



Villeroy & Boch

1748



INTERIM REPORT
1 January to 30 June 2016

INTERIM REPORT

1 January to 30 June 2016

- Consolidated revenue up 3.0 % year-on-year to € 398.6 million.
- More dynamic revenue growth in the second quarter (+4.4 %).
- Operating EBIT improves by 7.0 % to € 16.8 million.
- Growth and earnings targets for 2016 as a whole confirmed.

THE GROUP AT A GLANCE	1/1/2016 - 30/6/2016	1/1/2015 - 30/6/2015	Change	Change
	in € million	in € million	in € million	in %
Revenue (nominal)	398.6	386.9	11.7	3.0
Revenue – Germany	118.4	110.1	8.3	7.5
Revenue – Abroad	280.2	276.8	3.4	1.2
Revenue (on a constant currency basis)	403.9	386.9	17.0	4.4
Operating EBIT	16.8	15.7	1.1	7.0
EBT (Earnings before taxes)	14.1	14.0	0.1	0.7
Group result	9.9	9.8	0.1	1.0
Return on net operating assets (rolling)	14.1 %	13.6 % *	-	-
Investments	7.4	7.5	-0.1	-1.3
Employees (FTEs as at end of period)	7,374 FTE	7,320 FTE	54 FTE	0.7

* Return on net assets as at 31 December 2015

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

ISIN: DE0007657207, DE0007657231
 Villeroy & Boch AG • 66688 Mettlach • Germany
 Tel.: +49 6864 81-2715 • Fax: +49 6864 81-72715
 Internet: <http://www.villeroyboch-group.com>

INTERIM MANAGEMENT REPORT OF THE VILLEROY & BOCH GROUP FOR THE FIRST HALF YEAR OF 2016

GENERAL CONDITIONS OF THE GROUP

The basic information on the Group as presented in the 2015 Group management report remains unchanged. Information on changes in the consolidated group and on 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

Following a weak start to the year, the global economy has picked up pace somewhat recently.

In Europe, various political debates – particularly the referendum on the United Kingdom's withdrawal from the EU and the disagreement among the member states with regard to how to handle the refugee crisis – have led to growing macroeconomic uncertainty. In the year to date, however, the euro zone economy has proven to be largely robust on the whole thanks to strong domestic demand. The German economy has seen stable growth, benefiting from faster growth in employment and rising wages. In addition to private consumption, these two factors also stimulated residential construction investment, which has been further boosted by the sustained low level of interest rates. While the economic upturn in Spain continued, growth rates in France and Italy remain below-average.

The US economy saw moderate development, while the pace of expansion in China slowed. The recession in Russia persisted.

Course of business and position of the Villeroy & Boch Group

The Management Board of Villeroy & Boch AG considers the economic position of the Group to be positive.

In the first half of the year, we increased consolidated revenue (nominal) by 3.0 % year-on-year

to € 398.6 million. On a constant currency basis, i.e. assuming unchanged exchange rates against the previous year, we recorded revenue growth of 4.4 %. Negative exchange rate effects, driven in particular by the Russian rouble, the Norwegian krone and the Mexican peso, could not be fully compensated by positive effects from the Swedish krona and the US dollar.

Orders on hand amounted to € 94.5 million as at 30 June 2016, a significant increase of € 31.2 million as against 1 January 2016. Of this figure, € 71.4 million related to the Bathroom and Wellness Division and € 23.1 million to the Tableware Division.

Thanks to the good revenue performance in the first half of the year – especially the dynamic growth in the second quarter (+4.4 %) – and with a view to our substantial orders on hand, we are reiterating our revenue and earnings forecast for 2016 as a whole.

As at the end of the first half of 2016, we increased our operating EBIT by € 1.1 million or 7.0 % to € 16.8 million on the back of the particularly strong business performance in the second quarter in particular.

EBIT for the previous year (€ 16.7 million) contained non-recurring income of € 1.0 million in connection with the property project in Gustavsberg (Sweden). We expect to generate similar non-recurring income in the course of the second half of 2016.

Further information on revenue and earnings development in the two divisions can be found in the following discussion.

The rolling net operating assets of the Villeroy & Boch Group amounted to € 306.4 million at the end of the first half (31 December 2015: € 310.6 million). Our rolling return on net operating assets amounted to 14.1 %, an improvement of 0.5 percentage points compared with 31 December 2015.

Course of business and position of the divisions

Bathroom and Wellness

We generated revenue (nominal) of € 269.1 million in the Bathroom and Wellness Division in the first half of 2016, an increase of 6.4 % as against the previous year. On a constant currency basis, revenue growth was even stronger at 8.2 %. The exchange rate effects were mainly due to the weak development of the Russian rouble, the Norwegian krone and the Mexican peso.

We achieved outstanding revenue growth of 12.6 % in our important home market of Germany. Elsewhere in Europe, we also recorded particularly strong revenue growth in the United Kingdom (+12.2 %), Sweden (+10.1 %) and the Benelux nations (+8.6 %). Another encouraging development was the upturn of 2.3 % in France following comparatively weak revenue performance in the previous year. By contrast, the sustained weakness of the construction industry in Italy led to falling revenue (-8.7 %).

In China, we increased our revenue by a substantial 32.9 % year-on-year in the first six months of 2016. However, revenue in Russia declined by -24.8 % as a result of the continued weakness of the rouble and the sustained difficult economic conditions in the country.

Thanks to its strong revenue performance, particularly in the second quarter of 2016, the Bathroom and Wellness Division increased its operating result (EBIT) by € 1.6 million or 8.2 % year-on-year to € 21.0 million.

The rolling return on net operating assets rose to 19.9 % (31 December 2015: 19.2 %). The operating net assets employed in the division amounted to € 214.7 million, down € 0.6 million compared with 31 December 2015.

Tableware

We generated revenue (nominal) of € 129.5 million in the Tableware Division in the first half of 2016. Although this was down 3.2 % on the same period of the previous year, the prior-year figure already included additional revenue from our hotel and secondary brand business,

whereas we are not expecting to see comparable income until the second half of the current financial year. The downturn in revenue in the Tableware Division amounted to -2.8 % on a constant currency basis, with the Australian dollar and the pound sterling accounting for the main exchange rate effects.

Revenue in Germany was down 2.3 % year-on-year, whereas we recorded growth in other major markets including Benelux (+5.2 %) and France (+1.1 %). In Eastern Europe, we recorded revenue growth of 6.5 % compared with the previous year, thanks in particular to a catch-up effect in Russia (+32.8 %). Another notable upturn in revenue was recorded in China (+89.9 %), whereas revenue declined in the USA (-8.7 %), the United Kingdom (-6.6 %) and Italy (-5.5 %).

Our own e-commerce business is an increasingly important factor in the division's success, again recording strong growth of +11.9 % across all sales markets.

The operating result in the Tableware Division declined by € 0.5 million year-on-year to € -4.2 million (previous year: € -3.7 million).

The rolling net operating assets of the Tableware Division amounted to € 91.7 million as of 30 June 2016, down on the figure of € 95.3 million as of 31 December 2015. The return on net operating assets declined by 0.1 percentage points as against 31 December 2015, amounting to 8.9 % at the reporting date.

Capital structure

Our equity declined by € 3.2 million as against 31 December 2015 to € 162.1 million. This was attributable primarily to the dividend payment of € 12.2 million, which was only partially offset by the Group result of € 9.9 million in the first half of 2016.

As a result, our equity ratio of 25.8 % at the reporting date was down slightly compared with 31 December 2015 (26.0 %) but significantly higher than at the same point of the previous year (23.4 %).

Investments

We made investments totalling € 7.4 million in the first half of 2016 (previous year: € 7.5 million). The Bathroom and Wellness Division accounted for € 5.4 million or 73.0 % of the investment volume, with the remaining € 2.0 million or 27.0 % attributable to the Tableware Division.

Investments in the Bathroom and Wellness Division related primarily to new facilities and modernisation measures at our production sites, especially in Germany, Hungary and Thailand.

In the Tableware Division, we acquired new facilities for the Merzig plant and invested in the expansion and optimisation of our retail activities, including the opening of new stores in Finland and Denmark.

At the reporting date, the Group had obligations to acquire property, plant and equipment and intangible assets in the amount of € 6.8 million. Our investments are financed from operating cash flow.

We are continuing to forecast an investment volume of more than € 30 million for 2016 as a whole.

Net liquidity

Our net liquidity amounted to € 5.8 million at 30 June 2016, up significantly as against 30 June 2015 (€ -20.7 million). Compared with 31 December 2015 (€ 15.0 million), net liquidity declined by € 9.2 million. This seasonal reduction was attributable primarily to the dividend payment.

Structure of the statement of financial position

Total assets amounted to € 627.3 million at the end of the first half of 2016 compared with € 636.6 million as of 31 December 2015. The share of total assets attributable to non-current assets declined by 1.5 percentage points to 33.7 %, largely as a result of the lower level of investment compared with depreciation and amortisation as well as the repayment of a long-term loan receivable.

Current assets fell by € 1.7 million as against 31 December 2015. This was due primarily to

the reduction in cash and cash equivalents and receivables from customers, which was partially offset by a seasonal increase in inventories and a higher level of income tax receivables and other current assets. On the equity and liabilities side of the statement of financial position, the main changes compared with year-end 2015 related to the reduction in other current liabilities, current provisions for personnel and provisions for pensions.

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 2015 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 six months of 2016, we are still anticipating moderate overall macro-economic momentum for the year as a whole.

Although growth forecasts in Europe have deteriorated tangibly as a result of the referendum on the United Kingdom's withdrawal from the European Union, it is not yet possible to predict the direct consequences for the real economy. As such, the moderate economic recovery in the euro zone is likely to continue in the coming quarters, particularly as a result of strong domestic demand. While consumer spending in the USA is expected to continue to rise, the ongoing recession in Russia means that the market environment in that country will remain difficult.

In light of the course of business in the first half of the year 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 6 % for the 2016 financial year as a whole. We are still anticipating growth in the operating result of 5-10 %. Our return on

net operating assets in 2016 is expected to be slightly higher than the prior-year level of 13.6 %. This means that we are unreservedly confirming the forecasts made in the 2015 Group management report.

COMBINED RESPONSIBILITY STATEMENT

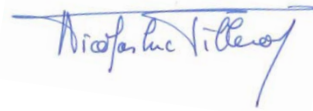
To the best of our knowledge, and in accordance with the applicable reporting principles for interim financial reporting, the interim consolidated financial statements give a true and fair view of the net assets, financial position and

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, 14 July 2016



Frank Göring



Nicolas Luc Villeroy



Andreas Pfeiffer



Dr. Markus Warncke

CONSOLIDATED BALANCE SHEET

as of 30 June 2016

in € million

Assets	Notes	30/6/2016	31/12/2015
Non-current assets			
Intangible assets		36.3	37.1
Property, plant and equipment	1	153.8	161.2
Investment property	7	9.3	11.4
Investment accounted for using the equity method		1.4	1.5
Other financial assets	2	10.4	12.8
		211.2	224.0
Other non-current assets	5	1.7	1.3
Deferred tax assets		50.4	47.2
		263.3	272.5
Current assets			
Inventories	3	156.9	151.3
Trade receivables	4	115.6	119.9
Other current assets	5	26.5	24.3
Income tax receivables		6.9	2.6
Cash and cash equivalents	6	56.1	65.6
		362.0	363.7
Non-current asset held for sale	7	2.0	0.4
Total assets		627.3	636.6
Equity and Liabilities			
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		-23.1	-20.8
Revaluation surplus	8	-65.4	-64.5
		162.0	165.2
Equity attributable to minority interests		0.1	0.1
Total equity		162.1	165.3
Non-current liabilities			
Provisions for pensions		189.3	192.7
Non-current provisions for personnel	9	17.1	16.3
Other non-current provisions		2.9	2.4
Non-current financial liabilities		50.0	50.0
Other non-current liabilities	10	3.0	3.3
Deferred tax liabilities		11.9	10.2
		274.2	274.9
Current liabilities			
Current provisions for personnel	9	11.1	14.9
Other current provisions		18.8	18.0
Current financial liabilities		0.3	0.6
Other current liabilities	10	75.5	81.4
Trade payables		77.1	77.8
Income tax liabilities		8.2	3.7
		191.0	196.4
Total liabilities		465.2	471.3
Total equity and liabilities		627.3	636.6

CONSOLIDATED INCOME STATEMENT

for the period 1 January to 30 June 2016

in € million

	Notes	1/1/2016 - 30/6/2016	1/1/2015 - 30/6/2015
Revenue	11	398.6	386.9
Costs of sales		-223.7	-212.7
Gross profit		174.9	174.2
Selling, marketing and development costs	12	-135.5	-134.7
General administrative expenses		-22.3	-23.1
Other operating income and expenses		-0.4	0.1
Result of associates accounted for using the equity method		0.1	0.2
Operating result (EBIT)		16.8	16.7
Financial result	13	-2.7	-2.7
Earnings before taxes		14.1	14.0
Income taxes	14	-4.2	-4.2
Group result		9.9	9.8
Thereof attributable to:			
■ Villeroy & Boch AG shareholders		9.9	9.8
■ Minority interests		0.0	0.0
		9.9	9.8
EARNINGS PER SHARE		in €	in €
■ Earnings per ordinary share		0.35	0.35
■ Earnings per preference share		0.40	0.40

During the reporting period there were no share dilution effects.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the period 1 January to 30 June 2016

in € million

	1/1/2016 - 30/6/2016	1/1/2015 - 30/6/2015
Group result	9.9	9.8
Other comprehensive income		
Items to be reclassified to profit or loss:		
■ Gains or losses on cash flow hedge	1.4	-0.9
■ Gains or losses on translations of exchange differences	-1.3	-0.1
■ Deferred income tax effect on items to be reclassified to profit or loss	-1.0	-0.8
Items not to be reclassified to profit or loss:		
■ Actuarial gains or losses on defined benefit plans	0.0	-0.5
■ Deferred income tax effect on items not to be reclassified to profit or loss	0.0	0.1
Total other comprehensive income	-0.9	-2.2
Total comprehensive income net of tax	9.0	7.6
Thereof attributable to:		
■ Villeroy & Boch AG shareholders	9.0	7.6
■ Minority interests	0.0	0.0
Total comprehensive income net of tax	9.0	7.6

CONSOLIDATED INCOME STATEMENT

for the period 1 April to 30 June 2016

in € million

	Notes	1/4/2016 - 30/6/2016	1/4/2015 - 30/6/2015
Revenue	11	200.2	191.7
Costs of sales		-113.7	-106.0
Gross profit		86.5	85.7
Selling, marketing and development costs	12	-68.0	-67.5
General administrative expenses		-11.1	-11.2
Other operating income and expenses		-0.7	0.1
Result of associates accounted for using the equity method		0.1	0.1
Operating result (EBIT)		6.8	7.2
Financial result	13	-1.4	-1.5
Earnings before taxes		5.4	5.7
Income taxes	14	-1.6	-1.7
Group result		3.8	4.0
Thereof attributable to:			
■ Villeroy & Boch AG shareholders		3.8	4.0
■ Minority interests		0.0	0.0
		3.8	4.0

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the period 1 April to 30 June 2016

in € million

	1/4/2016 - 30/6/2016	1/4/2015 - 30/6/2015
Group result	3.8	4.0
Other comprehensive income		
Items to be reclassified to profit or loss:		
■ Gains or losses on cash flow hedge	0.7	-0.7
■ Gains or losses on translations of exchange differences	-1.5	-1.6
■ Deferred income tax effect on items to be reclassified to profit or loss	-0.1	0.3
Items not to be reclassified to profit or loss:		
■ Actuarial gains or losses on defined benefit plans	-0.1	0.1
■ Deferred income tax effect on items not to be reclassified to profit or loss	0.1	-0.1
Total other comprehensive income	-0.9	-2.0
Total comprehensive income net of tax	2.9	2.0
Thereof attributable to:		
■ Villeroy & Boch AG shareholders	2.9	2.0
■ Minority interests	0.0	0.0
Total comprehensive income net of tax	2.9	2.0

CONSOLIDATED STATEMENT OF EQUITY

for the period 1 January to 30 June 2016

in € million

Notes	Equity attributable to Villeroy & Boch AG shareholders					Total	Equity attributable to minority interests	Total equity
	Issued capital	Capital surplus	Treasury shares	Retained earnings	Revaluation surplus			
					8			
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
As of 1/1/2016	71.9	193.6	-15.0	-20.8	-64.5	165.2	0.1	165.3
Group result				9.9		9.9	0.0	9.9
Other comprehensive income					-0.9	-0.9		-0.9
Total comprehensive income net of tax				9.9	-0.9	9.0	0.0	9.0
Dividend payments				-12.2		-12.2		-12.2
As of 30/6/2016	71.9	193.6	-15.0	-23.1	-65.4	162.0	0.1	162.1

CONSOLIDATED CASH FLOW STATEMENT

for the period 1 January to 30 June 2016

in € million

	1/1/2016 - 30/6/2016	1/1/2015 - 30/6/2015
Group result	9.9	9.8
Depreciation of non-current assets	13.5	13.8
Change in non-current provisions	-4.8	-5.6
Profit from disposal of fixed assets	-0.1	0.0
Change in inventories, receivables and other assets	-7.2	-42.1
Change in liabilities, current provisions and other liabilities	-10.0	2.0
Other non-cash income/expenses	5.7	3.0
Cash Flow from operating activities	7.0	-19.1
Purchase of intangible assets, property, plant and equipment	-7.4	-7.5
Investment in non-current financial assets	-0.3	-0.6
Cash receipts from disposals of fixed assets	3.7	1.7
Cash Flow from investing activities	-4.0	-6.4
Change in financial liabilities	-0.3	-20.9
Dividend payments	-12.2	-10.9
Cash Flow from financing activities	-12.5	-31.8
Sum of cash flows	-9.5	-57.3
Balance of cash and cash equivalents as at 1/1/	65.6	66.8
Net increase in cash and cash equivalents	-9.5	-57.3
Balance of cash and cash equivalents as at 30/6/	56.1	9.5

INTERIM REPORT ON THE FIRST HALF OF 2016

CONSOLIDATED SEGMENT REPORT

for the period 1 January to 30 June 2016

in € million

	Bathroom & Wellness		Tableware		Transition / Other		Villeroy & Boch-Group	
	1/1/2016 - 30/6/2016	1/1/2015 - 30/6/2015	1/1/2016 - 30/6/2016	1/1/2015 - 30/6/2015	1/1/2016 - 30/6/2016	1/1/2015 - 30/6/2015	1/1/2016 - 30/6/2016	1/1/2015 - 30/6/2015
Revenue								
Segment revenue from sales to external customers	269.1	253.0	129.5	133.9	0.0	0.0	398.6	386.9
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	21.0	19.4	-4.2	-3.7	-	-	16.8	15.7
Real estate project Gustavsberg	-	-	-	-	0.0	1.0	0.0	1.0
Financial result	-	-	-	-	-2.7	-2.7	-2.7	-2.7
Investments and depreciations								
Investments	5.4	5.8	2.0	1.7	-	-	7.4	7.5
Scheduled depreciation	9.3	9.1	4.2	4.7	-	-	13.5	13.8
Assets and Liabilities	30/6/2016	31/12/2015	30/6/2016	31/12/2015	30/6/2016	31/12/2015	30/6/2016	31/12/2015
Segment assets	343.2	339.4	124.5	134.9	159.6	162.3	627.3	636.6
Segment liabilities	130.2	139.5	44.2	43.0	290.8	288.8	465.2	471.3

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:

	30/6/2016	31/12/2015	30/6/2016	31/12/2015	30/6/2016	31/12/2015	30/6/2016	31/12/2015
Rolling net operating assets								
Rolling operating assets	337.0	333.9	133.0	136.9	-	-	470.0	470.8
Rolling operating liabilities	122.3	118.6	41.3	41.6	-	-	163.6	160.2
Rolling net operation assets	214.7	215.3	91.7	95.3	-	-	306.4	310.6
Rolling operating result (EBIT) *								
Rolling operating result (EBIT) *	42.8	41.4	8.2	8.6	-7.8	-7.9	43.2	42.1

* 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 April to 30 June 2016

in € million

	Bathroom & Wellness		Tableware		Transition / Other		Villeroy & Boch-Group	
	1/4/2016 - 30/6/2016	1/4/2015 - 30/6/2015	1/4/2016 - 30/6/2016	1/4/2015 - 30/6/2015	1/4/2016 - 30/6/2016	1/4/2015 - 30/6/2015	1/4/2016 - 30/6/2016	1/4/2015 - 30/6/2015
Revenue								
Segment revenue from sales to external customers	139.9	129.3	60.3	62.4	0.0	0.0	200.2	191.7
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	11.0	10.1	-4.2	-3.9	-	0.0	6.8	6.2
Real estate project Gustavsberg	-	-	-	-	0.0	1.0	0.0	1.0
Financial result	-	-	-	-	-1.4	-1.5	-1.4	-1.5
Investments and depreciations								
Investments	3.8	3.7	1.2	0.9	-	-	5.0	4.6
Scheduled depreciation	4.7	4.6	2.1	2.4	-	-	6.8	7.0

NOTES TO THE INTERIM FINANCIAL STATEMENTS OF THE VILLEROY & BOCH GROUP ON THE FIRST HALF OF 2016

GENERAL INFORMATION

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

This interim report covers the period from 1 January to 30 June 2016. It was approved for publication on 14 July 2016 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 International Financial Reporting Standards (IFRS) 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 2015. 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 2015 Annual Report were extended to include the IFRS endorsed by the EU and applicable to reporting periods beginning on or after 1 January 2016. 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 53 companies (31 December 2015: 53 companies).

Dividend paid by Villeroy & Boch AG for the 2015 financial year

The General Meeting of Shareholders on 1 April 2016 approved the dividend of € 0.44 per ordinary share and € 0.49 per preference share as proposed by the Supervisory Board and Management Board of Villeroy & Boch AG. The distribution corresponds to a dividend payment of € 6.2 million for the ordinary share capital (previous year: € 5.5 million) and € 6.0 million for the preference share capital (previous year: € 5.4 million). The dividend was paid on 4 April 2016. 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.

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 € 6.8 million (previous year: € 7.1 million) was acquired in the period under review. The Bathroom and Wellness Division acquired new facilities for the sanitary ware factories in Germany, Hungary and Thailand. In the Tableware Division, new facilities were acquired for the plant in Merzig. We also invested in the further expansion of our retail network, including opening new stores in Finland and Denmark. Depreciation amounted to € 12.7 million (previous year: € 13.0 million). As at the end of the reporting period, the Villeroy & Boch Group had obligations to acquire property, plant and equipment in the amount of € 6.7 million (31 December 2015: € 2.7 million).

2. Other financial assets

V&B Fliesen GmbH, Merzig, made an interest and principal repayment of € 2.4 million as scheduled, meaning that this loan receivable has now been repaid in full.

3. Inventories

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

in € million	30/6/16	31/12/15
Raw materials and supplies	21.6	21.2
Work in progress	16.0	14.7
Finished goods and goods for resale	119.3	115.4
Inventories (total)	156.9	151.3

In the period under review, impairment losses on inventories increased by € 1.4 million to a total of € 18.6 million.

4. Trade receivables

Trade receivables are broken down as follows:

by customer domicile / in € million	30/6/16	31/12/15
Germany	26.8	21.3
Rest of euro zone	27.5	27.6
Rest of world	64.2	73.6
Gross carrying amount of trade receivables	118.5	122.5
Write-downs	-2.9	-2.6
Trade receivables (total)	115.6	119.9

5. Other current and non-current assets

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

in € million	30/6/16		31/12/15	
	current	non-current	current	non-current
Other tax receivables	9.8	-	9.8	-
Change in fair value of hedging instruments	2.8	0.5	2.4	0.0
Prepaid expenses	3.6	0.0	2.6	0.0
Advance payments and deposits	2.1	1.2	1.5	1.3
Miscellaneous assets	8.2	-	8.0	-
Other assets (total)	26.5	1.7	24.3	1.3

6. Cash and cash equivalents

Cash and cash equivalents are composed as follows:

in € million	30/6/16	31/12/15
Cash on hand	0.3	0.4
Current bank balances	12.1	19.2
Cash equivalents	43.7	46.0
Cash and cash equivalents (total)	56.1	65.6

The € 9.5 million decrease in cash and cash equivalents is attributable primarily to seasonal effects as well as payments for dividends, customer bonuses and variable remuneration for 2015. Bank balances were offset against matching liabilities in the amount of € 15.5 million (31 December 2015: € 17.4 million). Cash is held at banks of good credit standing that are predominantly a part of a deposit protection system.

7. Non-current assets held for sale

In May 2016, an agreement was reached with the City of Luxembourg on the sale of part of our former plant premises in Luxembourg. Subject to the fulfilment of the agreed conditions, the transfer of ownership is expected within the next six months. A carrying amount of € 1.6 million was reclassified from non-current assets.

8. Revaluation surplus

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

in € million	30/6/2016	31/12/2015
Items to be reclassified to profit or loss:		
┆ Currency translation of financial statements of foreign group companies	-2.4	-2.3
┆ Currency translation of long-term loans classified as net investments in foreign group companies	-2.8	-1.6
┆ Change in fair value of cash flow hedges	1.9	0.5
┆ Deferred taxes for this category	-4.6	-3.6
Sub-total (a)	-7.9	-7.0
Items not to be reclassified to profit or loss:		
┆ Actuarial gains or losses on defined benefit obligations	-81.5	-81.5
┆ Deferred taxes for this category	24.0	24.0
Sub-total (b)	-57.5	-57.5
Total revaluation surplus [(a)+(b)]	-65.4	-64.5

9. Current and non-current provisions for personnel

Non-current provisions for personnel only changed to a minor extent. The change in current provisions for personnel is mainly due to the payment of variable remuneration components for 2015.

10. Other current and non-current liabilities

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

in € million	30/6/16		31/12/15	
	current	non-current	current	non-current
Bonus liabilities ^(a)	29.9	-	40.3	-
Personnel liabilities	21.9	0.3	20.5	0,2
Other tax liabilities	11.6	-	11.7	-
Advance payments received on orders	6.1	-	3.9	-
Change in fair value of hedging instruments	1.0	0.4	1.1	0.8
Government grants	0.5	0.4	0.7	0.4
Miscellaneous liabilities	4.5	1.9	3.2	1.9
Other liabilities (total)	75.5	3.0	81.4	3.3

^(a) Seasonal change

NOTES ON SELECTED ITEMS OF THE CONSOLIDATED INCOME STATEMENT

11. Revenue

Revenue is broken down as part of segment reporting.

12. Selling, marketing and development costs

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

in € million	2016		2015	
	H1	Q2	H1	Q2
Bathroom and Wellness	-5.6	-3.1	-5.4	-2.7
Tableware	-1.7	-0.8	-1.9	-1.0
Research and development costs (total)	-7.3	-3.9	-7.3	-3.7

13. Financial result

The financial result is broken down as follows:

in € million	2016		2015	
	H1	Q2	H1	Q2
Financial income	0.6	0.3	0.8	0.3
Finance expenses	-1.3	-0.6	-1.7	-0.9
Interest expenses for provisions (pensions)	-2.0	-1.1	-1.8	-0.9
Net finance expense (total)	-2.7	-1.4	-2.7	-1.5

14. Income taxes

The main components of income tax expense are as follows:

in € million	2016		2015	
	H1	Q2	H1	Q2
Current income taxes	-4.9	-1.9	-2.8	-1.5
Deferred taxes	0.7	0.3	-1.4	-0.2
Income taxes (total)	-4.2	-1.6	-4.2	-1.7

OTHER NOTES

15. Human resources

Personnel expenses and the number of employees are broken down as follows:

in € million	2016		2015	
	H1	30/6.	H1	30/6.
	Staff costs in € million	Employees (FTEs)	Staff costs in € million	Employees (FTEs)
Bathroom and Wellness	-77.3	4,906	-76.3	4,900
Tableware	-48.3	1,999	-48.1	1,968
Other	-14.8	469	-14.2	452
Total	-140.4	7,374	-138.6	7,320

16. Contingent liabilities and commitments and financial obligations

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

in € million	30/6/2016	31/12/2015
Guarantees	34.1	31.5
Obligations to acquire property, plant and equipment	6.7	2.7
Obligations to acquire raw materials	1.3	-
Trustee obligations	-	0.1
Obligations to acquire intangible assets	0.1	0.1
Total	42.2	34.4

17. Financial instruments

Primary and derivative financial instruments are reported in a wide range of items in the Villeroy & Boch consolidated statement of financial position. The following table presents the proportions of each item measured in accordance with IAS 39 based on the measurement method:

in € million	30/6/2016			31/12/2015		
	Book value	Measured under IAS 39		Book value	Measured under IAS 39	
At cost		At fair value	At cost		At fair value	
Items of the statement of financial position containing financial instruments:						
Assets						
Cash and cash equivalents (note 6)	56.1	56.1	-	65.6	65.6	-
Trade receivables (note 4)	115.6	115.6	-	119.9	119.9	-
Other financial assets	10.4	9.0 ^{A)}	1.4	12.8	11.4 ^{A)}	1.4
Other assets (note 5)	14.8	11.5	3.3	13.2	10.8	2.4
Total asset-side instruments	196.9	192.2	4.7	211.5	207.7	3.8

^{A)} thereof measured as loans and receivables: € 6.4 million (31 December 2015: € 8.9 million)

INTERIM REPORT ON THE FIRST HALF OF 2016

in € million	30/6/2016			31/12/2015		
Items of the statement of financial position containing financial instruments:	Measured under IAS 39			Measured under IAS 39		
	Book value	At cost	At fair value	Book value	At cost	At fair value
Equity and liabilities						
Trade payables	77.1	77.1	-	77.8	77.8	-
Financial liabilities	50.3	50.3	-	50.6	50.6	-
Other liabilities (note 10)	42.8	41.4	1.4	50.4	48.5	1.9
Total liability-side instruments	170.2	168.8	1.4	178.8	176.9	1.9

18. Related party disclosures

No material contracts were concluded with related parties in the period under review. The pro rata transaction volume is largely the same as in the 2015 annual financial statements. All transactions are conducted at arm's-length conditions.

19. Events after the end of the reporting period

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

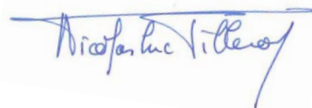
Mettlach, 14 July 2016



Frank Göring



Andreas Pfeiffer



Nicolas Luc Villeroy



Dr. Markus Warncke

Report by the Audit Committee of the Supervisory Board

The interim report for the period from 1 January to 30 June 2016 was presented to the Audit Committee of the Supervisory Board on 13 July 2016 and explained by the Management Board. The Audit Committee approved the interim report.

Mettlach, 14 July 2016

Chairman of the Audit Committee
Peter Prinz Wittgenstein

FINANCIAL CALENDAR

21 October 2016	Report on the first nine months of 2016
9 February 2017	Annual press conference for the 2016 financial year
24 March 2017	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.