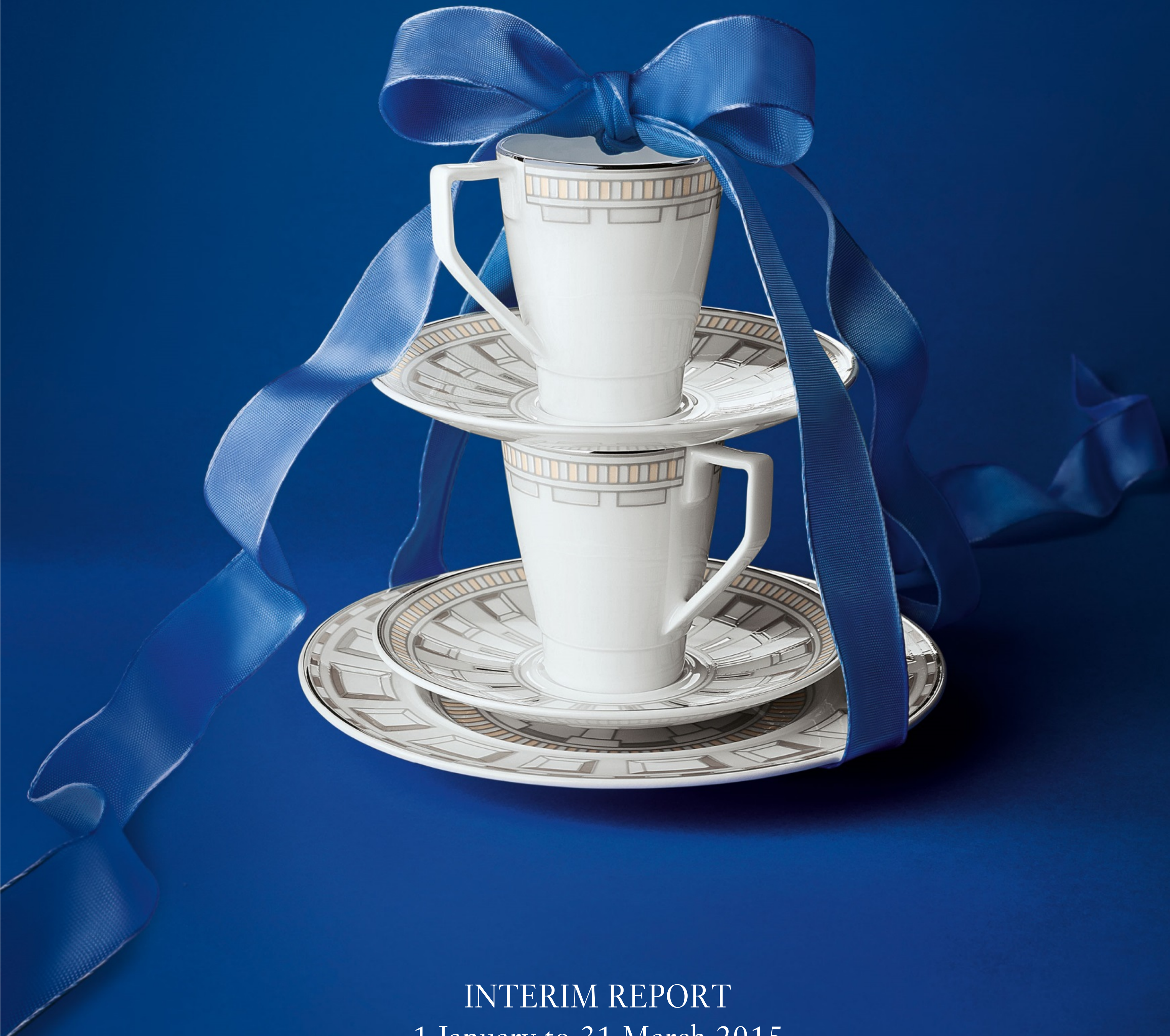
Villeroy & Boch
1748



# INTERIM REPORT
1 January to 31 March 2015

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# 1 January to 31 March 2015

- Consolidated revenue up 1.2 % year-on-year to € 195.2 million.
- Operating EBIT improves by 8.0 % to € 9.5 million.
- Group result increases by 34.9 % to € 5.8 million.
- Growth and earnings targets for 2015 as a whole confirmed.

| THE GROUP AT A GLANCE | 1/1/15 – 31/3/15 in € million | 1/1/14 – 31/3/14 in € million | Change in € million | Change in % |
|---|---|---|---|---|
| Revenue (nominal) | **195.2** | 193.0 | 2.2 | 1.2 |
| Revenue – Germany | **60.0** | 59.0 | 1.0 | 1.7 |
| Revenue – Abroad | **135.2** | 134.0 | 1.2 | 0.9 |
| Revenue (on a constant currency basis) | **195.6** | 193.0 | 2.6 | 1.4 |
| EBIT (operating) before real estate project Sweden | **9.5** | 8.8 | 0.7 | 8.0 |
| EBIT incl. real estate project Sweden | **9.5** | 8.2 | 1.3 | 15.9 |
| Earnings before taxes (EBT) | **8.3** | 6.1 | 2.2 | 36.1 |
| Group result | **5.8** | 4.3 | 1.5 | 34.9 |
| Return on net operating assets (rolling) | **13.0 %** | 13.0 % *) | - | - |
| Investments | **2.9** | 5.3 | -2.4 | -45.3 |
| Employees (FTEs as at end of period) | 7,333 FTE | 7,321 FTE | 12 | 0.2 |

*) Return on net assets as of 31 December 2014

German Securities Code Numbers (WKN): 765 720, 765 723

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# INTERIM MANAGEMENT REPORT OF THE VILLEROY & BOCH GROUP FOR THE FIRST QUARTER OF 2015

## GENERAL FRAMEWORK ON THE GROUP

The basic information on the Group as presented in the 2014 Group management report remains unchanged. Information on changes in the consolidated group and research and development costs can be found on page 12 or page 16 of the notes to the consolidated financial statements respectively.

## ECONOMIC REPORT

### General economic conditions

In the first quarter of 2015, the global economy again expanded slightly more strongly than in the previous year. This was reflected in particular in the higher GDP growth rate. However, there were regional differences: While the economy in the USA benefited from strong growth in private consumption in particular, the pace of growth in China slowed. Meanwhile, the economy in the euro zone continued to establish itself on a more solid footing. The available leading indicators suggest that the economic recovery will progress at a moderate pace over the coming months. Private consumption is likely to benefit from the pronounced reduction in energy prices, the ongoing upturn in the employment market and the slight increase in wage growth.

Despite this moderately positive trend, however, economic development will remain susceptible to disruption, whether as a result of geopolitical developments or turbulence on the financial markets.

All in all, we are continuing to forecast a moderate acceleration in the global economy for 2015 as a whole.

### Course of business and position of the Villeroy & Boch Group

We still see the economic situation of the Group as positive. Although revenue development in the first three months of the 2015 financial year did not meet our expectations in full, the high level of orders on hand means that we are confirming our revenue forecast for the year as a whole.
In the first quarter of 2015, we increased our net revenue (nominal) by 1.2 % year-on-year to € 195.2 million. Net revenue amounted to € 195.6 million on a constant currency basis, corresponding to an increase of 1.4 %. This means that the exchange rate effects in the first three months of 2015 were comparatively limited from a Group perspective, with positive effects from the pound sterling, the US dollar and the Swiss franc almost entirely offsetting the negative development of the Russian rouble and the Swedish krona.

Orders on hand amounted to € 61.7 million as at 31 March 2015, up € 10.3 million as against the start of the year. The Bathroom and Wellness Division accounted for € 40.3 million of orders on hand, with the remaining € 21.4 million attributable to the Tableware Division.

In the first quarter of 2015, we increased our operating EBIT by € 0.7 million or 8.0 % to € 9.5 million. The main reasons for this development were efficiency improvements in our production network and the optimisation of our revenue quality thanks to an improvement in the product, price and country mix. These effects are also reflected in the gross margin, which improved by 1.2 percentage points to 45.3 %.

Taking into account the real estate project in Gustavsberg (Sweden), EBIT increased by as much as € 1.3 million or 15.9 %, because project-related non-recurring expenditure had impacted earnings to the tune of € 0.6 million in the prior-year period.

The rolling net operating assets of the Villeroy & Boch Group amounted to € 299.7 million at the reporting date of the 1st quarter

(31 December 2014: € 295.0 million). Our rolling operating return on net assets was unchanged as against 31 December 2014 at 13.0 %, as the earnings growth was offset by the higher level of net operating assets, particularly in the area of fixed assets.

## Course of business and position of the divisions

### Bathroom and Wellness

In the Bathroom and Wellness Division, we generated revenue (nominal) of € 123.7 million in the first quarter of 2015, thereby repeating the prior-year level (€ 123.8 million). Revenue amounted to € 126.7 million on a constant currency basis, corresponding to an increase of € 2.9 million or 2.4 %. The main exchange rate effects were due to changes in the Russian rouble and the Swedish krona.

In our domestic market of Germany, revenue increased by an encouraging 4.0 % to € 38.7 million. The most pronounced revenue growth was generated by the Villeroy & Boch collections in the sanitary ware and bathroom furniture product categories. We also recorded a further substantial increase in revenue (nominal) in our important growth market of Russia (+73.4 %) and in the Gulf States (+18.5 %). The downturns in France and Italy (both -11.4 %) were due to the continued weakness of the construction industry.

With an operating result (EBIT) of € 9.3 million, the Bathroom and Wellness Division exceeded the prior-year figure by € 0.5 million or 5.8 %. This was due primarily to further productivity improvements, growth in the high-margin mainstream segment and efficient cost management in the area of administration.

The division increased its rolling operating return on net assets to 16.2 % (31 December 2014: 15.8 %). The operating net assets employed in the division increased by € 5.1 million, from € 201.2 million at 31 December 2014 to € 206.3 million. This development was reflected in fixed assets in particular and is attributable to the construction of our new assembly and logistics centre in Sweden.

On the product side, the highlight of the first quarter was the International Sanitary and Heating (ISH) trade fair in Frankfurt, which takes place every two years. In particular, we expect the three new ceramic complete bathroom collections “Avento”, “Legato” and “Vivia” and the significant expansion of the “DirectFlush” rimless WC generation to provide positive momentum for business. The innovations we presented at the ISH also met with considerable interest among the specialist audience. These included the new “AntiBac” surface technology, which reduces bacterial growth by more than 99.9 %, and our new material, TitanCeram, which allows particularly thin-walled, distinctive designs to be created.

### Tableware

Revenue (nominal) in the Tableware Division increased by € 2.3 million or 3.3 % to € 71.5 million in the first three months of 2015. At € 68.9 million, revenue on a constant currency basis was almost unchanged as against the previous year (€ 69.2 million). The main exchange rate effects were due to changes in the US dollar and the pound sterling.

Revenue in our domestic market of Germany increased slightly by 0.9 %. Outside Germany, significant revenue growth (nominal) was generated in the USA (+24.2 %), the Netherlands (+12.5 %) and Italy (+11.9 %) in particular. We also substantially increased our revenue in the Asia/Australia/Africa region (+16.4 %), a development that was attributable primarily to Japan. Russia saw a particularly pronounced downturn in revenue (-60.5 %), largely as a result of the weak rouble and muted consumer behaviour.

The operating result (EBIT) in the Tableware Division increased by € 0.2 million to € 0.2 million, largely as a result of the improvement in the quality of revenue.

The rolling net operating assets of the Tableware Division amounted to € 93.4 million at the reporting date compared with € 93.8 million at 31 December 2014. The earnings growth meant that the return on net assets increased slightly to 13.5 % (31 December 2014: 13.4 %).

The presentation of our new products at this year's Ambiente trade fair in Frankfurt was again extremely promising. Alongside traditional tableware collections and the new products for the next Christmas season, we focused primarily on two strategic areas. On the one hand, we presented a comprehensive range of gift items in various colours, shapes and compositions that are intended to significantly strengthen our impulse business. On the other hand, we introduced the "Ultimate BBQ" collection, consisting of numerous ceramic and non-ceramic products with which we intend to benefit from the popularity of barbecuing to a greater extent.

### Capital structure

Our equity declined by € 5.3 million as against 31 December 2014 to € 139.1 million. This was due primarily to the dividend payment of € 10.9 million, which was partially offset by the group result of € 5.8 million in the first quarter of 2015.

The equity ratio amounted to 22.9 % at the reporting date compared with 23.2 % at 31 December 2014.

### Investments

Our investments in the period under review totalled € 2.9 million (previous year: € 5.3 million). The Bathroom and Wellness Division accounted for € 2.1 million or 72.4 % of the investment volume, with the remaining € 0.8 million or 27.6 % attributable to the Tableware Division.

Investments in the Bathroom and Wellness Division primarily related to modernisation measures and new facilities for the sanitary ware factories in Mexico, Thailand and Romania.

In the Tableware Division, we invested mainly in the newly opened retail outlets in Mühlheim (Germany) and Warsaw (Poland), as well as the renovation of our store in Cookstown (Canada).

As at the end of the reporting period, the Group had obligations to acquire property, plant and equipment in the amount of € 6.7 million. These acquisitions will be financed from operating cash flow.

The statements in the 2014 Group management report on the investments planned for 2015 as a whole still apply.

### Net liquidity

Our net liquidity amounted to € -26.9 million at 31 March 2015, down € 13.9 million on the previous year. Net liquidity was € 42.7 million lower than on 31 December 2014 (€ +15.8 million). The main reasons for this seasonal decline are the dividend payment, the temporary build-up of trade receivables and the growth in inventories.

### Structure of the statement of financial position

Total assets amounted to € 608.2 million at the end of the reporting period compared to € 623.1 million at 31 December 2014. The share of total assets attributable to fixed assets increased slightly to 37.6 % (31 December 2014: 36.7 %) as a result of the reduction in total assets.

Current assets declined by € 15.2 million, largely as a result of seasonal factors. This is reflected mainly in a reduction in cash and cash equivalents, which was partially offset by an increase in trade receivables – largely as a result of revenue development – and the higher level of inventories. On the liability side of the statement of financial position, the lower level of balance sheet total was reflected in current provisions for personnel, other current liabilities and equity. The reduction in the aforementioned positions was due to the seasonal payment of variable performance-related remuneration, customer bonuses and the dividend for the 2014 financial year.

## REPORT ON POST-BALANCE SHEET DATE EVENTS

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

## REPORT ON RISKS AND OPPORTUNITIES

The opportunities and risks described in the 2014 annual report remain unchanged. There is no evidence of any individual risks that could endanger the continued existence of the Group.

## OUTLOOK FOR THE CURRENT FINANCIAL YEAR

Based on developments in the first three months, we are continuing to forecast moderate economic growth for 2015 as a whole, with the upturn in private consumption in the USA and most of the euro zone being partially offset by the sustained weak economic performance of our important sales markets of France and Italy. We are also keeping a closer eye on Russia, where – despite an extremely encouraging first quarter from a Group perspective – the forecast recession and the continued exchange rate turbulence could have a negative impact on our revenue and earnings.

Taking into account all of the available estimates, we are continuing to forecast an increase in consolidated revenue of between 3 % and 5 % for the 2015 financial year as a whole. We still expect our operating earnings growth to be slightly higher than the forecast revenue growth, i.e. in excess of 5 %. Our return on net operating assets in 2015 is expected to be slightly higher than the prior-year level of 13 %. This means that we are confirming all of the forecasts made in the 2014 Group management report.

In addition, we are expecting to generate non-recurring income from the Gustavsberg real estate project (Sweden) as the 2015 financial year progresses. Total income from this project is currently forecast at € 17 million, of which € 7.0 million was already reported in 2013 and a further € 4.8 million in 2014. The majority of the remainder is expected to be realised in the current financial year.

## CONSOLIDATED BALANCE SHEET

as of 31 March 2015

in € million

| Assets | Notes | 31/3/2015 | 31/12/2014 |
|---|---|---|---|
| **Non-current assets** | | | |
| Intangible assets | | 36.9 | 36.8 |
| Property, plant and equipment | 1 | 160.3 | 160.2 |
| Investment property | | 12.0 | 12.2 |
| Investment accounted for using the equity method | | 1.9 | 1.8 |
| Other financial assets | | 17.7 | 17.5 |
| | | **228.8** | **228.5** |
| Other non-current assets | 4 | 1.7 | 1.0 |
| Deferred tax assets | | 52.8 | 53.5 |
| | | **283.3** | **283.0** |
| **Current assets** | | | |
| Inventories | 2 | 144.1 | 139.6 |
| Trade receivables | 3 | 126.6 | 108.9 |
| Other current assets | 4 | 25.2 | 21.3 |
| Income tax receivables | | 3.4 | 2.3 |
| Cash and cash equivalents | 5 | 24.4 | 66.8 |
| | | **323.7** | **338.9** |
| **Non-current asset held for sale** | | **1.2** | **1.2** |
| **Total assets** | | **608.2** | **623.1** |

| Equity and Liabilities | Notes | 31/3/2015 | 31/12/2014 |
|---|---|---|---|
| **Equity attributable to Villeroy & Boch AG shareholders** | | | |
| Issued capital | | 71.9 | 71.9 |
| Capital surplus | | 193.6 | 193.6 |
| Treasury shares | | -15.0 | -15.0 |
| Retained earnings | | -57.1 | -51.5 |
| Revaluation surplus | 6 | -54.4 | -54.7 |
| | | **139.0** | **144.3** |
| **Equity attributable to minority interests** | | **0.1** | **0.1** |
| **Total equity** | | **139.1** | **144.4** |
| **Non-current liabilities** | | | |
| Provisions for pensions | | 211.0 | 212.0 |
| Non-current provisions for personnel | 7 | 15.8 | 15.6 |
| Other non-current provisions | | 1.3 | 1.3 |
| Non-current financial liabilities | | 25.0 | 25.0 |
| Other non-current liabilities | 8 | 2.6 | 2.4 |
| Deferred tax liabilities | | 10.2 | 9.8 |
| | | **265.9** | **266.1** |
| **Current liabilities** | | | |
| Current provisions for personnel | 7 | 6.7 | 13.4 |
| Other current provisions | | 19.3 | 19.4 |
| Current financial liabilities | | 26.3 | 26.0 |
| Other current liabilities | 8 | 73.3 | 80.1 |
| Trade payables | | 74.4 | 70.4 |
| Income tax liabilities | | 3.2 | 3.3 |
| | | **203.2** | **212.6** |
| **Total liabilities** | | **469.1** | **478.7** |
| **Total equity and liabilities** | | **608.2** | **623.1** |

## CONSOLIDATED INCOME STATEMENT

for the period 1 January to 31 March 2015

in € million

| | Notes | 1/1/2015 - 31/3/2015 | 1/1/2014 - 31/3/2014 |
|---|---|---|---|
| **Revenue** | 9 | **195.2** | **193.0** |
| Costs of sales | | -106.7 | -107.8 |
| **Gross profit** | | **88.5** | **85.2** |
| Selling, marketing and development costs | 10 | -67.2 | -64.8 |
| General administrative expenses | | -11.9 | -11.4 |
| Other operating income and expenses | | 0.0 | -0.7 |
| Result of associates accounted for using the equity method | | 0.1 | -0.1 |
| **Operating result (EBIT)** | | **9.5** | **8.2** |
| (Operating result before real estate project Gustavsberg) | | ( 9,5 ) | ( 8,8 ) |
| **Financial result** | 11 | **-1.2** | **-2.1** |
| **Earnings before taxes** | | **8.3** | **6.1** |
| Income taxes | 12 | -2.5 | -1.8 |
| Group result | | **5.8** | **4.3** |
| Thereof attributable to: | | | |
| Villeroy & Boch AG shareholders | | 5.8 | 4.3 |
| Minority interests | | 0.0 | 0.0 |
| | | **5.8** | **4.3** |
| **EARNINGS PER SHARE** | | **in €** | **in €** |
| Earnings per ordinary share | | 0,20 | 0,14 |
| Earnings per preference share | | 0,25 | 0,19 |

During the reporting period there were no share dilution effects.

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the period 1 January to 31 March 2015

in € million

| | | 1/1/2015 - 31/3/2015 | 1/1/2014 - 31/3/2014 |
|---|---|---|---|
| **Group result** | | **5.8** | **4.3** |
| **Other comprehensive income** | | | |
| **Items to be reclassified to profit or loss:** | | | |
| Gains or losses on cash flow hedge | | -0.2 | -0.8 |
| Gains or losses on translations of exchange differences | | 1.5 | -2.0 |
| Gains or losses on value changes of securities | | 0.0 | - |
| Deferred income tax effect on items to be reclassified to profit or loss | | -1.1 | -0.3 |
| **Items not to be reclassified to profit or loss:** | | | |
| Actuarial gains or losses on defined benefit plans | | -0.6 | -0.1 |
| Deferred income tax effect on items not to be reclassified to profit or loss | | 0.2 | 0.0 |
| **Total other comprehensive income** | | **-0.2** | **-3.2** |
| **Total comprehensive income net of tax** | | **5.6** | **1.1** |
| Thereof attributable to: | | | |
| Villeroy & Boch AG shareholders | | 5.6 | 1.1 |
| Minority interests | | 0.0 | 0.0 |
| Total comprehensive income net of tax | | **5.6** | **1.1** |

## CONSOLIDATED STATEMENT OF EQUITY

for the period 1 January to 31 March 2015

in € million

| | Equity attributable to Villeroy & Boch AG shareholders | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Issued capital | Capital surplus | Treasury shares | Retained earnings | Revaluation surplus | Total | Equity attrib-utable to mi-nority interests | Total equity |
| Notes | | | | | 6 | | | |
| **As of 1/1/2014** | **71.9** | **193.6** | **-15.0** | **-57.4** | **-32.8** | **160.3** | **0.1** | **160.4** |
| Group result | | | | 4.3 | | 4.3 | 0.0 | 4.3 |
| Other comprehensive income | | | | -2.8 | -0.4 | -3.2 | | -3.2 |
| **Total comprehensive income net of tax** | | | | **1.5** | **-0.4** | **1.1** | **0.0** | **1.1** |
| Dividend payments | | | | -10.4 | | -10.4 | | -10.4 |
| **As of 31/3/2014** | **71.9** | **193.6** | **-15.0** | **-66.3** | **-33.2** | **151.0** | **0.1** | **151.1** |
| | | | | | | | | |
| **As of 1/1/2015** | **71.9** | **193.6** | **-15.0** | **-51.5** | **-54.7** | **144.3** | **0.1** | **144.4** |
| Group result | | | | 5.8 | | 5.8 | 0.0 | 5.8 |
| Other comprehensive income | | | | -0.5 | 0.3 | -0.2 | | -0.2 |
| **Total comprehensive income net of tax** | | | | **5.3** | **0.3** | **5.6** | **0.0** | **5.6** |
| Dividend payments | | | | -10.9 | | -10.9 | | -10.9 |
| **As of 31/3/2015** | **71.9** | **193.6** | **-15.0** | **-57.1** | **-54.4** | **139.0** | **0.1** | **139.1** |

## CONSOLIDATED CASH FLOW STATEMENT

for the period 1 January to 31 March 2015

in € million

| | 1/1/2015 - 31/3/2015 | 1/1/2014 - 31/3/2014 |
|---|---|---|
| Group result | 5.8 | 4.3 |
| Depreciation of non-current assets | 6.8 | 6.6 |
| Change in non-current provisions | -2.3 | -3.1 |
| Profit from disposal of fixed assets | 0.0 | -0.6 |
| Change in inventories, receivables and other assets | -29.6 | -7.7 |
| Change in liabilities, current provisions and other liabilities | -10.9 | -10.7 |
| Other non-cash income/expenses | 1.2 | 2.2 |
| **Cash Flow from operating activities** | **-29.0** | **-9.0** |
| Purchase of intangible assets, property, plant and equipment | -2.9 | -5.3 |
| Investment in non-current financial assets | -0.5 | -0.3 |
| Liabilities from investing activities of real estate project Gustavsberg | - | 1.8 |
| Cash receipts from disposals of fixed assets | 0.6 | 1.0 |
| **Cash Flow from investing activities** | **-2.8** | **-2.8** |
| Change in financial liabilities | 0.3 | 0.6 |
| Dividend payments | -10.9 | -10.4 |
| **Cash Flow from financing activities** | **-10.6** | **-9.8** |
| **Sum of cash flows** | **-42.4** | **-21.6** |
| Balance of cash and cash equivalents as at 1/1/ | 66.8 | 60.3 |
| Net increase in cash and cash equivalents | -42.4 | -21.6 |
| **Balance of cash and cash equivalents as at 31/3/** | **24.4** | **38.7** |

## CONSOLIDATED SEGMENT REPORT

for the period 1 January to 31 March 2015

in € million

| | Bathroom & Wellness | | Tableware | | Transition / Other | | Villeroy & Boch-Group | |
|---|---|---|---|---|---|---|---|---|
| | 1/1/2015 - 31/3/2015 | 1/1/2014 - 31/3/2014 | 1/1/2015 - 31/3/2015 | 1/1/2014 - 31/3/2014 | 1/1/2015 - 31/3/2015 | 1/1/2014 - 31/3/2014 | 1/1/2015 - 31/3/2015 | 1/1/2014 - 31/3/2014 |
| **Revenue** | | | | | | | | |
| Segment revenue from sales to external customers | 123.7 | 123.8 | 71.5 | 69.2 | 0.0 | 0.0 | 195.2 | 193.0 |
| Segment revenue from transactions with other segments | 0.0 | 0.1 | 0.0 | 0.0 | 0.0 | -0.1 | 0.0 | 0.0 |
| **Result** | | | | | | | | |
| Segment result | 9.3 | 8.8 | 0.2 | 0.0 | - | - | 9.5 | 8.8 |
| Real estate project Gustavsberg | | | | | 0.0 | -0.6 | 0.0 | -0.6 |
| Financial result | - | - | - | - | -1.2 | -2.1 | -1.2 | -2.1 |
| **Investments and depreciations** | | | | | | | | |
| Investments | 2.1 | 4.6 | 0.8 | 0.7 | - | - | 2.9 | 5.3 |
| Scheduled depreciation | 4.5 | 4.3 | 2.3 | 2.3 | - | - | 6.8 | 6.6 |
| **Assets and Liabilities** | **31/3/2015** | **31/12/2014** | **31/3/2015** | **31/12/2014** | **31/3/2015** | **31/12/2014** | **31/3/2015** | **31/12/2014** |
| Segment assets | 335.6 | 311.9 | 131.9 | 133.2 | 140.7 | 178.0 | 608.2 | 623.1 |
| Segment liabilities | 112.4 | 121.8 | 41.4 | 43.7 | 315.3 | 313.2 | 469.1 | 478.7 |

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

| **Rolling net operating assets** | **31/3/2015** | **31/12/2014** | **31/3/2015** | **31/12/2014** | **31/3/2015** | **31/12/2014** | **31/3/2015** | **31/12/2014** |
|---|---|---|---|---|---|---|---|---|
| Rolling operating assets | 316.5 | 309.7 | 136.1 | 136.0 | - | - | 452.6 | 445.7 |
| Rolling operating liabilities | 110.2 | 108.5 | 42.7 | 42.2 | - | - | 152.9 | 150.7 |
| Rolling net operation assets | 206.3 | 201.2 | 93.4 | 93.8 | - | - | 299.7 | 295.0 |

# NOTES TO THE INTERIM FINANCIAL STATEMENTS OF THE VILLEROY & BOCH GROUP FOR THE FIRST QUARTER OF 2015

## GENERAL INFORMATION

Villeroy & Boch AG is domiciled in Mettlach and is a listed stock corporation under German law. It is the parent company of the Villeroy & Boch Group. The Group is divided into two operating divisions: Bathroom and Wellness, and Tableware. Villeroy & Boch's preference shares are listed in the Prime Standard operated by Deutsche Börse AG. The preference shares are represented in the CDAX and SDAX operated by Deutsche Börse AG and the MSCI Germany Small Cap Index, among other things.

This interim report covers the period from 1 January to 31 March 2015. It was approved for publication on 15 April 2015 after the Management Board discussed the interim report with the Audit Committee of the Supervisory Board. 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. For this reason, it should be read in conjunction with the consolidated financial statements as at 31 December 2014. These can be ordered in the Investor Relations section of the website at www.villeroyboch-group.com.

In the period under review, the accounting and consolidation methods described in the 2014 Annual Report were extended to include the accounting standards endorsed by the EU and applicable to reporting periods beginning on or after 1 January 2015. None of these changes had a material impact on this interim report.

### Basis of consolidation

The basis of consolidation of the Villeroy & Boch Group consists of 56 companies (31 December 2014: 56 companies).

### Dividend paid by Villeroy & Boch AG for the 2014 financial year

The General Meeting of Shareholders on 27 March 2015 approved the dividend of € 0.39 per ordinary share and € 0.44 per preference share as proposed by the Supervisory Board and Management Board of Villeroy & Boch AG. The distribution corresponds to a dividend payment of € 5.5 million for the ordinary share capital (previous year: € 5.2 million) and € 6.2 million for the preference share capital (previous year: € 5.2 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 dividends. The dividend was paid on 30 March 2015.

### Seasonal influences on business activities

Owing to Christmas business, the Tableware Division habitually 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 STATEMENT OF FINANCIAL POSITION

### 1. Property, plant and equipment

Property, plant and equipment amounting to € 2.5 million (previous year: € 5.1 million) was acquired in the period under review. The Bathroom and Wellness Division invested in new facilities for the sanitary ware factories in Ramos, Mexico, Saraburi, Thailand, and Lugoj, Romania. In the Tableware Division, new retail outlets were opened in locations including Warsaw, Poland, and Mühlheim, Germany, while the retail outlet in Cookstown, Canada, was renovated. Investments in tableware production in Merzig focused on new pressing tools. Depreciation amounted to € 6.5 million (previous year: € 6.0 million). As at the end of the reporting period, the Villeroy & Boch Group had obligations to acquire property, plant and equipment in the amount of € 6.7 million (31 December 2014: € 1.5 million).

### 2. Inventories

Inventories were composed as follows as at the end of the reporting period:

| in € million | 31/3/15 | 31/12/14 |
|---|---|---|
| Raw materials and supplies | 20.1 | 19.4 |
| Work in progress | 13.4 | 13.1 |
| Finished goods and goods for resale | 110.6 | 107.1 |
| Advance payments | - | 0.0 |
| **Inventories (total)** | **144.1** | **139.6** |

In the period under review, impairment losses on inventories increased by € 1.7 million to a total of € 18.5 million.

### 3. Trade receivables

Trade receivables are broken down as follows:

| by customer domicile / in € million | 31/3/15 | 31/12/14 |
|---|---|---|
| Germany | 28.7 | 21.4 |
| Rest of euro zone | 27.3 | 26.8 |
| Rest of world | 73.0 | 62.8 |
| **Gross carrying amount of trade receivables** | **129.0** | **111.0** |
| Write-downs | -2.4 | -2.1 |
| **Trade receivables (total)** | **126.6** | **108.9** |

## 4. Other current and non-current assets

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

| in € million | 31/3/15 | | 31/12/14 | |
|---|---|---|---|---|
| | current | non-current | curren | non-current |
| Other tax receivables | 8.3 | - | 8.0 | - |
| Change in fair value changes of hedging instruments (a) | 3.7 | 0.7 | 2.7 | - |
| Prepaid expenses | 2.9 | 0.0 | 2.2 | 0.0 |
| Advance payments and deposits | 2.3 | 1.0 | 1.8 | 1.0 |
| Miscellaneous assets | 8.0 | - | 6.6 | - |
| **Other assets (total)** | **25.2** | **1.7** | **21.3** | **1.0** |

(a) At the reporting date, € 3.8 million (31 December 2014: € 2.5 million) was recognised for the marking to market of exchange rate hedges and € 0.6 million (31 December 2014: € 0.2 million) for commodity hedges.

## 5. Cash and cash equivalents

Cash and cash equivalents are composed as follows:

| in € million | 31/3/15 | 31/12/14 |
|---|---|---|
| Cash on hand incl. cheques | 0.3 | 0.3 |
| Current bank balances | 2.5 | 22.4 |
| Cash equivalents | 21.6 | 44.1 |
| **Cash and cash equivalents (total)** | **24.4** | **66.8** |

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 2014. Bank balances were offset against matching liabilities in the amount of € 25.0 million (31 December 2014: € 12.7 million). Cash equivalents are partially covered by external guarantee systems.

## 6. Revaluation surplus

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

| in € million | 31/3/15 | 31/12/14 |
|---|---|---|
| **Items to be reclassified to profit or loss:** | | |
| ▌Currency translation of financial statements in foreign group companies | 15.8 | 14.6 |
| ▌Currency translation of long-term loans classified as net investments in foreign operations | -0.4 | -1.3 |
| ▌Change in fair value of cash flow hedges | 1.3 | 1.6 |
| ▌Change in fair value of securities | 0.0 | 0.0 |
| ▌Deferred taxes for this category | -3.8 | -2.7 |
| **Sub-total (a)** | **12.9** | **12.2** |

| in € million | 31/3/15 | 31/12/14 |
|---|---|---|
| **Items not to be reclassified to profit or loss:** | | |
| Actuarial gains or losses on defined benefit obligations | -95.2 | -94,6 |
| Deferred taxes for this category | 27.9 | 27,7 |
| **Sub-total (b)** | **-67.3** | **-66,9** |
| **Total revaluation surplus [(a)+(b)]** | **-54.4** | **-54.7** |

## 7. Current and non-current provisions for personnel

Non-current provisions for personnel only changed to a minor extent. The change in current provisions for personnel is mainly due to the payment of variable remuneration components for 2014.

## 8. Other current and non-current liabilities

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

| in € million | 31/3/15 | | 31/12/14 | |
|---|---|---|---|---|
| | current | non-curren | current | non-current |
| Personnel liabilities (a) | 23.5 | 0.2 | 20.4 | 0.4 |
| Bonus liabilities (a) | 22.1 | - | 34.8 | - |
| Other tax liabilities | 11.2 | - | 10.6 | - |
| Advance payments received on orders | 4.4 | - | 3.9 | - |
| Change in fair value of hedging instruments (b) | 3.0 | - | 1.1 | - |
| Government grants | 1.0 | 0.5 | 0.8 | 0.5 |
| Miscellaneous liabilities | 8.1 | 1.9 | 8.5 | 1.5 |
| **Other liabilities (total)** | **73.3** | **2.6** | **80.1** | **2.4** |

(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

## 9. Revenue

Revenue is broken down as part of segment reporting.

## 10. Selling, marketing and development costs

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

| in € million | 31/3/15 | 31/03/15 |
|---|---|---|
| Bathroom and Wellness | -2.7 | -2.1 |
| Tableware | -0.9 | -0.9 |
| **Research and development costs (total)** | **-3.6** | **-3.0** |

## 11. Financial result

The financial result is broken down as follows:

| in € million | 31/3/15 | 31/3/14 |
|---|---|---|
| Financial income | 0.5 | 0.3 |
| Finance expenses | -0.8 | -0.9 |
| Interest expenses for provisions (pensions) | -0.9 | -1.5 |
| **Total net finance expense** | **-1.2** | **-2.1** |

Interest expense for provisions declined primarily as a result of the substantial reduction in the discount rates for defined benefit pension plans compared with the previous year. The interest expenses for pension obligations for the current year were calculated using the discount rate from the previous year. Accordingly, the reduction in the discount rate from 3.0 % to 1.75 % in 2014 had a corresponding impact in the period under review.

## 12. Income taxes

The main components of income tax expense are as follows:

| in € million | 31/3/15 | 31/3/14 |
|---|---|---|
| Current income taxes | -1.3 | -1.5 |
| Deferred taxes | -1.2 | -0.3 |
| **Income taxes (total)** | **-2.5** | **-1.8** |

# OTHER NOTES

## 13. 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 2014 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.

## 14. Events after the end of the reporting period

No further significant events occurred by the time the interim report was approved for publication.

Mettlach, 15 April 2015

Frank Göring

Nicolas Luc Villeroy

Andreas Pfeiffer

Dr. Markus Warncke

## FINANCIAL CALENDAR

| | |
|---|---|
| 20 July 2015 | Report on the first half of 2015 |
| 20 October 2015 | Report on the first nine months of 2015 |
| 1 April 2016 | 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 can also be downloaded at www.villeroyboch-group.com.