Villeroy & Boch
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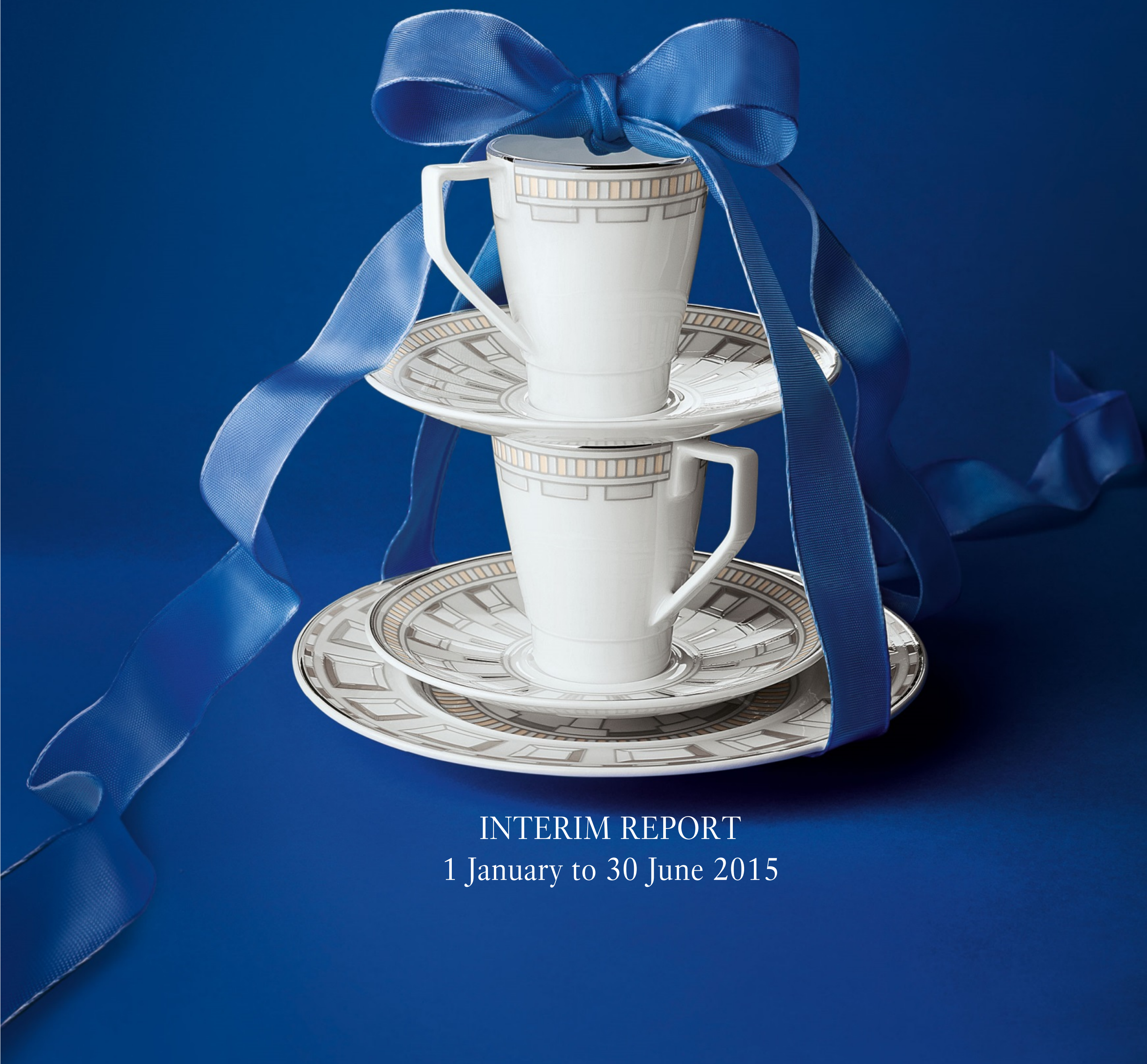

INTERIM REPORT
1 January to 30 June 2015

INTERIM REPORT
1 January to 30 June 2015

- Consolidated revenue up 4.0 % year-on-year to € 386.9 million.
- Operating EBIT climbs 16.3 % to € 15.7 million.
- Operating EBIT improves by 34.2 % to € 9.8 million.
- Growth and earnings targets for 2015 as a whole confirmed.

THE GROUP AT A GLANCE	1/1/2015 - 30/6/2015	1/1/2014 - 30/6/2014	Change	Change
	in € million	in € million	in € million	in %
Revenue (nominal)	386.9	372.1	14.8	4.0
Revenue – Germany	110.1	107.8	2.3	2.1
Revenue – Abroad	276.8	264.3	12.5	4.7
Revenue (on a constant currency basis)	383.5	372.1	11.4	3.1
EBIT (operating) before real estate project Sweden	15.7	13.5	2.2	16.3
EBIT incl. real estate project Sweden	16.7	14.6	2.1	14.4
EBT (earnings before taxes)	14.0	10.5	3.5	33.3
Group result	9.8	7.3	2.5	34.2
Return on net operating assets (rolling)	13.3 %	13.0 % *)	-	-
Investments	7.5	15.5	-8.0	-51.6
Employees (FTEs as at end of period)	7,320 FTE	7,312 FTE	8 FTE	0.1

*) Return on net assets as at 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 HALF OF 2015

GENERAL CONDITIONS OF 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 13 or page 17 of the notes to the consolidated financial statements respectively.

ECONOMIC REPORT

General economic conditions

The global economy saw moderate development in the first half of 2015. Economic performance in the advanced economies was comparatively robust.

The driver of the global economy was again the USA, whose positive development was boosted primarily by private consumption. The economy in the euro zone continued to establish itself on a firmer footing, but performance varied across the individual member states. While France and Italy continued to see weak economic development, Germany in particular enjoyed growth. As previously, this was attributable to private consumption, which benefited from the positive development of the employment market, real wage growth and low energy prices.

The pace of growth in China continued to slow, not least due to the pronounced downturn on the Chinese stock market. Russia is experiencing an economic crisis due to the fall in oil prices and political conflicts.

Course of business and position of the Villeroy & Boch Group

The Management Board of Villeroy & Boch AG still considers the economic position of the Group to be positive. Following an unsatisfactory start to 2015, we exceeded our revenue and earnings targets in the second quarter. Based on this development and the healthy level of orders on hand at the end of the first half of the year, we are reiterating our revenue and earnings forecast for the financial year as a whole.

In the first half of 2015, we increased our net revenue (nominal) by 4.0 % year-on-year to € 386.9 million. Net revenue amounted to € 383.5 million on a constant currency basis, corresponding to an increase of 3.1 %.

Negative currency effects from the Russian rouble and the Swedish krona were more than offset by the positive effects from the US dollar, the pound sterling and the Swiss franc.

Orders on hand amounted to € 71.2 million as at 30 June 2015, up € 19.8 million as against 1 January 2015. Of this figure, € 44.0 million related to the Bathroom and Wellness Division and € 27.2 million to the Tableware Division.

In the first half of 2015, we significantly increased our operating EBIT by € 2.2 million or 16.3 % to € 15.7 million. This was due primarily to 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 0.4 percentage points to 45.0 %.

We sold an additional property to Värmdö municipality as part of our Gustavsberg real estate project (Sweden) in the second quarter of 2015, thereby generating non-recurring income of € 1.0 million (previous year: € 1.1 million). EBIT including this non-recurring income increased by a total of € 2.1 million or 14.4 % year-on-year.

The rolling net operating assets of the Villeroy & Boch Group amounted to € 305.1 million at the end of the first half of the year (31 December 2014: € 295.0 million). Our rolling operating return on net assets increased by 0.3 percentage points to 13.3 % compared with 31 December 2014; this was due in particular to the improved earnings situation.

Course of business and position of the divisions

Bathroom and Wellness

In the Bathroom and Wellness Division, we generated revenue (nominal) of € 253.0 million in the first half of 2015, up € 10.5 million or 4.3 % on the prior-year level (€ 242.5 million). Revenue amounted to € 255.7 million on a constant currency basis, corresponding to an increase of 5.4 %. The main exchange rate effects were due to negative changes in the Russian rouble and the Swedish krona.

Revenue increased by 4.2 % in our domestic market of Germany. Outside Germany, the strongest upturn in revenue was recorded in our important growth market of Russia (+40.5 %). While numerous industries are suffering from the prevailing economic crisis, long-lived capital goods, which include our bathroom and wellness products, are proving to be a positive exception.

There was also highly encouraging revenue development in the United Kingdom (+26.2 %), the Gulf States (+21.0 %) and the Netherlands (+13.3 %). The downturns in France (-9.4 %) and Italy (-8.5 %) were due to the continued weakness of the construction industry.

With an operating result (EBIT) of € 19.4 million, the Bathroom and Wellness Division exceeded the prior-year figure by € 1.4 million or 7.8 %.

This above-average earnings growth was driven in particular by the increase in higher-priced product groups with strong margins and the continued efficiency of cost management in the area of administration.

The division increased its rolling operating return on net assets to 17.2 % (31 December 2014: 15.8 %). The operating net assets employed in the division increased by € 10.2 million, from € 201.2 million at 31 December 2014 to € 211.4 million. This was reflected in non-current assets in particular and is attributable to the construction of our new assembly and logistics centre in Sweden.

On the product side, the DirectFlush rimless WC generation has had a particularly positive impact on revenue development in the financial year to date. We are also pleased to have been able to improve our revenue in all four product categories - ceramics, bathroom furniture, wellness and fittings. The consistently positive customer response at the leading international sanitary ware trade fairs gives reason to expect additional impetus for our business development in the second half of 2015.

Tableware

Revenue (nominal) in the Tableware Division increased by € 4.3 million or 3.3 % to € 133.9 million in the first six months of 2015. At € 127.8 million, revenue on a constant currency basis was down on the previous year (€ 129.6 million). The main exchange rate effects were due to the US dollar, the pound sterling and the Swiss franc.

While revenue in Germany remained essentially unchanged year-on-year, we recorded a nominal upturn in revenue outside Germany, with the strongest growth rates achieved in Japan (+50.4 %), Australia (+15.7 %), the Gulf States (+15.4 %) and Italy (+7.0 %). Russia saw a particularly pronounced downturn in revenue (-46.0 %), with the economic crisis leading to lower demand for consumer goods.

The operating result (EBIT) in the Tableware Division improved by € 0.8 million year-on-year to € -3.7 million (previous year: € -4.5 million).

The rolling net operating assets of the Tableware Division amounted to € 93.7 million at the reporting date, thereby remaining essentially unchanged as against 31 December 2014 (€ 93.8 million). The return on net assets amounted to 12.4 % (31 December 2014: 13.4 %).

On the product side, the new products presented at the spring trade fairs are already having an encouraging impact on revenue and increased orders on hand. Our new products addressing the popular themes of BBQ and coffee and our expanded range of gift items have enjoyed a particularly positive response.

Capital structure

Our equity declined by € 3.3 million as against 31 December 2014 to € 141.1 million. This was due primarily to the dividend payment of € 10.9 million, which was only partially offset by the Group result of € 9.8 million in the first half of 2015.
However, the reduction in total assets meant that our equity ratio was up slightly on the end of the previous year, amounting to 23.4 % at the reporting date (31 December 2014: 23.2 %).

Investments

Our investments in the period under review totalled € 7.5 million (previous year: € 15.5 million). The Bathroom and Wellness Division accounted for € 5.8 million or 77.3 % of the investment volume, with the remaining € 1.7 million or 22.7 % 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, Romania and Hungary.
In the Tableware Division, we invested mainly in our own retail stores.

As at the end of the reporting period, the Group had obligations to acquire property, plant and equipment in the amount of € 8.5 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 € -20.7 million at 30 June 2015, down € 7.4 million on 30 June 2014. Net liquidity was € 36.5 million lower than on 31 December 2014. The main reasons for this seasonal decline are the dividend payment and the temporary build-up of inventories.

Structure of the statement of financial position

Total assets amounted to € 603.5 million at the end of the reporting period compared with € 623.1 million at 31 December 2014. The share of total assets attributable to non-current assets increased by 0.3 % to 37.0 % as a result of the reduction in total assets.
Current assets declined by € 15.5 million as against 31 December 2014. This was attributable primarily to the seasonal reduction in cash and cash equivalents, which was not fully offset by an increase in trade receivables – largely as a result of revenue development – and the higher level of inventories due to seasonal factors. On the liability side of the statement of financial position, the lower level of total assets was reflected in current liabilities in particular. The increase in trade payables was more than offset by the reduction in current financial liabilities, largely as a result of the repayment of a bank loan in the amount of € 25.0 million.

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

At the end of the first half of 2015, we are still anticipating moderate economic growth for the year as a whole. While private consumption in the USA and most of the euro zone countries is stabilising at a high level, the positive development in the euro zone is being curbed in particular by the sustained weak economic performance in our important sales markets of France and Italy. We are also continuing to keep a critical eye on developments in Russia, where the economic crisis and further exchange rate fluctuations could have a negative impact on

our revenue and earnings. In addition, the current situation in Greece could lead to considerable uncertainty on the financial markets.
Based on the strong second quarter and taking into account all of the available estimates, the Management Board of Villeroy & Boch AG is continuing to forecast an increase in consolidated revenue of between 3 % and 5 % for the 2015 financial year as a whole. We still expect to see above-average operating earnings growth of over 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 unreservedly confirming the forecasts made in the 2014 Group management report.

In addition, we expect to generate further non-recurring income from the Gustavsberg real estate project (Sweden) in the second half of the year. We generated income of € 1.0 million from this project in the first six months. Total income from the 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.

COMBINED 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 net assets, financial position and results of operations of the Group in line with the German generally accepted standards for the audit of financial statements, 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 over the remainder of the financial year.

Mettlach, 13 July 2015

Frank Göring

Nicolas Luc Villeroy

Andreas Pfeiffer

Dr Markus Warncke

CONSOLIDATED BALANCE SHEET

as of 30 June 2015

in € million

Assets	Notes	30/06/2015	31/12/2014
Non-current assets			
Intangible assets		36.4	36.8
Property, plant and equipment	1	155.9	160.2
Investment property		11.8	12.2
Investment accounted for using the equity method		1.5	1.8
Other financial assets		17.9	17.5
		223.5	**228.5**
Other non-current assets	4	1.6	1.0
Deferred tax assets		54.0	53.5
		279.1	**283.0**
Current assets			
Inventories	2	159.8	139.6
Trade receivables	3	123.6	108.9
Other current assets	4	26.0	21.3
Income tax receivables		4.5	2.3
Cash and cash equivalents	5	9.5	66.8
		323.4	**338.9**
Non-current asset held for sale		**1.0**	**1.2**
Total assets		**603.5**	**623.1**

Equity and Liabilities	Notes	30/06/2015	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		-53.5	-51.5
Revaluation surplus	6	-56.0	-54.7
		141.0	**144.3**
Equity attributable to minority interests		**0.1**	**0.1**
Total equity		**141.1**	**144.4**
Non-current liabilities			
Provisions for pensions		209.0	212.0
Non-current provisions for personnel	7	15.4	15.6
Other non-current provisions		1.2	1.3
Non-current financial liabilities	8	25.0	25.0
Other non-current liabilities	9	2.7	2.4
Deferred tax liabilities		11.9	9.8
		265.2	**266.1**
Current liabilities			
Current provisions for personnel	7	9.0	13.4
Other current provisions		19.5	19.4
Current financial liabilities	8	5.2	26.0
Other current liabilities	9	76.5	80.1
Trade payables		83.7	70.4
Income tax liabilities		3.3	3.3
		197.2	**212.6**
Total liabilities		**462.4**	**478.7**
Total equity and liabilities		**603.5**	**623.1**

CONSOLIDATED INCOME STATEMENT

for the period 1 January to 30 June 2015

in € million

	Notes	1/1/2015 - 30/6/2015	1/1/2014 - 30/6/2014
Revenue	10	**386.9**	**372.1**
Costs of sales		-212.7	-205.7
Gross profit		**174.2**	**166.4**
Selling, marketing and development costs	11	-134.7	-127.5
General administrative expenses		-23.1	-23.1
Other operating income and expenses		0.1	-1.3
Result of associates accounted for using the equity method		0.2	0.1
Operating result (EBIT)		**16.7**	**14.6**
(Operating result before real estate project Gustavsberg)		(15.7)	(13.5)
Financial result	12	**-2.7**	**-4.1**
Earnings before taxes		**14.0**	**10.5**
Income taxes	13	-4.2	-3.2
Group result		**9.8**	**7.3**
Thereof attributable to:			
▌ Villeroy & Boch AG shareholders		9.8	7.3
▌ Minority interests		0.0	0.0
		9.8	**7.3**
EARNINGS PER SHARE		**in €**	**in €**
▌ Earnings per ordinary share		0.35	0.25
▌ Earnings per preference share		0.40	0.30

During the reporting period there were no share dilution effects.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the period 1 January to 30 June 2015

in € million

		1/1/2015 - 30/6/2015	1/1/2014 - 30/6/2014
Group result		**9.8**	**7.3**
Other comprehensive income			
Items to be reclassified to profit or loss:			
▌ Gains or losses on cash flow hedge		-0.9	-0.6
▌ Gains or losses on translations of exchange differences		-0.1	-2.2
▌ Gains or losses on value changes of securities		0.0	-
▌ Deferred income tax effect on items to be reclassified to profit or loss		-0.8	-0.5
Items not to be reclassified to profit or loss:			
▌ Actuarial gains or losses on defined benefit plans		-0.5	-0.1
▌ Deferred income tax effect on items not to be reclassified to profit or loss		0.1	0.2
Total other comprehensive income		**-2.2**	**-3.2**
Total comprehensive income net of tax		**7.6**	**4.1**
Thereof attributable to:			
▌ Villeroy & Boch AG shareholders		7.6	4.1
▌ Minority interests		0.0	0.0
Total comprehensive income net of tax		**7.6**	**4.1**

CONSOLIDATED INCOME STATEMENT

for the period 1 April to 30 June 2015

in € million

	Notes	1/4/2015 - 30/6/2015	1/4/2014 - 30/6/2014
Revenue	10	**191.7**	**179.1**
Costs of sales		-106.0	-97.9
Gross profit		**85.7**	**81.2**
Selling, marketing and development costs	11	-67.5	-62.7
General administrative expenses		-11.2	-11.7
Other operating income and expenses		0.1	-0.6
Result of associates accounted for using the equity method		0.1	0.2
Operating result (EBIT)		**7.2**	**6.4**
(Operating result before real estate project Gustavsberg)		**(6.2)**	**(4.7)**
Financial result	12	**-1.5**	**-2.0**
Earnings before taxes		**5.7**	**4.4**
Income taxes	13	-1.7	-1.4
Group result		**4.0**	**3.0**
Thereof attributable to:			
Villeroy & Boch AG shareholders		4.0	3.0
Minority interests		0.0	0.0
		4.0	**3.0**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the period 1 April to 30 June 2015

in € million

		1/4/2015 - 30/6/2015	1/4/2014 - 30/6/2014
Group result		**4.0**	**3.0**
Other comprehensive income			
Items to be reclassified to profit or loss:			
Gains or losses on cash flow hedge		-0.7	0.2
Gains or losses on translations of exchange differences		-1.6	-0.2
Gains or losses on value changes of securities		0.0	-
Deferred income tax effect on items to be reclassified to profit or loss		0.3	-0.2
Items not to be reclassified to profit or loss:			
Actuarial gains or losses on defined benefit plans		0.1	0.0
Deferred income tax effect on items not to be reclassified to profit or loss		-0.1	0.2
Total other comprehensive income		**-2.0**	**0.0**
Total comprehensive income net of tax		**2.0**	**3.0**
Thereof attributable to:			
Villeroy & Boch AG shareholders		2.0	3.0
Minority interests		0.0	0.0
Total comprehensive income net of tax		**2.0**	**3.0**

CONSOLIDATED STATEMENT OF EQUITY

for the period 1 January to 30 June 2015

in € million

	Equity attributable to Villeroy & Boch AG shareholders							
	Issued capital	Capital surplus	Treasury shares	Retained earnings	Revaluation surplus	Total	Equity attributable to minority 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				7.3		7.3	0.0	7.3
Other comprehensive income				-3.5	0.3	-3.2		-3.2
Total comprehensive income net of tax				**3.8**	**0.3**	**4.1**	**0.0**	**4.1**
Dividend payments				-10.4		-10.4		-10.4
As of 30/6/2014	**71.9**	**193.6**	**-15.0**	**-64.0**	**-32.5**	**154.0**	**0.1**	**154.1**
As of 1/1/2015	**71.9**	**193.6**	**-15.0**	**-51.5**	**-54.7**	**144.3**	**0.1**	**144.4**
Group result				9.8		9.8	0.0	9.8
Other comprehensive income				-0.9	-1.3	-2.2		-2.2
Total comprehensive income net of tax				**8.9**	**-1.3**	**7.6**	**0.0**	**7.6**
Dividend payments				-10.9		-10.9		-10.9
As of 30/6/2015	**71.9**	**193.6**	**-15.0**	**-53.5**	**-56.0**	**141.0**	**0.1**	**141.1**

CONSOLIDATED CASH FLOW STATEMENT

for the period 1 January to 30 June 2015

in € million

	1/1/2015 - 30/6/2015	1/1/2014 - 30/6/2014
Group result	9.8	7.3
Depreciation of non-current assets	13.8	13.3
Change in non-current provisions	-5.6	-7.2
Profit from disposal of fixed assets	0.0	-0.9
Change in inventories, receivables and other assets	-42.1	-20.2
Change in liabilities, current provisions and other liabilities	2.0	0.0
Other non-cash income/expenses	3.0	4.5
Cash Flow from operating activities	**-19.1**	**-3.2**
Purchase of intangible assets, property, plant and equipment	-7.5	-15.5
Investment in non-current financial assets	-0.6	-0.4
Cash receipts from disposals of Gustavsberg´s assets	-	0.6
Cash receipts from disposals of fixed assets	1.7	6.5
Cash Flow from investing activities	**-6.4**	**-8.8**
Change in financial liabilities	-20.9	-1.0
Dividend payments	-10.9	-10.4
Cash Flow from financing activities	**-31.8**	**-11.4**
Sum of cash flows	**-57.3**	**-23.4**
Balance of cash and cash equivalents as at 1/1/	66.8	60.3
Net increase in cash and cash equivalents	-57.3	-23.4
Balance of cash and cash equivalents as at 30/6/	**9.5**	**36.9**

CONSOLIDATED SEGMENT REPORT

for the period 1 January to 30 June 2015

in € million

	Bathroom & Wellness		Tableware		Transition / Other		Villeroy & Boch-Group	
	1/1/2015 - 30/6/2015	1/1/2014 - 30/6/2014	1/1/2015 - 30/6/2015	1/1/2014 - 30/6/2014	1/1/2015 - 30/6/2015	1/1/2014 - 30/6/2014	1/1/2015 - 30/6/2015	1/1/2014 - 30/6/2014
Revenue								
Segment revenue from sales to external customers	253.0	242.5	133.9	129.6	0.0	0.0	386.9	372.1
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	19.4	18.0	-3.7	-4.5	-	-	15.7	13.5
Real estate project Gustavsberg					1.0	1.1	1.0	1.1
Financial result	-	-	-	-	-2.7	-4.1	-2.7	-4.1
Investments and depreciations								
Investments	5.8	13.1	1.7	2.4	-	-	7.5	15.5
Scheduled depreciation	9.1	8.6	4.7	4.7	-	-	13.8	13.3
Assets and Liabilities	30/06/2015	31/12/2014	30/06/2015	31/12/2014	30/06/2015	31/12/2014	30/06/2015	31/12/2014
Segment assets	346.1	311.9	134.9	133.2	122.5	178.0	603.5	623.1
Segment liabilities	125.2	121.8	46.1	43.7	291.1	313.2	462.4	478.7

The rolling net operating assets and rolling operating result (EBIT) of the two divisions were as follows as at the end of the reporting period:

Rolling net operating assets	30/06/2015	31/12/2014	30/06/2015	31/12/2014	30/06/2015	31/12/2014	30/06/2015	31/12/2014
Rolling operating assets	324.2	309.7	136.4	136.0	-	-	460.6	445.7
Rolling operating liabilities	112.8	108.5	42.7	42.2	-	-	155.5	150.7
Rolling net operation assets	211.4	201.2	93.7	93.8	-	-	305.1	295.0
Rolling operating result (EBIT) *								
Rolling operating result (EBIT) *	36.4	31.8	11.7	12.6	-7.5	-6.0	40.6	38.4

* Central function earnings components that cannot be influenced by the division are not taken into account in calculating the opertating result of both divisions.

CONSOLIDATED SEGMENT REPORT

for the period 1 April to 30 June 2015

in € million

	Bathroom & Wellness		Tableware		Transition / Other		Villeroy & Boch-Group	
	1/4/2015 - 30/6/2015	1/4/2014 - 30/6/2014	1/4/2015 - 30/6/2015	1/4/2014 - 30/6/2014	1/4/2015 - 30/6/2015	1/4/2014 - 30/6/2014	1/4/2015 - 30/6/2015	1/4/2014 - 30/6/2014
Revenue								
Segment revenue from sales to external customers	129.3	118.7	62.4	60.4	0.0	0.0	191.7	179.1
Segment revenue from transactions with other segments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Result								
Segment result	10.1	9.2	-3.9	-4.5	-	-	6.2	4.7
Real estate project Gustavsberg					1.0	1.7	1.0	1.7
Financial result	-	-	-	-	-1.5	-2.0	-1.5	-2.0
Investments and depreciations								
Investments	3.7	8.5	0.9	1.7	-	-	4.6	10.2
Scheduled depreciation	4.6	4.3	2.4	2.4	-	-	7.0	6.7

NOTES TO THE INTERIM FINANCIAL STATEMENTS OF THE VILLEROY & BOCH GROUP ON THE FIRST HALF OF 2015

GENERAL INFORMATION

Villeroy & Boch AG is domiciled in Mettlach (Germany) 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 30 June 2015. It was approved for publication on 15 July 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 55 companies (31 December 2014: 56 companies). Alföldi Kerámia Gyártó Kft, based in Hódmezövársárhely, Hungary, was liquidated as at 28 February 2015. Its operating activities were transferred to Villeroy & Boch Magyarország Kft, Hódmezövársárhely, Hungary.

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 € 7.1 million (previous year: € 14.8 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), Lugoj (Romania) and Hódmezövársárhely (Hungary). In the Tableware Division, new retail outlets were opened in locations including Warsaw (Poland) and Mühlheim (Germany), while the retail outlets in Vienna-Vösendorf (Austria) and Cookstown (Canada) were renovated. Investments in tableware production in Merzig focused on new pressing tools. Depreciation amounted to € 13.0 million (previous year: € 12.4 million). At the reporting date, the Villeroy & Boch Group had obligations to acquire property, plant and equipment in the amount of € 8.5 million (31 December 2014: € 1.5 million).

2. Inventories

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

in € million	30/6/15	31/12/14
Raw materials and supplies	20.2	19.4
Work in progress	14.8	13.1
Finished goods and goods for resale	124.8	107.1
Advance payments	0.0	0.0
Inventories (total)	**159.8**	**139.6**

In the period under review, impairment losses on inventories increased by € 1.8 million to a total of € 18.6 million.

3. Trade receivables

Trade receivables are broken down as follows:

by customer domicile / in € million	30/6/15	31/12/14
Germany	26.8	21.4
Rest of euro zone	26.8	26.8
Rest of world	72.4	62.8
Gross carrying amount of trade receivables	126.0	111.0
Write-downs	-2.4	-2.1
Trade receivables (total)	**123.6**	**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	30/6/15		31/12/14	
	current	non-current	current	non-current
Other tax receivables	8.8	-	8.0	-
Fair value changes of hedging instruments (a)	1.8	0.5	2.7	-
Prepaid expenses	2.9	0.0	2.2	0.0
Advance payments and deposits	2.5	1.1	1.8	1.0
Miscellaneous assets	10.0	-	6.6	-
Other assets (total)	**26.0**	**1.6**	**21.3**	**1.0**

(a) As at the end of the reporting period, € 1.9 million (31 December 2014: € 2.5 million) was recognised for the marking to market of exchange rate hedges and € 0.4 million for commodity hedges (31 December 2014: € 0.2 million).

5. Cash and cash equivalents

Cash and cash equivalents are composed as follows:

in € million	30/6/15	31/12/14
Cash on hand incl. cheques	0.2	0.3
Current bank balances	7.2	22.4
Cash equivalents	2.1	44.1
Cash and cash equivalents (total)	**9.5**	**66.8**

The decrease in cash and cash equivalents is attributable primarily to the repayment of a bank loan in the amount of € 25.0 million, 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 € 10.3 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	30/6/15	31/12/14
Items to be reclassified to profit or loss:		
Currency translation of financial statements in foreign group companies	14.9	14.6
Currency translation of long-term loans classified as net investments in foreign operations	-0.8	-1.3
Change in fair value of cash flow hedges	0.7	1.6
Change in fair value of securities	-0.0	0.0
Deferred taxes for this category	-3.5	-2.7
Sub-total (a)	**11.3**	**12.2**

in € million	30/6/15	31/12/14
Items not to be reclassified to profit or loss:		
Actuarial gains or losses on defined benefit obligations	-95.1	-94.6
Deferred taxes for this category	27.8	27.7
Sub-total (b)	**-67.3**	**-66.9**
Total revaluation surplus [(a)+(b)]	**-56.0**	**-54.7**

7. Current and non-current provisions for personnel

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

8. Current and non-current financial liabilities

A long-term bank loan of € 25.0 million was repaid as scheduled in the second quarter of 2015. In the statement of financial position broken down by maturity, this reduced current financial liabilities as this bank loan was reclassified from non-current to current financial liabilities in the same period of the previous year.

9. Other current and non-current liabilities

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

in € million	30/6/15		31/12/14	
	current	**non-current**	**current**	**non-current**
Bonus liabilities (a)	30.5	-	34.8	-
Personnel liabilities (a)	22.7	0.2	20.4	0.4
Other tax liabilities	10.8	-	10.6	-
Advance payments received on orders	3.3	-	3.9	-
Change in fair value of hedging instruments (b)	2.4	0.1	1.1	-
Government grants	0.8	0.5	0.8	0.5
Miscellaneous liabilities	6.0	1.9	8.5	1.5
Other liabilities (total)	**76.5**	**2.7**	**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

10. Revenue

Revenue is broken down as part of segment reporting.

11. Selling, marketing and development costs

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

in € million	2015		2014	
	H1	Q2	H1	Q2
Bathroom and Wellness	-5.4	-2.7	-4.4	-2.3
Tableware	-1.9	-1.0	-1.9	-1.0
Research and development costs (total)	**-7.3**	**-3.7**	**-6.3**	**-3.3**

12. Financial result

The financial result is broken down as follows:

in € million	2015		2014	
	H1	Q2	H1	Q2
Financial income	0.8	0.3	0.6	0.3
Finance expenses	-1.7	-0.9	-1.8	-0.9
Interest expenses for provisions (pensions)	-1.8	-0.9	-2.9	-1.4
Financial result (total)	**-2.7**	**-1.5**	**-4.1**	**-2.0**

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.

13. Income taxes

The main components of income tax expense are as follows:

in € million	2015		2014	
	H1	Q2	H1	Q2
Current income taxes	-2.8	-1.5	-2.7	-1.2
Deferred taxes	-1.4	-0.2	-0.5	-0.2
Income taxes (total)	**-4.2**	**-1.7**	**-3.2**	**-1.4**

OTHER NOTES

14. Staff

Staff costs and the number of employees are broken down as follows:

in € million	2015		2014	
	H1	30/6	H1	30/6
	Staff costs in € million	Employees (FTEs)	Staff costs in € million	Employees (FTEs)
Bathroom and Wellness	-76.3	4,900	-74.7	4,876
Tableware	-48.1	1,968	-46.7	2,004
Other	-14.2	452	-13.6	432
Total	**-138.6**	**7,320**	**-135.0**	**7,312**

15. Contingent liabilities, commitments and financial obligations

Contingent liabilities and commitments developed as follows in the period under review:

in € million	30/6/15	31/12/14
Guarantees	31.9	28.7
Obligations to acquire property, plant and equipment	8.5	1.5
Obligations to acquire raw materials	1.5	-
Trustee obligations	0.0	0.0
Obligations to acquire intangible assets	0.1	0.0
Total	**42.0**	**30.2**

16. Financial instruments

Primary and derivative financial instruments are reported in separate items of Villeroy & Boch's consolidated statement of financial position. The following table shows the portions of each item of the statement of financial position measured in accordance with IAS 39 based on the methodical carrying amount:

in € million	30/6/15			31/12/14		
Items of the statement of financial position containing financial instruments:	**Book Value**	**Measured under IAS 39**		**Book Value**	**Measured under IAS 39**	
		At cost	At fair value		At cost	At fair value
Assets						
Cash and cash equivalents (note 5)	9.5	9.5 A)	-	66.8	66.8 A)	-
Trade receivables (note 3)	123.6	123.6	-	108.9	108.9	-
Other financial assets	17.9	16.4 B)	1.5	17.5	16.2 B)	1.3
Other assets (note 4)	13.9	11.6	2.3	12.1	9.4	2.7
Total instruments asset-side	164.9	161.1	3.8	205.3	201.3	4.0

A) Measurement category: "Cash reserve"

B) Thereof measured as "Loans and receivables" € 13.8 million (31 December 2014: € 13.6 million)

in € million	30/6/15			31/12/14		
Items of the statement of financial position containing financial instruments:	**Book value**	**Measured under IAS 39**		**Book value**	Measured under IAS 39	
		At cost	At fair value		At cost	At fair value
Equity and liabilities						
Trade payables	83.7	83.7	-	70.4	70.4	-
Other financial liabilities	30.2	30.2	-	51.0	51.0	-
Other liabilities (note 10)	41.7	39.2	2.5	49.2	48.1	1.1
Total instruments liabilities-side	155.6	153.1	2.5	170.6	169.5	1.1

17. 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.

18. Events after the end of the reporting period

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

Mettlach, 13 July 2015

Frank Göring

Nicolas Luc Villeroy

Andreas Pfeiffer

Dr. Markus Warncke

Report by the Audit Committee of the Supervisory Board

The interim report for the period from 1 January to 30 June 2015 was presented to the Audit Committee of the Supervisory Board on 13 July 2015 and explained by the Management Board. The Audit Committee approved the interim report.

Mettlach, 15 July 2015

Chairman of the Audit Committee
Peter Prinz Wittgenstein

FINANCIAL CALENDAR

20 October 2015	Report on the first nine months of 2015
11 February 2016	Annual press conference for the 2015 financial year
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.