Interim Report
1 January to 30 September 2013

- **Revenue after first three quarters unchanged year-on-year at €543.3 million.**
- **Operating EBIT up 8% year-on-year at €18.1 million.**
- **First tranche of sale of plant buildings in Sweden realised in the amount of €7.4 million, resulting in year-on-year EBIT growth of 52 % to €25.5 million.**
- **Revenue growth of +2 % expected for 2013 as a whole; forecast operating result (EBIT) for 2013 remains unchanged.**

Villeroy & Boch Group at a glance	01.01. - 30.09. 2013 € million	2012 € million	Change in € million	in %
Revenue (total)	543.3	543.3	0.0	0.0
Germany	156.1	147.6	+8.5	+5.8
Abroad	387.2	395.7	-8.5	-2.1
Earnings before interest and taxes (EBIT)	25.5	16.8	8.7	51.8
Earnings before interest and taxes (EBIT) excluding non-recurring income from real estate sale	18.1	16.8	1.3	7.7
Earnings before taxes (EBT)	18.8	8.6	10.2	118.6
Group result	13.2	6.0	7.2	120.0
Return on net operating assets (rolling)	10.7 % [1)]	10.2 % [2)]	-	-
Investments	10.5	15.8	-5.3	-33.5
Employees (FTEs at the end of the period)	7.430 FTE	7.533 FTE	-103 FTE	-1.4

1) Return on net operating assets adjusted for non-recurring income from real estate sale
2) Return on net assets as of 31 December 2012

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Interim Management Report of the Villeroy & Boch Group for the period from January to September 2013

Global economic conditions

The global economy saw inconsistent development in the period under review. In the USA, the economy picked up pace on the back of increased consumer spending. The German economy also remained on the path to recovery. Economic development in Germany is being supported by the favourable situation on the labour market and the reduced level of inflation in spite of the rise in energy prices.

In the euro zone markets that are important to Villeroy & Boch, the downturn in economic output slowed despite the sustained high level of unemployment. In the emerging economies, however, the economic outlook deteriorated substantially as a result of the announcement of the end of the highly expansive fiscal policy of the US Federal Bank, which is set to lead to liquidity outflows from the emerging economies, as well as currency deprecation.

We believe that the economy in the euro zone has now passed its low point. Despite this, the economic recovery is likely to remain moderate in the fourth quarter of 2013 and in 2014, as the reasons for the sovereign debt crisis in the euro zone have not yet been resolved and public-sector budgets remain under pressure to consolidate. Inflation is expected to stay at less than 2 % in 2014, thereby falling below the medium-term stability level established by the European Central Bank.

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 nine months of 2013, the Villeroy & Boch Group generated net revenue of €543.3 million, a figure that was unchanged as against the same period of the previous year.

Orders on hand amounted to €49.8 million as at 30 September 2013, up €3.5 million on the start of the year. The Bathroom and Wellness Division accounted for €31.6 million of orders on hand, with the remaining €18.2 million attributable to the Tableware Division.

Operating earnings before interest and taxes (EBIT) of the Villeroy & Boch Group amounted to €18.1 million in the first nine months of the current financial year, up €1.3 million or 7.7 % on the same period of the previous year. This is primarily due to efficiency improvements in production.

In addition to operating earnings, a non-recurring effect of €7.4 million was recognised in the third quarter of 2013 for the first tranche of income from the sale of the plant buildings in Sweden. The remaining tranches are largely expected to be realised in the next year. The total income is set to amount to up to €17 million. Including the non-recurring income from the real estate sale, the Villeroy & Boch Group generated EBIT of €25.5 million compared with €16.8 million in the previous year (+51.8 %).

The rolling net operating assets of the Villeroy & Boch Group – calculated as an average for the last twelve months – amounted to €301.7 million at the reporting date (31 December 2012: €303.6 million). Adjusted for the income from the real estate sale, the return on net assets amounted to 10.7 % after the first nine months of the 2013 financial year compared with 10.2 % as of 31 December 2012.

Development in the divisions

Bathroom and Wellness

The Bathroom and Wellness Division generated revenue of €346.2 million in the first three quarters of 2013, down 2.7 % on the same period of the previous year (€355.9 million).
The downturn in revenue in the first half of the year, which was primarily attributable to the financial crisis in the euro zone as well as the sustained winter weather with its adverse effect on the construction industry, was partially offset by year-on-year revenue growth of +1.4 % in the third quarter. For example, revenue development in Russia improved from -29.0 % (as of 30 June 2013) to -7.3 % for the first nine months of the year.

Sweden enjoyed particularly positive revenue performance (+10.8 %). Revenue in the Group's important domestic market of Germany also increased (+1.7 %). Highly encouraging revenue growth was recorded in the areas of fittings (+4.7 %) and bathroom furniture (+4.6 %). This was driven in particular by the markets of Central Europe and Scandinavia.

In China, we recorded significant revenue growth of 24.8 % in the third quarter of 2013 on the back of the further expansion of our distribution network. This meant that the revenue shortfall in the first half of the year as a result of the higher level of taxation on the sale of property was almost entirely recovered in the period under review (-2.8 %). Additionally, the third quarter of 2013 saw the opening of a dedicated warehouse in China, which means that we can now also reach smaller and medium-sized customers and satisfy time-critical orders at short notice.

Australia continued to enjoy above-average revenue performance at +42.9 %, a further improvement on the figure of +28.7 % as of 30 June 2013.

In North America, the establishment of a distribution network for the sales partnership with TOTO USA developed according to plan. The reported downturn in revenue in the USA (-47.6 %) is primarily attributable to the sale of the St. Thomas Creations brand.

The lower level of revenue in Mexico (-34.1 %) is largely due to the targeted withdrawal from low-margin local project business in the area of social housing in the previous year. The residential construction market in Mexico is also being affected by the uncertainty resulting from the planned changes to construction legislation.

The Bathroom and Wellness Division recorded an operating result (EBIT) of €23.0 million, up €2.7 million or 13.3 % on the previous year (€20.3 million). This earnings growth is due in particular to the measures forming part of the industrial restructuring programme and further ongoing productivity improvements at the European plants.

The rolling net operating assets of the Bathroom and Wellness Division amounted to €202.0 million at the reporting date as against €208.7 million on 31 December 2012. The return on net operating assets amounted to 13.0 % (31 December 2012: 11.3 %).

Tableware

The Tableware Division continued to enjoy highly encouraging revenue development. Revenue after the first three quarters of the 2013 financial year amounted to €197.1 million compared with €187.4 million in the same period of the previous year. This corresponds to significant year-on-year growth of €9.7 million or 5.2 %.
This extremely positive development was driven in particular by the revenue growth of 13.4 % in Germany, which is primarily attributable to the very strong sales of our new products "Mariefleur Gris" and "Cooking Elements" as well as increased marketing efforts and the opening of additional retail stores.

Outside Germany, the markets of Eastern Europe (+27.0 %), Switzerland (+9.4 %), Russia (+5.6 %) and the United Kingdom (+3.8 %) saw particularly strong revenue development. Encouragingly, Spain (+3.1 %) also enjoyed positive revenue performance.
Lower revenue was recorded in Australia (-9.7 %) and France (-2.1 %).

In order to further reinforce sales activities, we continued to expand our retail distribution in the third quarter of 2013. For example, Mumbai became home to the first Villeroy & Boch retail store in India in August. A store was also opened in the Saudi Arabian capital of Riyadh, while a flagship store was opened in Monaco.

The Tableware Division generated an operating result (EBIT) of €-4.9 million in the first nine months of 2013, down €1.4 million on the same period of the previous year (€-3.5 million). In an environment of intensified competition on the market, the revenue growth generated is not reflected in EBIT due to increased marketing costs and investments in strategic growth markets.

The rolling net operating assets of the Tableware Division amounted to €99.6 million at the reporting date compared with €94.9 million on 31 December 2012. The return on net operating assets amounted to 7.5 % (31 December 2012: 8.2 %).

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 was the recognition of actuarial losses, which were not recognised within the defined corridor until 31 December 2012, but which have been 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 9 and 10 of the notes to the consolidated financial statements). Provisions for pensions increased by €58.3 million as a result of the change in accounting treatment, while deferred tax assets rose 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 €-24.3 million at 30 September 2013, up €4.0 million as against the previous year.

Investments

The Villeroy & Boch Group made investments of €10.5 million in the first nine months of 2013 (previous year: €15.8 million).

The Bathroom and Wellness Division accounted for 64.8 % or €6.8 million of the investments made in the first three quarters of 2013, with the Tableware Division accounting for the remaining 35.2 % or €3.7 million.

Investments in the Bathroom and Wellness Division primarily related to the expansion of the product range at our wellness company in the Netherlands, expansion and replacement investments in Romania and Germany and continued capacity expansion measures in Thailand. Investments in the Tableware Division mainly involved 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 €6.7 million. These acquisitions are financed from operating cash flow.

We expect investments for 2013 as a whole to amount to €26 million. This is primarily due to the postponement of investments in connection with the real estate project in Sweden. In the 2012 Group management report, we forecast investments of €35 million for the 2013 financial year.

Opportunities and risks

The opportunities and risks described in the 2012 Annual Report remain unchanged.

At the reporting date, there is no evidence of any individual risks that could endanger the continued existence of the Group.

On 16 September 2013, the European Court at first instance announced its verdict on the action filed by the affected Villeroy & Boch companies against the decisions by the EU in the so-called bathroom case. The Court ruled that the decision by the European Commission was invalid in some respects but did not reduce the amount of the fines imposed.
Villeroy & Boch will examine the reasons for the verdict and decide on how to proceed and whether to lodge an appeal. The Company recognised sufficient provisions for the costs of these legal proceedings and already paid the fines in 2010.

Outlook for the 2013 financial year

With regard to the fourth quarter of 2013, it is our opinion that the economy has now passed its low point and that economic development in the key sales markets will see a moderate improvement.

However, renewed uncertainty and fluctuations on the financial markets may be triggered by the dispute over the US budget and debt limit, as well as the asset quality review of the main EU banks by the European Central Bank, which will begin in autumn 2013, and the planned next bank stress test. A negative impact on the real economy cannot be ruled out in this case.

Unfortunately, sales development in the first nine months was weaker than anticipated. Despite the unsatisfactory year-on-year sales performance in the Bathroom and Wellness Division and the sustained risks affecting the economic environment, the positive third quarter gives us reasons to forecast revenue growth of 2 % for 2013 as a whole. This will be driven by our continued intensive investments in high-growth markets as well as additional sales measures in the key markets of Europe.

At more than +5 %, the forecast growth in operating earnings in 2013 remains significantly higher than the projected revenue growth. This is due in part to the continued rationalisation of our production activities and our workflows and structures in the areas of administration, logistics and sales. The non-recurring income that has already been realised from the sale of the first tranche of the plant buildings in Sweden leads to a further increase in profitability. The income from the sale of the remaining properties is largely expected to be realised in 2014. This does not exclude the possibility that further non-recurring income or expenses could occur in the fourth quarter.

With regard to the rolling net operating assets of the Villeroy & Boch Group, we also expect to see a substantial increase in the return on net assets in 2013 on the back of earnings growth as well as further measures in the area of working capital management.

Villeroy & Boch Group

Consolidated balance sheet as at 30 September 2013

Assets

in € million	Notes	as at 30/09/2013	as at 31/12/2012 (Restated)	as at 30/09/2012 (Restated)
Non-current assets				
Intangible assets		38,2	38,0	38,2
Property, plant and equipment	1	133,5	145,1	147,9
Investment property		13,3	14,0	14,2
Investment accounted for using the equity method		1,4	1,0	1,2
Other financial assets	2	7,9	9,1	10,3
		194,3	**207,2**	**211,8**
Other non-current assets	6	0,3	0,1	0,7
Deferred tax assets	5	50,1	53,4 [1)2)]	50,4 [1)2)]
		244,7	**260,7**	**262,9**
Current assets				
Inventories	3	163,8	150,9	156,2
Trade receivables	4	123,9	108,4	119,6
Other current assets	6	31,8	20,6	22,2
Income tax claims		4,5	2,9	3,8
Cash and cash equivalents	7	26,5	55,3	22,3
		350,5	**338,1**	**324,1**
Non-current asset held for sale	8	**7,8**	**10,0**	**3,7**
Total assets		**603,0**	**608,8**	**590,7**

Shareholders' Equity and Liabilities

in € million	Notes	as at 30/09/2013	as at 31/12/2012 (Restated)	as at 30/09/2012 (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		-69,3	-72,1 [2)]	-74,6 [2)]
Valuation surplus	9	-31,1	-29,2 [1)]	-18,1 [1)]
		150,1	**149,2**	**157,8**
Equity attributable to minority interests		**0,1**	**0,1**	**0,1**
Total equity		**150,2**	**149,3**	**157,9**
Non-current liabilities				
Provisions for pensions	10	186,8	194,9 [1)]	173,6 [1)]
Non-current provisions for personnel	11	15,5	16,7 [2)]	14,5 [2)]
Other non-current provisions		1,8	3,0	3,0
Non-current financial liabilities	13	25,0	50,0	50,0
Other non-current liabilities	14	3,6	3,4	3,6
Deferred tax liabilities		10,5	11,0	12,7
		243,2	**279,0**	**257,4**
Current liabilities				
Current provisions for personnel	11	9,8	12,6	5,0
Other current provisions	12	22,2	27,7	27,8
Current financial liabilities	13	25,8	1,3	0,6
Other current liabilities	14	81,3	73,9	93,0
Trade payables		66,8	60,9	43,4
Income Tax liabilities		3,7	4,1	5,6
		209,6	**180,5**	**175,4**
Total liabilities		**452,8**	**459,5**	**432,8**
Total equity and liabilities		**603,0**	**608,8**	**590,7**

[1)] Restatement of previous year values as a result of changes in accounting of defined benefit obligation (cp. note 10)

[2)] Restatement of previous year values as a result of changes in accounting of partial retirement (cp. note 11)

Villeroy & Boch Group

Consolidated Income Statement from 1 January to 30 September 2013

in € million	Notes	**2013 01/01/-30/09/**	2012 01/01/-30/09/
Revenue	15	**543,3**	**543,3**
Costs of sales		-307,9	-314,8
Gross profit		**235,4**	**228,5**
Selling, marketing and development costs	16	-188,0	-177,5
General administrative expenses		-33,8	-32,7
Other operating income/expenses		11,5	-1,9
Result of associates accounted for using the equity method		0,4	0,4
Operating result (EBIT)		**25,5**	**16,8**
(Operating result before non-recurring income from from real estate sale)		**(18,1)**	(16,8)
Financial result	17	**-6,7**	**-8,2**
Earnings before taxes		**18,8**	**8,6**
Income taxes		-5,6	-2,6
Group result		**13,2**	**6,0**
Thereof attributable to			
Villeroy & Boch AG shareholders		13,2	6,0
Minority interests		0,0	0,0
		13,2	**6,0**
EARNINGS PER SHARE			
Earnings per ordinary share in Euro		0,48	0,20
Earnings per preference share in Euro		0,53	0,25

During the reporting period there were no share dilution effects.

Villeroy & Boch Group

Consolidated Statement of Comprehensive Income from 1 January to 30 September 2013

in € million	**2013 01/01/-30/09/**	2012 01/01/-30/09/
Group result	**13,2**	**6,0**
Other comprehensive income		
● Items to be reclassified to profit or loss:		
Gains or losses on cash flow hedge	-0,9	2,4
Unrealised exchange differences on translation	0,5	2,2
Deferred income tax effect on items to be reclassified to profit or loss	-1,0	0,7
● Items not to be reclassified to profit or loss:		
Actuarial gains or losses on defined benefit plans	-1,5	-26,9
Deferred income tax effect on items not to be reclassified to profit or loss	0,5	7,9
Total other comprehensive income	**-2,4**	**-13,7**
Total comprehensive income net of tax	**10,8**	**-7,7**
Thereof attributable to		
Villeroy & Boch AG shareholders	10,8	-7,7
Minority interests	0,0	0,0
	10,8	**-7,7**

Villeroy & Boch Group

Consolidated Income Statement from 1 July to 30 September 2013

in € million	Notes	**2013 01/07/-30/09/**	2012 01/07/-30/09/
Revenue	15	**183,5**	**180,1**
Costs of sales		-105,9	-104,9
Gross profit		**77,6**	**75,2**
Selling, marketing and development costs	16	-61,7	-58,7
General administrative expenses		-11,2	-10,6
Other operating income/expenses		8,8	-1,1
Result of associates accounted for using the equity method		0,1	0,1
Operating result (EBIT)		**13,6**	**4,9**
(Operating result before non-recurring income from from real estate sale)		**(6,2)**	(4,9)
Financial result	17	**-2,1**	**-2,7**
Earnings before taxes		**11,5**	**2,2**
Income taxes		-3,4	-0,7
Group result		**8,1**	**1,5**
Thereof attributable to			
Villeroy & Boch AG shareholders		8,1	1,5
Minority interests		0,0	0,0
		8,1	**1,5**

Villeroy & Boch Group

Consolidated Statement of Comprehensive Income from 1 July to 30 September 2013

in € million	**2013 01/07/-30/09/**	2012 01/07/-30/09/
Group result	**8,1**	**1,5**
Other comprehensive income		
● Items to be reclassified to profit or loss:		
Gains or losses on cash flow hedge	-0,7	1,2
Unrealised exchange differences on translation	-1,0	0,4
Deferred income tax effect on items to be reclassified to profit or loss	-0,2	0,2
● Items not to be reclassified to profit or loss:		
Actuarial gains or losses on defined benefit plans	0,0	-26,9
Deferred income tax effect on items not to be reclassified to profit or loss	0,0	7,9
Total other comprehensive income	**-1,9**	**-17,2**
Total comprehensive income net of tax	**6,2**	**-15,7**
Thereof attributable to		
Villeroy & Boch AG shareholders	6,2	-15,7
Minority interests	0,0	0,0
	6,2	**-15,7**

Villeroy & Boch Group
Consolidated Statement of Equity from 1 January to 30 September 2013

in € million	Issued capital	Capital surplus	Treasury shares	Retained earnings	Valuation surplus	Total	Equity attributable to minority interests	Total equity
	Equity attributable to Villeroy & Boch AG shareholders							
Note					9			
As at 01/01/2012 (Restated)	**71,9**	**193,6**	**-15,0**	**-75,4**	**0,3**	**175,4**	**0,1**	**149,3**
Group result				6,0		6,0	0,0	6,0
Other comprehensive income				4,7	-18,4	-13,7		-13,7
Total comprehensive income net of tax				**10,7**	**-18,4**	**-7,7**	**0,0**	**-7,7**
Dividend payments				-9,9		-9,9		-9,9
As at 30/09/2012 (Restated)	**71,9**	**193,6**	**-15,0**	**-74,6**	**-18,1**	**157,8**	**0,1**	**157,9**
As at 01/01/2013 (Restated)	**71,9**	**193,6**	**-15,0**	**-72,1**	**-29,2**	**149,2**	**0,1**	**149,3**
Group result				13,2		13,2	0,0	13,2
Other comprehensive income				-0,5	-1,9	-2,4		-2,4
Total comprehensive income net of tax				**12,7**	**-1,9**	**10,8**	**0,0**	**10,8**
Dividend payments				-9,9		-9,9		-9,9
As at 30/09/2013	**71,9**	**193,6**	**-15,0**	**-69,3**	**-31,1**	**150,1**	**0,1**	**150,2**

Villeroy & Boch Group
Consolidated Cash Flow Statement from 1 January to 30 September 2013

in € million	01.01.-30.09. 2013	2012
Group result	13,2	6,0
Depreciation of non-current assets	19,7	20,2
Change in non-current provisions	-16,6	-11,9
Profit from disposal of fixed assets	-1,8	-2,2
Change in inventories, receivables and other assets	-40,0	-27,5
Change in liabilities, current provisions and other liabilities	2,9	-11,0
Other non-cash income/expenses	7,7	5,4
Cash Flow from operating activities	**-14,9**	**-21,0**
Purchase of intangible assets, property, plant and equipment	-10,5	-15,8
Investment in non-current financial assets and cash payments	0,0	-0,2
Cash receipts from disposals of fixed assets	6,8	10,7
Cash Flow from investing activities	**-3,7**	**-5,3**
Change in financial liabilities	-0,4	-0,7
Dividend payments	-9,9	-9,9
Cash Flow from financing activities	**-10,3**	**-10,6**
Net increase in cash and cash equivalents	**-28,9**	**-36,9**
Balance of cash and cash equivalents as at 01/01/	55,3	59,2
Net increase in cash and cash equivalents	-28,9	-36,9
Balance of cash and cash equivalents as at 30/09/	**26,4**	**22,3**

Villeroy & Boch Group

Consolidated Segment Report from 1 January to 30 September 2013

in € million	BATHROOM & WELLNESS		TABLEWARE		TRANSITION / OTHER		VILLEROY & BOCH GROUP	
	2013	**2012**	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**
	01.01. - 30.09.		**01.01. - 30.09.**		**01.01. - 30.09.**		**01.01. - 30.09.**	
Revenue								
Segment revenue from sales to external customers	**346,2**	355,9	**197,1**	187,4	**0,0**	0,0	**543,3**	543,3
Segment revenue from transactions with other segments	**1,0**	1,0	**0,0**	0,0	**-1,0**	-1,0	**0,0**	0,0
Result								
Segment result	**23,0**	20,3	**-4,9**	-3,5	**-**	-	**18,1**	16,8
Non-recurring income from real estate sale	**-**	-	**-**	-	**7,4**	-	**7,4**	-
Financial result	**-**	-	**-**	-	**-6,7**	-8,2	**-6,7**	-8,2
Investments and depreciations								
Investments	**6,8**	9,6	**3,7**	6,2	**-**	-	**10,5**	15,8
Scheduled depreciation of segment assets	**13,0**	13,6	**6,7**	6,6	**-**	-	**19,7**	20,2
Assets and Liabilities	**30.09.**	**31.12.**	**30.09.**	**31.12.**	**30.09.**	**31.12.**	**30.09.**	**31.12.**
Segment assets	**313,1**	301,5	**148,5**	140,6	**141,4**	166,8	**603,0**	608,9
Segment liabilities	**117,9**	116,0	**44,7**	45,4	**290,2**	298,1	**452,8**	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	**30.09.**	**31.12.**	**30.09.**	**31.12.**	**30.09.**	**31.12.**	**30.09.**	**31.12.**
Rolling operating assets	**308,9**	314,2	**139,9**	135,3	**-**	-	**448,8**	449,5
Rolling operating liabilities	**106,9**	105,5	**40,3**	40,4	**-**	-	**147,2**	145,9
Rolling net operation assets	**202,0**	208,7	**99,6**	94,9	**-**	-	**301,6**	303,6

Consolidated Segment Report from 1 July to 30 September 2013

in € million	BATHROOM & WELLNESS		TABLEWARE		TRANSITION / OTHER		VILLEROY & BOCH GROUP	
	2013	**2012**	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**
	01.07. - 30.09.		**01.04. - 30.06.**		**01.04. - 30.06.**		**01.04. - 30.06.**	
Revenue								
Segment revenue from sales to external customers	**112,2**	110,6	**71,3**	69,5	**0,0**	0,0	**183,5**	180,1
Segment revenue from transactions with other segments	**0,5**	0,4	**0,0**	0,0	**-0,5**	-0,4	**0,0**	0,0
Result								
Segment result	**5,4**	2,8	**0,8**	2,1	**-**	-	**6,2**	4,9
Non-recurring income from real estate sale					**7,4**		**7,4**	
Financial result	**-**	-	**-**	-	**-2,1**	-2,7	**-2,1**	-2,7
Investments and depreciations								
Investments	**3,9**	2,5	**2,4**	2,1	**-**	-	**6,3**	4,6
Scheduled depreciation of segment assets	**4,2**	4,8	**2,2**	2,3	**-**	-	**6,4**	7,1

Notes to the Interim Financial Statements of the Villeroy & Boch Group for the Third 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 30 September 2013. It was approved for publication on 17 October 2013 after discussion of the interim report by the Management Board 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 2012. These can be ordered in the Investor Relations area 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 revaluation 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 10.

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 end of the respective reporting period. The effects resulting from the change in accounting treatment are presented in note 11.

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 57 companies (31 December 2012: 59 companies).

As part of the continuous optimisation of the Group’s investment structure, four property companies were merged with Villeroy & Boch AG in March 2013. On 19 April 2013, Villeroy & Boch Asia Pacific PTE. LTD., Singapore, was formed as a regional administrative office for the Asia-Pacific area. The newly founded Villeroy & Boch MC S.à.r.l. based in Monaco markets tableware products in the Principality of Monaco.

On 16 September 2013, Villeroy & Boch AG founded a joint venture based in New Delhi, India, with Genesis Luxury Fashion Pvt. Ltd., New Delhi, India. The joint venture, in which Villeroy & Boch AG holds 50 % of shares, develops the marketing of tableware products in India. The Villeroy & Boch Group now accounts for two companies using the equity method in accordance with IAS 28.

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

The General Meeting of Shareholders 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 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 €8.9 million (previous year: €14.2 million) was acquired in the period under review, with a particular focus on moulds for new products in the Netherlands (wellness), new facilities for sanitary ware production in Romania and Germany and the continuation of the planned capacity expansion in Thailand (sanitary ware). Property, plant and equipment with a carrying amount of €0.1 million was derecognised in the same period (previous year: €0.6 million). Depreciation amounted to €18.3 million (previous year: €18.9 million). The property of the former manufacturing plant in Lerma, Mexico with a carrying amount of €0.4 million was reclassified to "Non-current assets held for sale" (see note 8). As at the end of the reporting period, the Villeroy & Boch Group had obligations to acquire property, plant and equipment in the amount of €6.4 million (31 December 2012: €3.3 million).

2. Other financial assets

The reduction in this balance sheet item is primarily attributable to the scheduled repayment of a €1.2 million instalment of the loan extended to V&B Fliesen GmbH.

3. Inventories

As at the end of the reporting period, inventories were composed as follows:

in € million	**30 Sept. 2013**	31 Dec. 2012
Raw materials and supplies	21.3	21.2
Work in progress	16.2	14.9
Finished goods and goods for resale	126.2	114.8
Advance payments	0.1	0.0
Inventories (total)	**163.8**	**150.9**

In the period under review, impairment losses on inventories increased by €1.0 million to a total of €18.0 million.

4. Trade receivables

Trade receivables are broken down as follows:

by customer domicile in € million	**30 Sept. 2013**	31 Dec. 2012
Germany	28.9	19.3
Rest of euro zone	28.2	27.6
Rest of world	70.0	64.4
Gross carrying amount of trade receivables	127.1	111.3
Impairment losses	-3.2	-2.9
Trade receivables (total)	**123.9**	**108.4**

5. Deferred tax assets

Deferred tax assets increased by €17.1 million as at 1 January 2013 as a result of the new regulations set out in IAS 19 “Employee Benefits” (see notes 10 and 11). The figures for the previous year have been restated accordingly.

6. Other current and non-current assets

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

	30 Sept. 2013		31 Dec. 2012	
in € million	**current**	**non-current**	current	non-current
Tax receivables	6.5	-	5.8	-
Advance payments and deposits	2.5	0.0	2.2	0.1
Prepaid expenses	3.1	0.0	2.0	0.0
Change in fair value of cash flow hedges (a)	2.4	0.3	3.2	0.0
Miscellaneous assets (b)	17.3	-	7.4	-
Other assets (total)	**31.8**	**0.3**	**20.6**	**0.1**

(a) As at the end of the reporting period, €2.7 million was recognised for the marking to market of exchange rate hedges (31 December 2012: €3.2 million).

(b) The rise in miscellaneous assets mainly relates to the sale of plant property in Sweden.

7. Cash and cash equivalents

Cash and cash equivalents are composed as follows:

in € million	**30 Sept. 2013**	31 Dec. 2012
Cash on hand incl. cheques	0.4	0.4
Current bank balances and cash equivalents	26.1	54.9
Cash and cash equivalents (total)	**26.5**	**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 €16.4 million (31 December 2012: €20.6 million). Cash equivalents are partially covered by external guarantee systems.

8. Non-current assets held for sale

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

in € million	**30 Sept. 2013**	31 Dec. 2012
Property	4.1	6.1
Equity investments	3.7	3.7
Other	-	0.2
Total carrying amount	**7.8**	**10.0**

The sale of the former Frankfurt/Main branch was completed on 20 March 2013. The purchase price was €1.7 million higher than the carrying amount of €0.7 million.

The property of the former manufacturing plant in Lerma, Mexico, has been actively marketed since June 2013 in accordance with the disposal concept. The property, which has a carrying amount of €0.4 million, has been reclassified accordingly.

On 20 June 2013, the contracts for the gradual sale of the plant property in Gustavsberg, Sweden, were signed. The first tranche was settled in the third quarter of 2013 with income of €7.4 million. The remaining tranches will mainly be settled in the following year. Total income of around €17 million is anticipated from this transaction.

The rights to the brands of St. Thomas Creation LLC, USA, and the corresponding inventories were sold in the second quarter of 2013.

9. Valuation surplus

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

in € million	**30 Sept. 2013**	31 Dec. 2012	30 Sept. 2012
Items to be reclassified to profit or loss:			
● Currency translation of long-term loans classified as net investments in foreign operations	-0.5	0.2	0.9
● Currency translation of financial statements in foreign operations	12.2	10.6	5.2
● Change in fair value of cash flow hedges	1.2	2.0	1.2
● Deferred taxes for this category	-1.8	-0.8	-0.1
Sub-total (a)	**11.1**	**12.0**	**7.2**
Items not to be reclassified to profit or loss:			
● Actuarial gains on defined benefit plans (see note 10)	-59.8	-58.3	-35,9
● Deferred taxes for this category	17.6	17.1	10,6
Sub-total (b)	**-42.2**	**-41.2**	**-25,3**
Total valuation surplus [(a)+(b)]	**-31,1**	**-29.2**	**-18.1**

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 10). Taking into account deferred tax assets of €17.1 million, an amount of €-41.2 million was charged directly to the revaluation 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.

10. Provisions for pensions

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

in € million	**30 Sept. 2013**	31 Dec. 2012	30 Sept. 2012
Provisions for pensions - as reported -	136.6	136.6	137.7
● Adjustment taken directly to equity (a)	59.8	58.3	35.9
● Adjustment recognised in profit or loss (b)	-	0.0	0.0
● Service cost and interest cost for the 2013 reporting period	5.1	-	-
● Pension payments in the 2013 reporting period	-9.4	-	-
● Settlement of pension benefits in 2013 (c)	-5.3	-	-
Provisions for pensions (new)	**186.8**	**194.9**	**173.6**

(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 at 1 January 2013. This amount increased by €1.5 million to €59.8 million in the reporting period. The change in provisions for pensions is shown in the revaluation surplus (see note 9).

(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.

(c) The Villeroy & Boch Group settled pension benefits in Germany in the amount of €5.3 million by way of a settlement payment to employees.

11. 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 end of the respective reporting period. This change in accounting treatment had the following effects:

in € million	**30 Sept. 2013**	31 Dec. 2012	30 Sept. 2012
Provisions for partial retirement obligations - as reported -	7.7	7.7	7.6
● Adjustment taken directly to equity (a)	-0.6	-1.5	-1.5
● Addition to amounts earned recognised in profit or loss	0.2	0.9	0.7
● Service cost in the 2013 reporting period	0.4	-	-
● Partial retirement obligation payments in the 2013 reporting period	-2.1	-	-
Provisions for partial retirement obligations (new)	**5.6**	**7.1**	**6.8**
● *Deferred tax assets from conversion effect*	**0.1**	**0.2**	**0.2**

(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 at 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.

12. Other current provisions

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

13. Other current and non-current financial liabilities

A loan was reclassified to current financial liabilities on account of its remaining term.

14. Other current and non-current liabilities

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

	30 Sept. 2013		31 Dec. 2012	
in € million	**current**	**non-current**	current	non-current
Bonus liabilities to customers (a)	32.8	-	35.7	-
Staff liabilities (a)	25.2	1.2	20.3	1.2
Tax liabilities	11.4	-	9.7	-
Change in fair value of cash flow hedges (b)	1.3	0.2	1.2	0.0
Government grants	0.5	0.6	0.6	0.7
Advance payments received on orders	4.2	-	4.2	-
Other liabilities	5.9	1.6	2.2	1.5
Total carrying amount	**81.3**	**3.6**	**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

15. Revenue

Revenue is broken down as part of segment reporting.

16. Selling, marketing and development costs

The following expenses for research and development are included in the selling, marketing and development costs:

	2013		2012	
in € million	**Q1 - Q3**	**Q3**	Q1 - Q3	Q3
Bathroom and Wellness	-6.3	-2.2	-5.7	-2.2
Tableware	-2.9	-1.0	-3.2	-0.9
	-9.2	**-3.2**	**-8.9**	**-3.1**

17. Financial result

The financial result is broken down as follows:

	2013		2012	
in € million	**Q1 - Q3**	**Q3**	Q1 - Q3	Q3
Financial income	0.8	0.1	0.8	0.2
Financial expenses	-2.9	-0.9	-3.0	-1.0
Interest expenses for provisions (pensions)	-4.6	-1.3	-6.0	-1.9
	-6.7	**-2.1**	**-8.2**	**-2.7**

Other notes

18. 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 a 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.

19. 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.

20. 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 inclusively. A detailed description can be found in the Investor Relations section of the Company’s website at www.villeroy-boch.com.

21. 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 under certain conditions (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 or other instruments in accordance with section 25 WpHG or any voting rights in accordance with sections 21, 22 WpHG.

22. Events after the end of the reporting period

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

Mettlach, 17 October 2013

Frank Göring Andreas Pfeiffer Nicolas Luc Villeroy Jörg Wahlers

Financial calendar:

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

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 be downloaded at www.villeroy-boch.com.