acturial gains or losses on defined benefit plans	-0.4	0.0
Deferred income tax effect on items not to be reclassified to profit or loss	0.1	0.0
Total other comprehensive income	**2.7**	**2.8**
Total comprehensive income net of tax	**6.1**	**5.9**
Thereof attributable to		
Villeroy & Boch AG shareholders	6.1	5.9
Minority interests	0.0	0.0
	6.1	**5.9**

Villeroy & Boch Group
Consolidated Statement of Equity from 1 January to 31 March 2013

in € million	Equity attributable to Villeroy & Boch AG shareholders: Issued capital	Capital surplus	Treasury shares	Retained earnings	Valuation surplus	Total	Equity attributable to minority interests	Total equity
Note					8			
As at 01/01/2012 (Restated)	**71.9**	**193.6**	**-15.0**	**-75.4**	**0.3**	**175.4**	**0.1**	**175.5**
Group result				3.1		3.1	0.0	3.1
Other comprehensive income				2.9	-0.1	2.8		2.8
Total comprehensive income net of tax				**6.0**	**-0.1**	**5.9**	**0.0**	**5.9**
As at 31/03/2012 (Restated)	**71.9**	**193.6**	**-15.0**	**-69.4**	**0.2**	**181.3**	**0.1**	**181.4**
As at 01/01/2013 (Restated)	**71.9**	**193.6**	**-15.0**	**-72.0**	**-29.2**	**149.3**	**0.1**	**149.4**
Group result				3.4		3.4	0.0	3.4
Other comprehensive income				-4.5	7.2	2.7		2.7
Total comprehensive income net of tax				**-1.1**	**7.2**	**6.1**	**0.0**	**6.1**
Dividend payments				-9.9		-9.9		-9.9
As at 31/03/2013	**71.9**	**193.6**	**-15.0**	**-83.0**	**-22.0**	**145.5**	**0.1**	**145.6**

Villeroy & Boch Group
Consolidated Cash Flow Statement from 1 January to 31 March 2013

in € million	01.01.-31.03. 2013	2012
Group result	3.4	3.1
Depreciation of non-current assets	6.7	6.6
Change in non-current provisions	-4.0	-3.9
Profit from disposal of fixed assets	-1.4	-2.1
Change in inventories, receivables and other assets	-10.9	-5.3
Change in liabilities, current provisions and other liabilities	-20.8	-28.4
Other non-cash income/expenses	1.8	2.0
Cash Flow from operating activities	**-25.2**	**-28.0**
Purchase of intangible assets, property, plant and equipment	-1.8	-6.3
Cash receipts from disposals of fixed assets	2.5	8.1
Cash Flow from investing activities	**0.7**	**1.8**
Change in financial liabilities	7.9	0.6
Dividend payments	-9.9	-
Cash Flow from financing activities	**-2.0**	**0.6**
Net increase in cash and cash equivalents	**-26.5**	**-25.6**
Balance of cash and cash equivalents as at 01/01/	55.3	59.2
Net increase in cash and cash equivalents	-26.5	-25.6
Balance of cash and cash equivalents as at 31/03/	28.8	33.6

Villeroy & Boch Group

Consolidated Segment Report from 1 January to 31 March 2013

in € million	BATHROOM & WELLNESS		TABLEWARE		TRANSITION / OTHER		VILLEROY & BOCH GROUP	
	2013	2012	2013	2012	2013	2012	2013	2012
	01.01. - 31.03.		01.01. - 31.03.		01.01. - 31.03.		01.01. - 31.03.	
Revenue								
Segment revenue from sales to external customers	**117.0**	122.1	**66.7**	62.3	**0.0**	0.0	**183.7**	184.5
Segment revenue from transactions with other segments	**0.2**	0.2	**0.0**	0.0	**-0.2**	-0.2	**0.0**	0.0
Result								
Segment result	**7.8**	8.3	**-0.6**	-1.2	**-**	-	**7.2**	7.1
Financial result	**-**	-	**-**	-	**-2.4**	-2.7	**-2.4**	-2.7
Investments and depreciations								
Investments	**1.3**	3.6	**0.5**	2.7	**-**	-	**1.8**	6.3
Scheduled depreciation of segment assets	**4.4**	4.4	**2.3**	2.2	**-**	-	**6.7**	6.6
Assets and Liabilities	**31.03.**	**31.12.**	**31.03.**	**31.12.**	**31.03.**	**31.12.**	**31.03.**	**31.12.**
Segment assets	**316.2**	301.5	**135.7**	140.6	**139.2**	166.8	**591.1**	608.9
Segment liabilities	**101.7**	116.0	**38.0**	45.4	**305.8**	298.1	**445.5**	459.5

The rolling net operating assets of the two divisions were as follows as at the end of the reporting period:

Rolling net operating assets	**31.03.**	**31.12.**	**31.03.**	**31.12.**	**31.03.**	**31.12.**	**31.03.**	**31.12.**
Rolling operating assets	**312.9**	314.2	**137.0**	135.3	**-**	-	**449.9**	449.5
Rolling operating liabilities	**106.4**	105.5	**40.1**	40.4	**-**	-	**146.5**	145.9
Rolling net operation assets	**206.5**	208.7	**96.9**	94.9	**-**	-	**303.4**	303.6

Notes to the Interim Financial Statements of the Villeroy & Boch Group for the First Quarter of 2013

General information

Villeroy & Boch AG, Mettlach (Germany), is a listed public limited company under German law and acts as the parent company to the Villeroy & Boch Group. The Group is divided into two operating divisions: Bathroom and Wellness, and Tableware.

This interim report covers the period from 1 January to 31 March 2013. After the Management Board discussed the interim report with the Audit Committee of the Supervisory Board, it was approved for publication on 15 April 2013. It was prepared in accordance with section 315a of the German Commercial Code (HGB), applying the IASC regulations as endorsed by the European Commission. These condensed interim financial statements have not been audited or reviewed by an audit company. In the opinion of the Management Board, these interim financial statements provide a true and fair view of the net assets, financial position and results of operations of the Group. The interim report includes condensed consolidated financial statements with selected explanatory notes in accordance with IAS 34. Accordingly, it should be read in conjunction with the consolidated financial statements for the year ended 31 December 2012, which can be ordered via the Investor Relations section of the website www.villeroy-boch.com.

In the period under review, the accounting and consolidation methods described in the 2012 Annual Report were extended to include the accounting standards endorsed by the EU and required to be applied for reporting periods beginning on or after 1 January 2013. The new regulations affecting the Villeroy & Boch Group primarily relate to the accounting treatment of pensions and partial retirement obligations in accordance with IAS 19 “Employee Benefits”.

The accounting policies for pension obligations under defined benefit plans have been altered as follows: Actuarial gains and losses are now taken directly to the valuation surplus. The corridor approach that was previously permitted was applied for the last time in the consolidated financial statements for the year ended 31 December 2012. The effects resulting from the change in accounting treatment are presented in note 9.

The accounting treatment of partial retirement programmes has been altered as follows: Previously, the top-up amounts paid by the Company were classified as termination benefits and a corresponding provision was recognised in full as soon as the obligation arose. Based on the more specific definition set out in the revised IAS 19, these payments are now classified as other long-term employee benefits. Accordingly, the top-up amount is recognised as a liability in the proportionate amount earned up until the respective reporting date. The effects resulting from the change in accounting treatment are presented in note 10.

None of the other changes had a material impact on this interim report.

Basis of consolidation

The basis of consolidation of the Villeroy & Boch Group consists of 55 companies (31 December 2012: 59 companies). As part of the further optimisation of the Group’s investment structure, four property companies were merged into Villeroy & Boch AG in March 2013.

Dividend paid by Villeroy & Boch AG for the 2012 financial year

The Annual General Meeting on 22 March 2013 approved the dividend of €0.35 per ordinary share and €0.40 per preference share as proposed by the Supervisory Board and Management Board of Villeroy & Boch AG. The distribution corresponds to a dividend payment of €4.9 million for the ordinary share capital (previous year: €4.9 million) and €4.9 million for the preference share capital (previous year: €4.9 million). As in the previous year, the Villeroy & Boch Group held 1,683,029 preference treasury shares at the distribution date; these shares were not entitled to participate in dividends. The dividend was paid on 25 March 2013.

Seasonal influences on business activities

Due to Christmas business, the Tableware Division generally expects to generate a higher level of revenue and operating profit in the fourth quarter than in the other quarters of the year.

Notes on selected items of the consolidated balance sheet

1. Property, plant and equipment

Property, plant and equipment in the amount of €1.6 million (previous year: €5.1 million) was acquired in the period under review, with a particular focus on moulds for new products in the Netherlands (wellness), capacity expansion measures in Thailand (sanitary ware) and the modernisation of the competence centre in Mettlach (sanitary ware). Depreciation amounted to €6.2 million (previous year: €6.1 million). At the reporting date, the Villeroy & Boch Group had obligations to acquire property, plant and equipment in the amount of €3.5 million (31 December 2012: €3.3 million).

2. Inventories

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

in € million	**31.03.2013**	31.12.2012
Raw materials and supplies	21.0	21.2
Work in progress	15.8	14.9
Finished goods and goods for resale	118.6	114.8
Advance payments	0.1	0.0
Inventories (total)	**155.5**	**150.9**

In the period under review, value adjustments of inventories increased by €1.2 million to total €18.3 million.

3. Trade receivables

Trade receivables are broken down as follows:

by customer domicile / in € million	**31.03.2013**	31.12.2012
Germany	23.6	19.3
Rest of euro zone	30.8	27.6
Rest of world	63.9	64.4
Gross carrying amount of trade receivables	118.3	111.3
Valuation adjustments	-3.3	-2.9
Trade receivables (total)	**115.0**	**108.4**

4. Deferred tax assets

Deferred tax assets increased by €17.1 million as a result of the new regulations set out in IAS 19 "Employee Benefits" (see notes 9 and 10).

5. Other current and non-current assets

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

	31.03.2013		31.12.2012	
in € million	**current**	**non-current**	current	non-current
Tax receivables	5.9	-	5.8	-
Advance payments and deposits	2.5	0.0	2.2	0.1
Prepaid expenses	2.5	0.0	2.0	0.0
Change in fair value of cash flow hedges (a)	3.2	-	3.2	0.0
Other assets	7.6	-	7.5	-
Other assets (total)	**21.7**	**0.0**	**20.7**	**0.1**

(a) At the reporting date, €3.2 million was recognised for the marking to market of exchange rate hedges (31 December 2012: €3.2 million).

6. Cash and cash equivalents

Cash and cash equivalents are composed as follows:

in € million	**31.03.2013**	31.12.2012
Cash on hand incl. cheques	0.4	0.4
Current bank balances and cash equivalents	28.4	54.9
Cash and cash equivalents (total)	**28.8**	**55.3**

The decrease in cash and cash equivalents is primarily attributable to the dividend payment and seasonal effects such as the payment of customer bonuses and variable remuneration for 2012. Bank balances were offset against matching liabilities in the amount of €20.5 million (31 December 2012: €20.6 million). Cash equivalents are partially covered by external guarantee systems.

7. Non-current assets held for sale

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

in € million	**31.03.2013**	31.12.2012
Property	5.6	6.1
Equity investments	3.7	3.7
Other	0.2	0.2
Total carrying amount	**9.5**	**10.0**

The sale of the former Frankfurt/Main branch was completed on 20 March 2013. The purchase price was €1.3 million higher than the carrying amount of €0.7 million.

8. Valuation surplus

The valuation surplus comprises the reserves contained in "Other comprehensive income":

in € million	**31.03.2013**	31.12.2012	31.03.2012
Items to be reclassified to profit or loss:			
● Currency translation of long-term loans classified as net investments in foreign operations	1.6	0.2	-0.3
● Currency translation of financial statements in foreign operations	17.1	10.6	7.3
● Change in fair value of cash flow hedges	1.8	2.0	0.2
● Deferred taxes for this category	-1.0	-0.8	-0.7
Sub-total (a)	**19.5**	**12.0**	**6.5**
Items not to be reclassified to profit or loss:			
● Actuarial gains or losses on defined benefit plans (see note 9)	-58.7	-58.3	-9.0
● Deferred taxes for this category	17.2	17.1	2.7
Sub-total (b)	**-41.5**	**-41.2**	**-6.3**
Total valuation surplus [(a)+(b)]	**-22.0**	**-29.2**	**0.2**

On 1 January 2013, employee benefit obligations increased by €58.3 million as a result of the change in the accounting treatment of these obligations in accordance with IAS 19 (see note 9). Taking into account deferred tax assets of €17.1 million, an amount of €-41.2 million was charged directly to the valuation surplus. The impact of this change in accounting treatment is shown under "Items not to be reclassified to profit or loss" in the table above.

9. Provisions for pensions

The change in the accounting of defined benefit plans had the following effects:

in € million	**31.03.2013**	31.12.2012	31.03.2012
Provisions for pensions - as reported -	136.6	136.6	139.0
● Adjustment taken directly to equity (a)	58.7	58.3	9.0
● Adjustment recognised in profit or loss (b)	-	0.0	0.0
● Service cost and interest cost for Q1 2013	2.0	-	-
● Benefits paid in Q1 2013	-3.1	-	-
Provisions for pensions (new)	**194.2**	**194.9**	**148.0**

(a) Entities preparing IFRS financial statements were required to adopt the new accounting treatment for defined benefit plans for reporting periods beginning on 1 January 2013. The Villeroy & Boch Group applied the corridor method until 31 December 2012. The elimination of this method means that actuarial gains and losses must now be recognised as part of the carrying amount. This resulted in an increase in pension obligations of €58.3 million as of 1 January 2013. In the first quarter of the current financial year, this item increased by a further €0.4 million to €58.7 million. The change in provisions for pensions is reflected in the valuation surplus (see note 8).

(b) Adjustments are recognised in profit or loss when the expected return on plan assets differs from the respective discount rates for the corresponding benefits. At the Villeroy & Boch Group, these items are largely identical.

10. Current and non-current provisions for personnel

On 1 January 2013, the revised IAS 19 "Employee Benefits" introduced a change to the accounting treatment of provisions for partial retirement obligations. Top-up amounts paid by the employer are now required to be recognised in the amount earned up until the respective reporting date. This change in accounting treatment had the following effects:

in € million	**31.03.2013**	31.12.2012	31.03.2012
Provisions for partial retirement obligations - as reported -	7.7	7.7	7.8
● Adjustment taken directly to equity (a)	-0.6	-1.5	-1.5
● Addition to amounts earned recognised in profit or loss	0.1	0.9	0.2
● Service cost for Q1 2013	0.1	-	-
● Payments of partial retirement benefits in Q1 2013	-0.7	-	-
Provisions for partial retirement obligations (new)	**6.6**	**7.1**	**6.5**
● *Deferred tax assets*	**0.1**	**0.2**	**0.4**

(a) The amended accounting regulations are required to be applied by all entities preparing IFRS financial statements for reporting periods beginning on 1 January 2013. The reduction in provisions for partial retirement obligations of €0.6 million as of 1 January 2013 was reflected in retained earnings.

The change in current provisions for personnel is primarily due to the payment of variable remuneration components for 2012.

11. Other current provisions

The decrease in other current provisions is primarily due to the utilisation of the provision for restructuring.

12. Other current and non-current liabilities

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

	31.03.2013		31.12.2012	
in € million	**current**	**non-current**	current	non-current
Bonus liabilities to customers (a)	20.7	-	35.7	-
Personnel liabilities	25.0	0.6	20.3	1.2
Tax liabilities	11.6	-	9.7	-
Change in fair value of cash flow hedges (b)	1.4	0.0	1.2	0.0
Government grants	0.4	0.6	0.6	0.7
Advance payments received on orders	3.6	-	4.2	-
Other liabilities (a)	2.7	1.5	2.2	1.5
Total carrying amount	**65.4**	**2.7**	**73.9**	**3.4**

(a) Seasonal change

(b) Change due to the current exchange rate development of the exchange rate hedge

Notes on selected items of the consolidated income statement

13. Revenue

Revenue is broken down as part of segment reporting.

14. Selling, marketing and development costs

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

in € million	**Q1 2013**	Q1 2012
Bathroom and Wellness	-1.8	-1.6
Tableware	-1.0	-1.3
	-2.8	**-2.9**

15. Financial result

The financial result is broken down as follows:

In € million	**Q1 2013**	Q1 2012
Financial income	0.3	0.3
Finance expense	-1.0	-1.0
Interest expenses for provisions (pensions)	-1.7	-2.0
	-2.4	**-2.7**

Other notes

16. Related party disclosures

In the course of our operating activities, we purchase materials, inventories and services from a large number of business partners around the world. This includes business partners in which the Villeroy & Boch Group holds equity interests and that have relationships with companies or members of the executive bodies of Villeroy & Boch AG. All transactions are conducted at arm's-length conditions.

Transactions between Villeroy & Boch AG and the individual subsidiaries have been eliminated in accordance with the principles of consolidation and hence are not discussed further here. The pro rata transaction volume with affiliated companies defined as related parties is largely the same as in the 2012 annual financial statements.

Related parties employed within the Villeroy & Boch Group receive compensation based on their position and/or function that is paid independently of the identity of the person in that position.

No material contracts were concluded with related parties in the period under review.

17. Changes to the composition of the Supervisory Board of Villeroy & Boch AG

At the General Meeting of Shareholders on 22 March 2013, the following persons were elected to the Supervisory Board of Villeroy & Boch AG as shareholder representatives:

- Peter Prinz Wittgenstein, Nidda,
- Dr. Alexander von Boch-Galhau, Mettlach,
- Yves Elsen, Luxembourg, and
- Christina Rosenberg, Munich.

The following persons stepped down from the Supervisory Board:

- Dr. Jürgen Friedrich Kammer, Munich, and
- Charles Krombach, Luxembourg

18. Resolution on the authorisation to acquire and utilise treasury shares

The shareholders have authorised the Management Board of Villeroy & Boch AG to acquire ordinary and/or preference shares of the Company (treasury shares) with a total notional interest in the share capital of up to €7,190,937.60 until 21 March 2018 inclusive. A detailed description can be found in the Investor Relations section of the Company's website at www.villeroy-boch.com.

19. Voting right notifications in accordance with section 160 of the German Stock Corporation Act

The following voting right notification was published in the period under review:

Since 20 February 2013, Villeroy and Boch Saarufer GmbH, Mettlach, has held financial instruments or other instruments in accordance with section 25a of the German Securities Trading Act (WpHG) that could theoretically enable it to purchase voting shares of Villeroy & Boch AG (purchase option). This relates to a share of the voting rights of 98.73 % or 13,866,852 voting rights, meaning that the thresholds of 5 %, 10 %, 15 %, 20 %, 25 %, 30 %, 50 % and 75 % could theoretically be exceeded. There are not currently any voting rights due to financial/other instruments in accordance with section 25 WpHG or any voting rights in accordance with sections 21, 22 WpHG.

20. Events after the end of the reporting period

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

Mettlach, 15 April 2013

Frank Göring Andreas Pfeiffer Nicolas Luc Villeroy Jörg Wahlers

Financial calendar:

18 July 2013	Report on the first half of 2013
21 October 2013	Report on the first nine months of 2013
7 February 2014	Annual press conference for the 2013 financial year
21 March 2014	General Meeting of Shareholders of Villeroy & Boch AG

This interim report is available in English, German and French. In the event of variances, the German version shall take precedence over any translations. Due to rounding differences, there may be slight discrepancies in the totals and percentages contained in this report. Percentages are generally shown as rounded numbers. This interim report and further information is also available for download at www.villeroy-boch.com.