Villeroy & Boch
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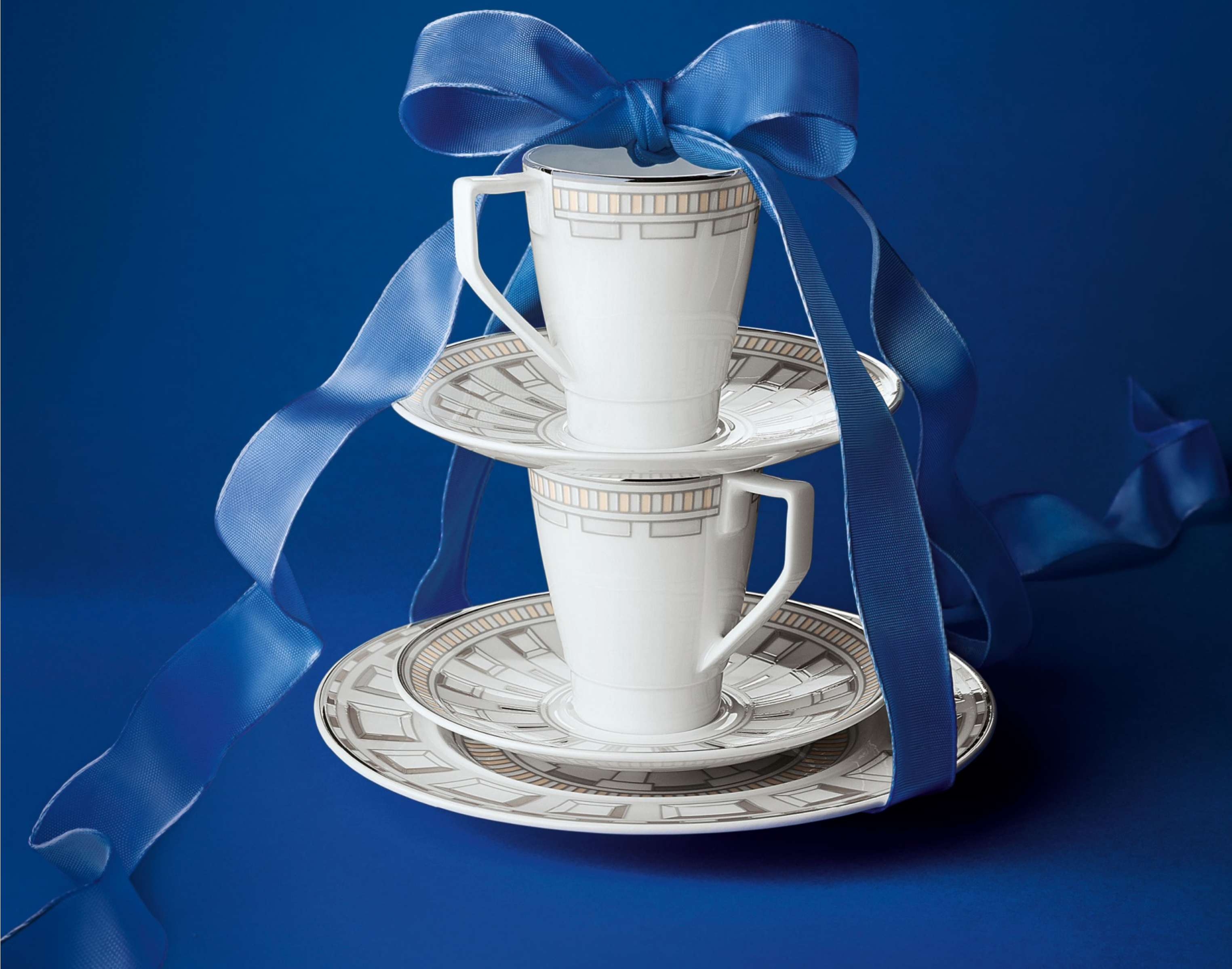

INTERIM REPORT
1 January to 30 September 2015

INTERIM REPORT
1 January to 30 September 2015

- Consolidated revenue up 3.5 % year-on-year to € 578.4 million.
- Operating EBIT climbs 5.5 % to € 21.1 million.
- Growth and earnings targets for 2015 as a whole confirmed.

THE GROUP AT A GLANCE	1/1/2015 - 30/9/2015 in € million	1/1/2014 - 30/9/2014 in € million	Change in € million	Change in %
Revenue (nominal)	**578.4**	558.8	19.6	3.5
Revenue – Germany	**166.0**	160.8	5.2	3.2
Revenue – Abroad	**412.4**	398.0	14.4	3.6
Revenue (on a constant currency basis)	**573.3**	558.8	14.5	2.6
EBIT (operating) before real estate project Sweden	**21.1**	20.0	1.1	5.5
EBIT incl. real estate project Sweden	**22.1**	23.2	-1.1	-4.7
EBT (earnings before taxes)	**17.9**	17.3	0.6	3.5
Group result	**12.5**	12.1	0.4	3.3
Return on net operating assets (rolling)	**12.8 %**	13.0 % *)	-	-
Investments	**16.3**	30.2	-13.9	-46.0
Employees (FTEs as at end of period)	7,350 FTE	7,326 FTE	24 FTE	0.3

*) 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 THIRD QUARTER 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 remained on a moderate growth path in the first nine months of 2015. Under the influence of growing economic uncertainty in China accompanied by the sustained weakness of the emerging economies, the impetus for positive overall economic development increasingly shifted to the developed economies.

For example, the USA continued to enjoy strong performance on the back of private consumption in particular. The euro zone also saw a sustained moderate upturn in economic development, although the individual member states again saw varied performance. While the economies of France and Italy remained weak, the upswing continued in Germany in particular. As previously, this was mainly attributable to private consumption, which benefited from the positive development of the employment market, real wage growth and low energy prices. Russia is still 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 extremely strong first half of the year, we closed the third quarter of 2015 with revenue growth of 2.6 %. We are reiterating our revenue and earnings forecast for the financial year as a whole on account of our high level of orders on hand in particular.

In the first nine months of 2015, we increased our net revenue (nominal) by 3.5 % year-on-year to € 578.4 million (on a constant currency basis: +2.6 %), with positive currency effects from the US dollar, the pound sterling and the Swiss franc more than offsetting the negative effects from the Russian rouble and the Swedish krona.

Orders on hand amounted to € 68.6 million as at 30 September 2015, a significant increase of € 17.2 million as against 1 January 2015. Of this figure, € 51.6 million related to the Bathroom and Wellness Division and € 17.0 million to the Tableware Division.

At the end of the third quarter of 2015, we increased our operating EBIT by € 1.1 million or 5.5 % to € 21.1 million. This was due to efficiency improvements in our production network and the optimisation of our revenue quality thanks to an improvement in the product and country mix. These effects are reflected in the gross margin, which improved by 0.2 percentage points to 44.4 %.

We sold a total of three properties to Värmdö municipality as part of our Gustavsberg (Sweden) real estate project in the period to 30 September 2015, thereby generating non-recurring income of € 1.0 million (previous year: € 3.2 million).
The lower level of non-recurring income from our Gustavsberg real estate project meant that total EBIT declined year-on-year to € 22.1 million (previous year: € 23.2 million). As previously, we assume that the total income from this property transaction will amount to around € 17 million. We had already realised € 12.8 million of this figure by 30 September 2015.

The rolling net operating assets of the Villeroy & Boch Group amounted to € 308.1 million at the end of the third quarter of 2015 (31 December 2014: € 295.0 million). This increase related primarily to property, plant and equipment and was attributable to investments in the Bathroom and Wellness Division. Accordingly, our rolling operating return on net assets declined slightly by 0.2 percentage points to 12.8 % compared with 31 December 2014.

Course of business and position of the divisions

Bathroom and Wellness

In the Bathroom and Wellness Division, we increased our revenue (nominal) by € 14.0 million or 3.9 % year-on-year to € 370.1 million in the first nine months of 2015. Revenue amounted to € 373.9 million on a constant currency basis, corresponding to an increase of 5.0 %. The main exchange rate effects were due to negative changes in the Russian rouble and the Swedish krona.

Revenue increased by 5.2 % in our home market of Germany.

Outside Germany, revenue growth was recorded in the United Kingdom (+24.4 %), the Gulf States (+23.0 %) and the Netherlands (+12.9 %) in particular. By contrast, revenue in France (-7.6 %) and Italy (-6.7 %) continued to decline as a result of the difficult economic conditions in the period under review, although these markets stabilised in the third quarter.

Meanwhile, Russia is seeing the opposite development – while we recorded revenue growth in the first nine months of 2015 (+13.3 %), revenue has fallen since the start of the third quarter of 2015 due to the continued difficult political and economic situation in the country.

Our successful ceramic product concepts are the main reason for our encouraging revenue growth. Particular highlights included the strong demand for our DirectFlush rimless toilets, the launch of the new Mainstream series and the strong performance of the ViClean shower toilets.

With an operating result (EBIT) of € 24.3 million, the Bathroom and Wellness Division exceeded the prior-year figure by € 0.9 million or 3.9 %.

This 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 significantly increased its rolling operating return on net assets to 17.5 % (31 December 2014: 15.8 %). The operating net assets employed in the division increased by € 12.5 million as against 31 December 2014 to € 213.7 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, as well as our new combined heat and power plant at the Mettlach site.

Tableware

Revenue (nominal) in the Tableware Division increased by € 5.6 million or 2.8 % to € 208.3 million in the first nine months of 2015. At € 199.4 million, revenue on a constant currency basis was down 1.6 % on the previous year. 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 significant nominal revenue growth in Japan (+31.6 %), Norway (+26.1 %), Canada (+18.8 %) and Australia (+9.3 %) in particular. Russia saw a particularly pronounced downturn in revenue (-46.3 %), with the economic crisis leading to a further reduction in demand for consumer goods. Lower revenue was also recorded in Sweden (-15.8 %), Austria (-14.5 %) and Italy (-5.2 %) in particular.

The operating result (EBIT) in the Tableware Division improved by € 0.2 million year-on-year to € -3.2 million (previous year: € -3.4 million).

The rolling operating net assets of the Tableware Division amounted to € 94.4 million as of 30 September 2015, a slight increase as against 31 December 2014 (€ 93.8 million). The return on net assets declined by 2.5 percentage points to 10.9 % in the same period.

Capital structure

Our equity declined by € 2.0 million as against 31 December 2014 to € 142.4 million. As the Group result of € 12.5 million is slightly higher than the dividend payment for 2014 (€ 10.9 million), the reduction in our equity is primarily attributable to exchange rate effects taken directly to equity.

At 22.8 %, our equity ratio at the latest balance sheet date was therefore down slightly as against 31 December 2014 (23.2 %).

Investments

We made investments totalling € 16.3 million in the first nine months of 2015 (previous year: € 30.2 million). The Bathroom and Wellness Division accounted for € 11.9 million or 73.0 % of the investment volume, with the remaining € 4.4 million or 27.0 % 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, Romania, Hungary and Thailand. The high prior-year figure was due in particular to investments in our new assembly and logistics centre in Sweden and our new combined heat and power plant at the Mettlach site.

In the Tableware Division, we invested mainly in our own retail stores. On the production side, a new press and new tools were purchased.

As at the end of the reporting period, the Group had obligations to acquire property, plant and equipment in the amount of € 5.7 million. These acquisitions will be financed from operating cash flow.

We are continuing to forecast an investment volume of around € 30 million for 2015 as a whole.

Net liquidity

Our net liquidity amounted to € -20.8 million at 30 September 2015, down € 4.4 million as against 30 September 2014. Net liquidity was € 36.6 million lower than on 31 December 2014. The main reasons for this seasonal decline are the temporary build-up of inventories and the dividend payment.

Structure of the statement of financial position

Total assets amounted to € 624.2 million at the end of the reporting period compared with € 623.1 million at 31 December 2014. The lower level of investment compared with depreciation and amortisation meant that the share of total assets attributable to non-current assets declined by 1.0 % to 35.7 %.

Current assets increased by € 6.3 million as against 31 December 2014. This was due primarily to an increase in trade receivables as a result of revenue development and the higher level of inventories due to seasonal factors, which were partially offset by a reduction in cash and cash equivalents. On the liability side of the statement of financial position, the main change compared with year-end 2014 was the increase in trade payables. The conclusion of long-term follow-up financing also meant the reclassification to long-term financial liabilities of a bank loan that was previously classified as short-term.

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 nine months of 2015, we are still anticipating moderate economic growth for the year as a whole.

Although the short-term outlook for the development of the global economy deteriorated in autumn 2015 as a result of the weak development of the emerging economies, and particularly China, this is expected to be offset by positive development in the USA and the euro zone. While this positive trend was reinforced in most of the euro zone nations, we expect our important sales markets of France and Italy to continue to see comparatively low growth due to the sustained weakness of the construction industry in particular.

We are continuing to keep a critical eye on the economic crisis in Russia and the economic slowdown in China.

In light of the course of business in the first nine months and taking into account all of the available market 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 are still forecasting above-average growth in the operating result, i.e. an improvement of more than 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.

Mettlach, 15 October 2015

Frank Göring

Nicolas Luc Villeroy

Andreas Pfeiffer

Dr Markus Warncke

CONSOLIDATED BALANCE SHEET

as of 30 September 2015

in € million

Assets	Notes	30/09/2015	31/12/2014
Non-current assets			
Intangible assets		36.8	36.8
Property, plant and equipment	1	155.3	160.2
Investment property		11.6	12.2
Investment accounted for using the equity method		1.5	1.8
Other financial assets		17.7	17.5
		222.9	**228.5**
Other non-current assets	4	1.8	1.0
Deferred tax assets		53.1	53.5
		277.8	**283.0**
Current assets			
Inventories	2	159.2	139.6
Trade receivables	3	122.1	108.9
Other current assets	4	27.0	21.3
Income tax receivables		5.8	2.3
Cash and cash equivalents	5	31.3	66.8
		345.4	**338.9**
Non-current asset held for sale		**1.0**	**1.2**
Total assets		**624.2**	**623.1**

Equity and Liabilities	Notes	30/09/2015	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		-49.8	-51.5
Revaluation surplus	6	-58.4	-54.7
		142.3	**144.3**
Equity attributable to minority interests		**0.1**	**0.1**
Total equity		**142.4**	**144.4**
Non-current liabilities			
Provisions for pensions		207.2	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	50.0	25.0
Other non-current liabilities	9	3.3	2.4
Deferred tax liabilities		12.9	9.8
		290.0	**266.1**
Current liabilities			
Current provisions for personnel	7	12.1	13.4
Other current provisions		18.7	19.4
Current financial liabilities	8	2.1	26.0
Other current liabilities	9	80.0	80.1
Trade payables		76.0	70.4
Income tax liabilities		2.9	3.3
		191.8	**212.6**
Total liabilities		**481.8**	**478.7**
Total equity and liabilities		**624.2**	**623.1**

CONSOLIDATED INCOME STATEMENT

for the period 1 January to 30 September 2015

in € million

	Notes	1/1/2015 - 30/9/2015	1/1/2014 - 30/9/2014
Revenue	10	**578.4**	**558.8**
Costs of sales		-321.9	-311.9
Gross profit		**256.5**	**246.9**
Selling, marketing and development costs	11	-200.4	-190.6
General administrative expenses		-33.6	-33.8
Other operating income and expenses		-0.6	0.5
Result of associates accounted for using the equity method		0.2	0.2
Operating result (EBIT)		**22.1**	**23.2**
(Operating result before real estate project Gustavsberg)		**(21.1)**	**(20.0)**
Financial result	12	**-4.2**	**-5.9**
Earnings before taxes		**17.9**	**17.3**
Income taxes		-5.4	-5.2
Group result		**12.5**	**12.1**
Thereof attributable to:			
Villeroy & Boch AG shareholders		12.5	12.1
Minority interests		0.0	0.0
		12.5	**12.1**
EARNINGS PER SHARE		**in €**	**in €**
Earnings per ordinary share		0.45	0.43
Earnings per preference share		0.50	0.48

During the reporting period there were no share dilution effects.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the period 1 January to 30 September 2015

in € million

		1/1/2015 - 30/9/2015	1/1/2014 - 30/9/2014
Group result		**12.5**	**12.1**
Other comprehensive income			
Items to be reclassified to profit or loss:			
Gains or losses on cash flow hedge		0.1	-0.4
Gains or losses on translations of exchange differences		-2.6	-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		-1.0	-0.5
Items not to be reclassified to profit or loss:			
Actuarial gains or losses on defined benefit plans		-0.2	-0.2
Deferred income tax effect on items not to be reclassified to profit or loss		0.1	0.1
Total other comprehensive income		**-3.6**	**-3.2**
Total comprehensive income net of tax		**8.9**	**8.9**
Thereof attributable to:			
Villeroy & Boch AG shareholders		8.9	8.9
Minority interests		0.0	0.0
Total comprehensive income net of tax		**8.9**	**8.9**

CONSOLIDATED INCOME STATEMENT

for the period 1 July to 30 September 2015

in € million

	Notes	1/7/2015 - 30/9/2015	1/7/2014 - 30/9/2014
Revenue	10	**191.5**	**186.7**
Costs of sales		-109.2	-106.2
Gross profit		**82.3**	**80.5**
Selling, marketing and development costs	11	-65.7	-63.1
General administrative expenses		-10.5	-10.7
Other operating income and expenses		-0.7	1.8
Result of associates accounted for using the equity method		0.0	0.1
Operating result (EBIT)		**5.4**	**8.6**
(Operating result before real estate project Gustavsberg)		**(5.4)**	**(6.5)**
Financial result	12	**-1.5**	**-1.8**
Earnings before taxes		**3.9**	**6.8**
Income taxes		-1.2	-2.1
Group result		**2.7**	**4.7**
Thereof attributable to:			
Villeroy & Boch AG shareholders		2.7	4.7
Minority interests		0.0	0.0
		2.7	**4.7**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the period 1 July to 30 September 2015

in € million

		1/7/2015 - 30/9/2015	1/7/2014 - 30/9/2014
Group result		**2.7**	**4.7**
Other comprehensive income			
Items to be reclassified to profit or loss:			
Gains or losses on cash flow hedge		1.0	0.2
Gains or losses on translations of exchange differences		-2.5	0.0
Gains or losses on value changes of securities		0.0	-
Deferred income tax effect on items to be reclassified to profit or loss		-0.2	0.0
Items not to be reclassified to profit or loss:			
Actuarial gains or losses on defined benefit plans		0.3	-0.1
Deferred income tax effect on items not to be reclassified to profit or loss		0.0	-0.1
Total other comprehensive income		**-1.4**	**0.0**
Total comprehensive income net of tax		**1.3**	**4.8**
Thereof attributable to:			
Villeroy & Boch AG shareholders		1.3	4.8
Minority interests		0.0	0.0
Total comprehensive income net of tax		**1.3**	**4.8**

CONSOLIDATED STATEMENT OF EQUITY

for the period 1 January to 30 September 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				12.1		12.1	0.0	12.1
Other comprehensive income				-6.1	2.9	-3.2		-3.2
Total comprehensive income net of tax				**6.0**	**2.9**	**8.9**	**0.0**	**8.9**
Dividend payments				-10.4		-10.4		-10.4
As of 30/9/2014	**71.9**	**193.6**	**-15.0**	**-61.8**	**-29.9**	**158.8**	**0.1**	**158.9**
As of 1/1/2015	**71.9**	**193.6**	**-15.0**	**-51.5**	**-54.7**	**144.3**	**0.1**	**144.4**
Group result				12.5		12.5	0.0	12.5
Other comprehensive income				0.1	-3.7	-3.6		-3.6
Total comprehensive income net of tax				**12.6**	**-3.7**	**8.9**	**0.0**	**8.9**
Dividend payments				-10.9		-10.9		-10.9
As of 30/9/2015	**71.9**	**193.6**	**-15.0**	**-49.8**	**-58.4**	**142.3**	**0.1**	**142.4**

CONSOLIDATED CASH FLOW STATEMENT

for the period 1 January to 30 September 2015

in € million

	1/1/2015 - 30/9/2015	1/1/2014 - 30/9/2014
Group result	12.5	12.1
Depreciation of non-current assets	20.6	19.8
Change in non-current provisions	-8.1	-10.5
Profit from disposal of fixed assets	0.1	-1.1
Change in inventories, receivables and other assets	-43.1	-32.8
Change in liabilities, current provisions and other liabilities	1.9	13.5
Other non-cash income/expenses	5.7	2.9
Cash Flow from operating activities	**-10.4**	**3.9**
Purchase of intangible assets, property, plant and equipment	-16.3	-30.2
Investment in non-current financial assets	-0.7	-0.8
Cash receipts from disposals of Gustavsberg´s assets	0.0	4.8
Cash receipts from disposals of fixed assets	1.8	7.1
Cash Flow from investing activities	**-15.2**	**-19.1**
Change in financial liabilities	1.0	-0.6
Dividend payments	-10.9	-10.4
Cash Flow from financing activities	**-9.9**	**-11.0**
Sum of cash flows	**-35.5**	**-26.2**
Balance of cash and cash equivalents as at 1/1/	66.8	60.3
Net increase in cash and cash equivalents	-35.5	-26.2
Balance of cash and cash equivalents as at 30/9/	**31.3**	**34.1**

CONSOLIDATED SEGMENT REPORT

for the period 1 January to 30 September 2015

in € million

	Bathroom & Wellness		Tableware		Transition / Other		Villeroy & Boch-Group	
	1/1/2015 - 30/9/2015	1/1/2014 - 30/9/2014	1/1/2015 - 30/9/2015	1/1/2014 - 30/9/2014	1/1/2015 - 30/9/2015	1/1/2014 - 30/9/2014	1/1/2015 - 30/9/2015	1/1/2014 - 30/9/2014
Revenue								
Segment revenue from sales to external customers	370.1	356.1	208.3	202.7	0.0	0.0	578.4	558.8
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	24.3	23.4	-3.2	-3.4	-	-	21.1	20.0
Real estate project Gustavsberg					1.0	3.2	1.0	3.2
Financial result	-	-	-	-	-4.2	-5.9	-4.2	-5.9
Investments and depreciations								
Investments	11.9	26.3	4.4	3.9	-	-	16.3	30.2
Scheduled depreciation	13.6	12.8	7.0	7.0	-	-	20.6	19.8
Assets and Liabilities	30/09/2015	31/12/2014	30/09/2015	31/12/2014	30/09/2015	31/12/2014	30/09/2015	31/12/2014
Segment assets	333.2	311.9	144.9	133.2	146.1	178.0	624.2	623.1
Segment liabilities	128.6	121.8	42.0	43.7	311.2	313.2	481.8	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	30/09/2015	31/12/2014	30/09/2015	31/12/2014	30/09/2015	31/12/2014	30/09/2015	31/12/2014
Rolling operating assets	328.5	309.7	136.6	136.0	-	-	465.1	445.7
Rolling operating liabilities	114.8	108.5	42.2	42.2	-	-	157.0	150.7
Rolling net operation assets	213.7	201.2	94.4	93.8	-	-	308.1	295.0
Rolling operating result (EBIT) *								
Rolling operating result (EBIT) *	37.3	31.8	10.3	12.6	-8.1	-6.0	39.4	38.4

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

CONSOLIDATED SEGMENT REPORT

for the period 1 July to 30 September 2015

in € million

	Bathroom & Wellness		Tableware		Transition / Other		Villeroy & Boch-Group	
	1/7/2015 - 30/9/2015	1/7/2014 - 30/9/2014	1/7/2015 - 30/9/2015	1/7/2014 - 30/9/2014	1/7/2015 - 30/9/2015	1/7/2014 - 30/9/2014	1/7/2015 - 30/9/2015	1/7/2014 - 30/9/2014
Revenue								
Segment revenue from sales to external customers	117.1	113.6	74.4	73.1	0.0	0.0	191.5	186.7
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	4.9	5.4	0.5	1.1	-	-	5.4	6.5
Real estate project Gustavsberg					0.0	2.1	0.0	2.1
Financial result	-	-	-	-	-1.5	-1.8	-1.5	-1.8
Investments and depreciations								
Investments	6.1	13.2	2.7	1.5	-	-	8.8	14.7
Scheduled depreciation	4.5	4.2	2.3	2.3	-	-	6.8	6.5

NOTES TO THE INTERIM FINANCIAL STATEMENTS OF THE VILLEROY & BOCH GROUP FOR THE THIRD QUARTER 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 the MSCI Germany Small Cap Index, among other things. Until 21 September 2015, our preference shares were also listed in the SDAX operated by Deutsche Börse AG. This interim report covers the period from 1 January to 30 September 2015. It was approved for publication on 15 October 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 54 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. The inactive company Proiberian SL, Barcelona, Spain, was liquidated with retrospective effect from 27 May 2015.

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

The General Meeting of Shareholders on 27 March 2015 resolved 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 € 15.3 million (previous year: € 29.4 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), Lugoj (Romania), Hódmezövásárhely (Hungary) and Saraburi (Thailand). In the Tableware Division, investment activity concentrated on new retail stores in locations including Toulouse (France), Singapore, Vienna (Austria), Mühlheim (Germany), Cookstown (Canada) and Warsaw (Poland). Investments in tableware production in Merzig focused on new presses and pressing tools. Depreciation amounted to € 19.6 million (previous year: € 17.9 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 € 5.7 million (31 December 2014: € 1.5 million).

2. Inventories

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

in € million	30/9/2015	31/12/2014
Raw materials and supplies	20.3	19.4
Work in progress	16.0	13.1
Finished goods and goods for resale	122.9	107.1
Advance payments	0.0	0.0
Inventories (total)	**159.2**	**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	30/9/2015	31/12/2014
Germany	31.0	21.4
Rest of euro zone	27.2	26.8
Rest of world	66.4	62.8
Gross carrying amount of trade receivables	124.6	111.0
Impairment losses	-2.5	-2.1
Trade receivables (total)	**122.1**	**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	30/9/2015		31/12/2014	
	current	non-current	current	non-current
Other tax receivables	8.9	-	8.0	-
Fair value changes of hedging instruments (a)	3.5	0.7	2.7	-
Prepaid expenses	3.1	0.0	2.2	0.0
Advance payments and deposits	2.0	1.1	1.8	1.0
Miscellaneous assets	9.5	-	6.6	-
Other assets (total)	**27.0**	**1.8**	**21.3**	**1.0**

(a) As at the end of the reporting period, € 4.2 million was recognised for the marking to market of exchange rate hedges (31 December 2014: € 2.5 million) and € 0.0 million for commodities hedges (31 December 2014: € 0.2 million).

5. Cash and cash equivalents

Cash and cash equivalents are composed as follows:

in € million	30/9/2015	31/12/2014
Cash on hand incl. cheques	0.3	0.3
Current bank balances	5.1	22.4
Cash equivalents	25.9	44.1
Cash and cash equivalents (total)	**31.3**	**66.8**

The decrease in cash and cash equivalents is primarily attributable to the dividend payment for 2014 and seasonal effects such as the increase in our inventories and trade receivables and the payment of customer bonuses and variable remuneration for 2014. Bank balances were offset against matching liabilities in the amount of € 15.4 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	30/9/2015	31/12/2014
Items to be reclassified to profit or loss:		
❙ Currency translation of financial statements in foreign group companies	12.6	14.6
❙ Currency translation of long-term loans classified as net investments in foreign operations	-2.0	-1.3
❙ Change in fair value of cash flow hedges	1.7	1.6
❙ Change in fair value of securities	-0.0	0.0
❙ Deferred taxes for this category	-3.7	-2.7
Sub-total (a)	**8.6**	**12.2**

in € million	30/9/2015	31/12/2014
Items not to be reclassified to profit or loss:		
▌Actuarial gains and losses on defined benefit obligations	-94.8	-94,6
▌Deferred taxes for this category	27.8	27,7
Sub-total (b)	**-67.0**	**-66,9**
Total revaluation surplus [(a)+(b)]	**-58,4**	**-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

Non-current financial liabilities increased by € 25.0 million due to the agreement of a new long-term bank loan. Current financial liabilities declined by the same amount.

9. Other current and non-current liabilities

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

in € million	30/9/2015		31/12/2014	
	current	non-current	current	non-current
Bonus liabilities	34.1	-	34.8	-
Personnel liabilities	23.9	0.2	20.4	0.4
Other tax liabilities	10.2	-	10.6	-
Advance payments received on orders	3.0	-	3.9	-
Fair value changes of hedging instruments *	2.1	0.8	1.1	-
Government grants	0.7	0.5	0.8	0.5
Miscellaneous liabilities	6.0	1.8	8.5	1.5
Other liabilities (total)	**80.0**	**3.3**	**80.1**	**2.4**

* 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	
	Q1-3	Q3	Q1-3	Q3
Bathroom and Wellness	-7.9	-2.5	-7.1	-2.7
Tableware	-3.0	-1.1	-2.9	-1.0
Research and development costs (total)	**-10.9**	**-3.6**	**-10.0**	**-3.7**

12. Financial result

The financial result is broken down as follows:

in € million	2015		2014	
	Q1-3	Q3	Q1-3	Q3
Financial income	1.1	0.3	1.0	0.4
Finance expenses	-2.5	-0.8	-2.6	-0.8
Interest expenses for provisions (pensions)	-2.8	-1.0	-4.3	-1.4
Total net finance expense	**-4.2**	**-1.5**	**-5.9**	**-1.8**

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.

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 October 2015

Frank Göring	Nicolas Luc Villeroy
Andreas Pfeiffer	Dr Markus Warncke

FINANCIAL CALENDAR

11 February 2016	Annual press conference for the 2015 financial year
1 April 2016	General Meeting of Shareholders of Villeroy & Boch AG
20 April 2016	Report on the first three months of 2016

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.