Villeroy & Boch
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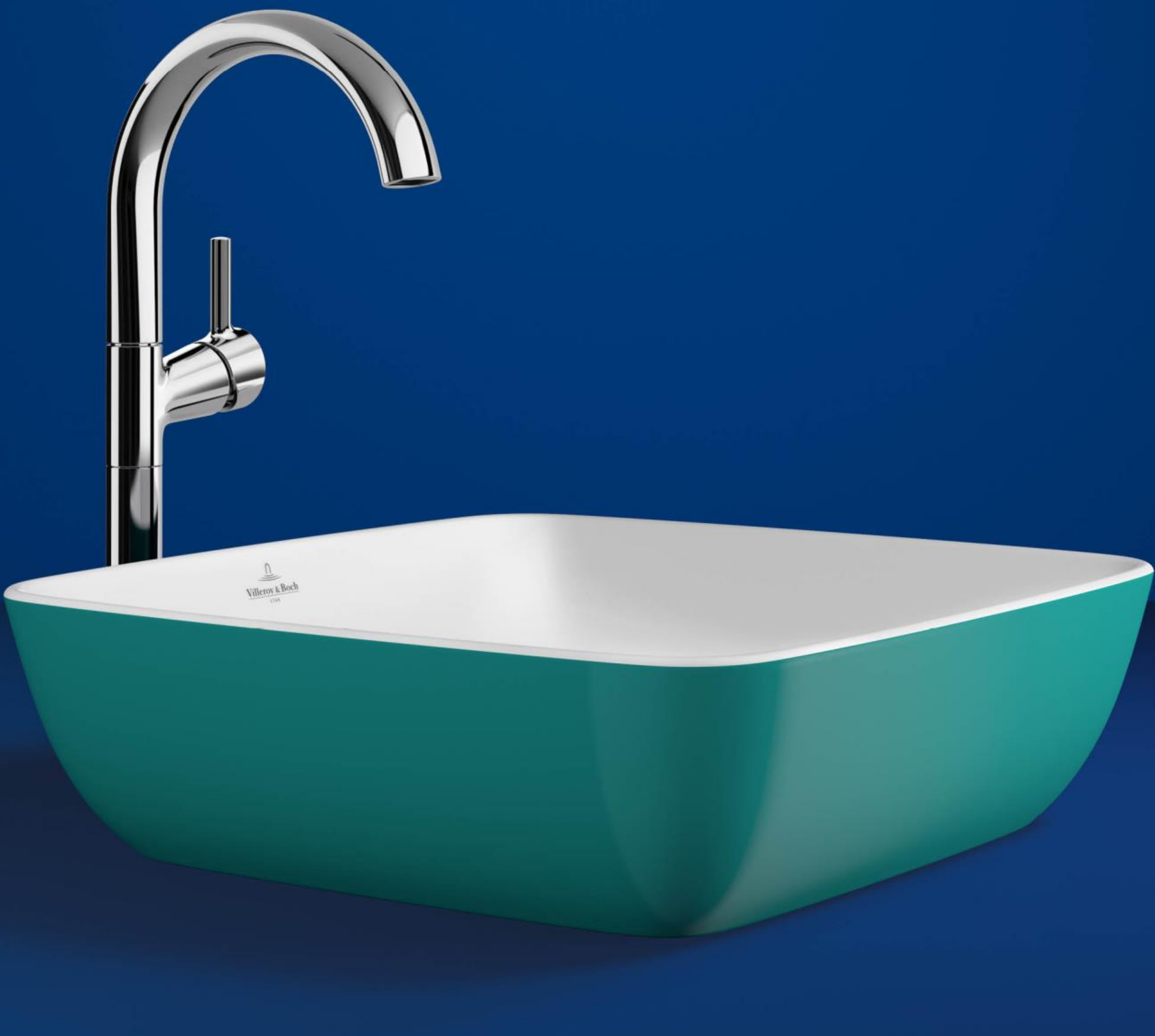

INTERIM REPORT
1 January to 30 September 2017

INTERIM REPORT
1 January to 30 September 2017

- Consolidated revenue up 1.7 % on a constant currency basis and 1.4 % in nominal terms to € 602.7 million.
- Operating EBIT improves by 8.0 % to € 24.4 million.
- Earnings target for 2017 as a whole confirmed.

THE GROUP AT A GLANCE	**1/1/2017 - 30/9/2017**	**1/1/2016 - 30/9/2016**	**Change**	**Change**
	in € million	in € million	in € million	in %
Revenue (nominal)	602.7	594.7	8.0	1.4
Revenue – Germany	175.6	176.9	-1.3	-0.7
Revenue – Abroad	427.1	417.8	9.3	2.2
Revenue (on a constant currency basis)	605.0	594.7	10.3	1.7
EBIT (operating) before real estate project Sweden	24.4	22.6	1.8	8.0
EBIT incl. real estate project Sweden	24.5	23.8	0.7	2.9
EBT	20.9	19.9	1.0	5.0
Group result	14.6	13.9	0.7	5.0
Return on net operating assets (rolling)	17.1 %	15.7 % *	1.4 pp	8.9
Investments	15.9	12.9	3.0	23.3
Employees (FTEs as at end of period)	7,527 FTE	7,426 FTE**	101 FTE	1.4

* Return on net assets as at 31 December 2016
** Prior year amount adjusted

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 2017

GENERAL CONDITIONS OF THE GROUP

The basic information on the Group as presented in the 2016 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

The global economy has enjoyed a sustained upturn during the course of 2017 to date.
In addition to private consumption, the main impetus for the robust expansion in the German economy was again provided by strong export performance and increased capital expenditure in the private and public sector. Construction activity also continued to be stimulated by low interest rates and increased demand for housing.
Economic development in the euro zone was consistently positive, driven in particular by the further improvement on the employment market accompanied by a year-on-year increase in consumer prices. At the same time, however, the British economy weakened significantly more than a year after the Brexit referendum.
In the United States, overall economic momentum has picked up substantially of late following a weak start to the year. The Chinese economy enjoyed strong growth around the middle of the year in particular.

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 on the whole.

In the first nine months of the 2017 financial year, we increased our consolidated revenue on a constant currency basis, i.e. assuming unchanged exchange rates against the previous year, by 1.7 %. In nominal terms, revenue grew by 1.4 % to € 602.7 million. The consolidated revenue was mainly affected by negative exchange rate effects, and in particular the depreciation of the pound sterling and the Swedish krona.

Orders on hand in the Group amounted to € 119.9 million as at 30 September 2017, a significant increase of € 46.0 million as against 1 January 2017. Orders on hand in the Bathroom and Wellness Division reached another new record high of € 102.9 million. Orders on hand of € 17.0 million were attributable to the Tableware Division.

We generated operating EBIT of € 24.4 million in the first nine months of the current financial year, an above-average increase of € 1.8 million or 8.0 % compared with the previous year. We are reiterating our earnings forecast for 2017 as a whole.

Including the non-recurring income of € 0.1 million (previous year: € 1.2 million) generated from the real estate project in Gustavsberg (Sweden), EBIT totalled € 24.5 million (previous year: € 23.8 million).

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

The rolling return on net operating assets of the Villeroy & Boch Group improved by 1.4 percentage points to 17.1 % as of 30 September 2017 (31 December 2016: 15.7 %). The Group's rolling net operating assets amounted to € 277.9 million at the reporting date (31 December 2016: € 292.5 million).

Course of business and position of the divisions

Bathroom and Wellness

In the Bathroom and Wellness Division, we increased our revenue (nominal) by 5.6 % to € 417.6 million in the first nine months of the 2017 financial year. Revenue increased by 6.0 % on a constant currency basis, with negative exchange rate effects resulting from the pound sterling and the Swedish krona in particular.

In Germany, we continued on the steady growth path recorded in recent years, increasing our revenue by 2.6 %. This was attributable primarily to the sustained strength of our bathroom furniture business. The division also recorded substantial growth in Norway (+13.3 %), Finland (+12.0 %), the Netherlands (+8.5 %) and Hungary (+8.5 %), whereas revenue on the French market declined in the period under review (-5.6 %). In the United Kingdom, revenue declined by 8.4 % year-on-year due solely to exchange rate effects. On a constant currency basis, revenue improved by 0.9 %.

We again generated outstanding revenue growth of 52.7 % in our biggest growth market of China. Substantial growth rates were recorded not only in the area of shower toilets, but across all product segments. Our project business meant we also generated significant growth in the Gulf States in particular (+46.1 %).

Thanks to its positive revenue performance, the Bathroom and Wellness Division improved its operating result (EBIT) by € 2.5 million or 9.4 % year-on-year to € 29.0 million.

The division's rolling operating return on net assets improved to 22.1 % as of 30 September 2017 (compared with 20.6 % as of 31 December 2016). The operating net assets employed declined by € 8.2 million as against 31 December 2016 to total € 200.4 million.

Tableware

In the Tableware Division, we generated revenue (nominal) of € 185.1 million in the first nine months of 2017, down 7.1 % on the previous year. Revenue declined by 6.7 % on a constant currency basis, with negative exchange rate effects resulting from the pound sterling in particular.

Revenue performance in the Tableware Division was affected by the fact that we actively shifted some of our secondary brand business to our licence business. As a result, revenue that was previously generated by Villeroy & Boch has been replaced by licence income.

In the current financial year, we are also pressing ahead with our strategy of intensifying our focus on higher-margin trade channels while pursuing a more disciplined discount policy. Thanks to these measures, which are aimed at supporting the premium status of the Villeroy & Boch brand and reinforcing our revenue quality at a high level in the long term, we have significantly improved our margins on the sale of goods in the year to date.

In terms of our core European markets, revenue declined in Germany (-7.8 %) and France (-4.0 %), among others. This was due to factors including the general downturn in visitor numbers at retail stores across Europe and the closure of unprofitable stores as part of the optimisation of our retail network. The weakness of the pound sterling meant revenue in the United Kingdom declined by 6.8 % in nominal terms, whereas it improved by 1.8 % year-on-year on a constant currency basis.

In the markets outside Europe, revenue growth was recorded in South Korea (+52.5 %) and the Gulf States (+10.9 %) in particular, whereas revenue in the USA declined by 7.2 %.

The Tableware Division closed the first nine months of 2017 with an operating result (EBIT) of € -4.6 million (previous year: € -3.9 million). Thanks to the restrictive discount policy, the downturn in revenue was reflected in EBIT only to a below-average extent.

Compared with 31 December 2016, the Tableware Division improved its return on net operating assets by 1.0 percentage points to 14.6 %. The division's rolling net operating assets amounted to € 77.5 million as of 30 September 2017, down € 6.4 million as against 31 December 2016.

Capital structure

Our equity increased by € 5.7 million compared with 31 December 2016, amounting to € 178.3 million as at 30 September 2017. The change in equity during the year to date was attributable primarily to the Group result of € 14.6 million generated in the first three quarters and the dividend of € 13.3 million distributed by Villeroy & Boch AG in the spring. Meanwhile, the acquisition of the subsidiary Argent Australia Pty. Ltd. meant that equity attributable to minority interests increased by € 5.3 million. Our equity ratio improved from 25.5 % as at 31 December 2016 to 26.1 % at the reporting date.

Investments

In the first nine months of 2017, we made investments in property, plant and equipment and intangible assets totalling € 15.9 million (previous year: € 12.9 million). The Bathroom and Wellness Division accounted for € 12.4 million, with the remaining € 3.5 million attributable to the Tableware Division.

In the Bathroom and Wellness Division, the majority of the investment volume related to the acquisition of new facilities for our production locations in Germany and abroad, particularly in Mettlach and Hódmezövásárhely (Hungary). We also invested in the optimisation of our logistics centre in Losheim.

In the Tableware Division, new facilities were acquired for the production plants in Merzig and Torgau as well as the logistics centre in Merzig. We also invested in the expansion and optimisation of our retail activities.

At the reporting date, the Group had obligations to acquire property, plant and equipment and intangible assets in the amount of € 11.4 million. Our investments are financed from operating cash flow.

We are continuing to forecast an investment volume of more than € 35 million for 2017 as a whole.

Net liquidity

Our net liquidity amounted to € 40.6 million as at 30 September 2017, up € 17.2 million on the same period of the previous year (30 September 2016: € 23.4 million).

Net liquidity declined by € 20.1 million compared with 31 December 2016; this was due in particular to seasonal effects such as the dividend distribution, as well as the annual payment of customer bonuses and performance-based variable remuneration.

Balance Sheet structure

Total assets amounted to € 683.9 million at the end of the reporting period compared with € 676.3 million as of 31 December 2016. The share of total assets attributable to non-current assets amounted to 31.3 % (31 December 2016: 31.7 %).

Current assets increased by € 8.0 million as against 31 December 2016. All in all, inventories were € 19.7 million higher than as at 31 December 2016 due to seasonal effects and the first-time consolidation of Argent Australia Pty. Ltd. This was offset in particular by the reduction of other current assets (€ -13.3 million) following the settlement in February 2017 of the purchase price receivable for the sale of a section of our former tableware plant in Luxembourg to the City of Luxembourg in late 2016.

The biggest changes during the period under review on the equity and liabilities side were the increases in current financial liabilities (€ +11.3 million) and other current liabilities (€ +8.7 million), while provisions for pensions and income tax liabilities each declined by € 7.6 million.

REPORT ON RISKS AND OPPORTUNITIES

The opportunities and risks described in the 2016 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

We expect the positive global economic momentum to continue throughout the rest of 2017. Various sentiment indicators suggest that the euro zone economy will remain buoyant, not least thanks to the positive situation on the employment market and the sustained low level of interest rates for the time being. The factors driving the economic upturn in the USA are also intact. The Chinese economy is expected to continue to see above-average growth, albeit at a slightly slower pace.

Taking into account all the available market estimates and the heterogeneous business development in the two divisions, the Management Board of Villeroy & Boch AG is forecasting an increase in consolidated revenue at the lower end of the forecast range of between 2 % and 3 % for the 2017 financial year as a whole. The forecast revenue growth will be supported by the outstanding order situation in the Bathroom and Wellness Division.

We are reiterating our earnings forecast of an increase of between 5 % and 10 % and consider growth at the upper end of this range to be achievable. Our return on net operating assets in 2017 is expected to be higher than the prior-year level of 15.7 %.

Mettlach, 16 October 2017

Frank Göring	Nicolas Luc Villeroy
Andreas Pfeiffer	Dr. Markus Warncke

CONSOLIDATED BALANCE SHEET

as of 30 September 2017

in € million

Assets	Notes	30/9/2017	31/12/2016
Non-current assets			
Intangible assets		36.2	36.7
Property, plant and equipment	1	153.5	157.2
Investment property		8.3	8.9
Investments accounted for using the equity method		1.5	1.5
Other financial assets	2	14.8	10.1
		214.3	**214.4**
Other non-current assets	5	3.7	3.3
Deferred tax assets		46.7	47.4
		264.7	**265.1**
Current assets			
Inventories	3	161.1	141.4
Trade receivables	4	125.1	116.0
Other current assets	5	26.1	39.4
Income tax receivables		4.0	2.7
Cash and cash equivalents	6	102.4	111.2
		418.7	**410.7**
Non-current asset held for sale		**0.5**	**0.5**
Total assets		**683.9**	**676.3**

Equity and Liabilities	Notes	30/9/2017	31/12/2016
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		-2.6	-3.9
Revaluation surplus	7	-75.0	-74.1
		172.9	**172.5**
Equity attributable to minority interests	8	**5.4**	**0.1**
Total equity		**178.3**	**172.6**
Non-current liabilities			
Provisions for pensions		193.5	201.1
Non-current provisions for personnel	9	18.5	18.8
Other non-current provisions		15.4	16.2
Non-current financial liabilities	10	50.0	50.0
Other non-current liabilities	11	4.1	4.1
Deferred tax liabilities		4.5	4.3
		286.0	**294.5**
Current liabilities			
Current provisions for personnel	9	14.1	17.8
Other current provisions		21.9	19.8
Current financial liabilities	10	11.8	0.5
Other current liabilities	11	91.4	82.7
Trade payables		76.8	77.2
Income tax liabilities		3.6	11.2
		219.6	**209.2**
Total liabilities		**505.6**	**503.7**
Total equity and liabilities		**683.9**	**676.3**

CONSOLIDATED INCOME STATEMENT

for the period 1 January to 30 September 2017

in € million

	Notes	1/1/2017 - 30/9/2017	1/1/2016 - 30/9/2016
Revenue	12	**602.7**	**594.7**
Costs of sales		-342.6	-338.3
Gross profit		**260.1**	**256.4**
Selling, marketing and development costs	13	-203.9	-200.0
General administrative expenses		-33.9	-33.1
Other operating income and expenses		2.0	0.4
Result of associates accounted for using the equity method		0.2	0.1
Operating result (EBIT)		**24.5**	**23.8**
Financial result	14	**-3.6**	**-3.9**
Earnings before taxes		**20.9**	**19.9**
Income taxes	15	-6.3	-6.0
Group result		**14.6**	**13.9**
Thereof attributable to:			
Villeroy & Boch AG shareholders		14.6	13.9
Minority interests		0.0	0.0
		14.6	**13.9**
EARNINGS PER SHARE		**in €**	**in €**
Earnings per ordinary share		0.53	0.50
Earnings per preference share		0.58	0.55

During the reporting period there were no share dilution effects.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the period 1 January to 30 September 2017

in € million

		1/1/2017 - 30/9/2017	1/1/2016 - 30/9/2016
Group result		**14.6**	**13.9**
Other comprehensive income			
Items to be reclassified to profit or loss:			
Gains or losses on cash flow hedge		0.0	2.9
Gains or losses on translations of exchange differences		-1.9	-1.4
Deferred income tax effect on items to be reclassified to profit or loss		-0.4	-1.1
Items not to be reclassified to profit or loss:			
Actuarial gains or losses on defined benefit plans		1.9	-22.7
Deferred income tax effect on items not to be reclassified to profit or loss		-0.5	6.5
Total other comprehensive income		**-0.9**	**-15.8**
Total comprehensive income net of tax		**13.7**	**-1.9**
Thereof attributable to:			
Villeroy & Boch AG shareholders		13.7	-1.9
Minority interests		0.0	0.0
Total comprehensive income net of tax		**13.7**	**-1.9**

CONSOLIDATED INCOME STATEMENT

for the period 1 July to 30 September 2017

in € million

	Notes	**1/7/2017 - 30/9/2017**	1/7/2016 - 30/9/2016
Revenue	12	**200.3**	**196.1**
Costs of sales		-115.7	-114.6
Gross profit		**84.6**	**81.5**
Selling, marketing and development costs	13	-67.4	-64.5
General administrative expenses		-11.0	-10.8
Other operating income and expenses		0.1	0.8
Result of associates accounted for using the equity method		0.1	0.0
Operating result (EBIT)		**6.4**	**7.0**
Financial result	14	**-1.0**	**-1.2**
Earnings before taxes		**5.4**	**5.8**
Income taxes	15	-1.7	-1.8
Group result		**3.7**	**4.0**
Thereof attributable to:			
Villeroy & Boch AG shareholders		3.7	4.0
Minority interests		0.0	0.0
		3.7	**4.0**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the period 1 July to 30 September 2017

in € million

		1/7/2017 - 30/9/2017	1/7/2016 - 30/9/2016
Group result		**3.7**	**4.0**
Other comprehensive income			
Items to be reclassified to profit or loss:			
Gains or losses on cash flow hedge		0.0	1.5
Gains or losses on translations of exchange differences		-0.4	-0.1
Deferred income tax effect on items to be reclassified to profit or loss		-0.3	-0.1
Items not to be reclassified to profit or loss:			
Actuarial gains or losses on defined benefit plans		0.1	-22.7
Deferred income tax effect on items not to be reclassified to profit or loss		0.0	6.5
Total other comprehensive income		**-0.6**	**-14.9**
Total comprehensive income net of tax		**3.1**	**-10.9**
Thereof attributable to:			
Villeroy & Boch AG shareholders		3.1	-10.9
Minority interests		0.0	0.0
Total comprehensive income net of tax		**3.1**	**-10.9**

CONSOLIDATED STATEMENT OF EQUITY

for the period 1 January to 30 September 2017

in € million

	Equity attributable to Villeroy & Boch AG shareholders							
	Issued capital	Capital surplus	Treasury shares	Retained earnings	Revaluation surplus	Total	Equity attri-butable to mi-nority interests	Total equity
Notes					7		8	
As of 1/1/2016	**71.9**	**193.6**	**-15.0**	**-20.8**	**-64.5**	**165.2**	**0.1**	**165.3**
Group result				13.9		13.9	0.0	13.9
Other comprehensive income					-15.8	-15.8		-15.8
Total comprehensive income net of tax				**13.9**	**-15.8**	**-1.9**	**0.0**	**-1.9**
Dividend payments				-12.2		-12.2		-12.2
As of 30/9/2016	**71.9**	**193.6**	**-15.0**	**-19.1**	**-80.3**	**151.1**	**0.1**	**151.2**
As of 1/1/2017	**71.9**	**193.6**	**-15.0**	**-3.9**	**-74.1**	**172.5**	**0.1**	**172.6**
Group result				14.6		14.6	0.0	14.6
Other comprehensive income					-0.9	-0.9		-0.9
Total comprehensive income net of tax				**14.6**	**-0.9**	**13.7**	**0.0**	**13.7**
Dividend payments				-13.3		-13.3		-13.3
Acquisition of non-controlling interests						0.0	5.3	5.3
As of 30/9/2017	**71.9**	**193.6**	**-15.0**	**-2.6**	**-75.0**	**172.9**	**5.4**	**178.3**

CONSOLIDATED CASH FLOW STATEMENT

for the period 1 January to 30 September 2017

in € million

	1/1/2017 - 30/9/2017	1/1/2016 - 30/9/2016
Group result	14.6	13.9
Depreciation of non-current assets	19.5	20.4
Change in non-current provisions	-8.0	-6.8
Profit from disposal of fixed assets	-0.3	0.0
Change in inventories, receivables and other assets	-20.5	-3.9
Change in liabilities, current provisions and other liabilities	-4.5	2.6
Other non-cash income/expenses	1.2	3.6
Cash Flow from operating activities	**2.0**	**29.8**
Purchase of intangible assets, property, plant and equipment	-15.9	-12.9
Investment in non-current financial assets	-9.5	-0.4
Cash receipts from disposals of Gustavsberg´s assets	0.3	0.0
Cash receipts from disposals of fixed assets	16.3	4.1
Cash Flow from investing activities	**-8.8**	**-9.2**
Change in financial liabilities	11.3	-0.2
Dividend payments	-13.3	-12.2
Cash Flow from financing activities	**-2.0**	**-12.4**
Sum of cash flows	**-8.8**	**8.2**
Balance of cash and cash equivalents as at 1/1/	111.2	65.6
Net increase in cash and cash equivalents	-8.8	8.2
Balance of cash and cash equivalents as at 30/9/	**102.4**	**73.8**

CONSOLIDATED SEGMENT REPORT

for the period 1 January to 30 September 2017

in € million

	Bathroom & Wellness		Tableware		Transition / Other		Villeroy & Boch Group	
	1/1/2017 - 30/9/2017	1/1/2016 - 30/9/2016	1/1/2017 - 30/9/2017	1/1/2016 - 30/9/2016	1/1/2017 - 30/9/2017	1/1/2016 - 30/9/2016	1/1/2017 - 30/9/2017	1/1/2016 - 30/9/2016
Revenue								
Segment revenue from sales to external customers	417.6	395.5	185.1	199.2	0.0	0.0	602.7	594.7
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	29.0	26.5	-4.6	-3.9	-	-	24.4	22.6
Real estate income from Gustavsberg					0.1	1.2	0.1	1.2
Financial result	-	-	-	-	-3.6	-3.9	-3.6	-3.9
Investments and depreciations								
Investments	12.4	8.8	3.5	4.1	-	-	15.9	12.9
Scheduled depreciation	13.9	14.0	5.6	6.4	-	-	19.5	20.4
Assets and Liabilities	**30/9/2017**	**31/12/2016**	**30/9/2017**	**31/12/2016**	**30/9/2017**	**31/12/2016**	**30/9/2017**	**31/12/2016**
Segment assets	349.2	329.5	130.3	125.1	204.4	221.7	683.9	676.3
Segment liabilities	152.5	141.4	45.5	49.5	307.6	312.8	505.6	503.7

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	**30/9/2017**	**31/12/2016**	**30/9/2017**	**31/12/2016**	**30/9/2017**	**31/12/2016**	**30/9/2017**	**31/12/2016**
Rolling operating assets	333.4	333.8	121.6	126.9	-	-	455.0	460.7
Rolling operating liabilities	133.0	125.2	44.1	43.0	-	-	177.1	168.2
Rolling net operation assets	200.4	208.6	77.5	83.9	-	-	277.9	292.5
Rolling operating result (EBIT) *								
Rolling operating result (EBIT) *	44.4	42.9	11.3	11.4	-8.1	-8.4	47.6	45.9

* 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 2017

in € million

	Bathroom & Wellness		Tableware		Transition / Other		Villeroy & Boch Group	
	1/7/2017 - 30/9/2017	1/7/2016 - 30/9/2016	1/7/2017 - 30/9/2017	1/7/2016 - 30/9/2016	1/7/2017 - 30/9/2017	1/7/2016 - 30/9/2016	1/7/2017 - 30/9/2017	1/7/2016 - 30/9/2016
Revenue								
Segment revenue from sales to external customers	134.4	126.4	65.9	69.7	0.0	0.0	200.3	196.1
Segment revenue from transactions with other segments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Result								
Segment result	5.6	5.5	0.8	0.3	-	-	6.4	5.8
Real estate income from Gustavsberg					0.0	1.2	0.0	1.2
Financial result	-	-	-	-	-1.0	-1.2	-1.0	-1.2
Investments and depreciations								
Investments	5.8	3.4	1.3	2.1	-	-	7.1	5.5
Scheduled depreciation	4.7	4.7	1.7	2.2	-	-	6.4	6.9

NOTES TO THE INTERIM FINANCIAL STATEMENTS OF THE VILLEROY & BOCH GROUP ON THE THIRD QUARTER OF 2017

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 September 2017. It was approved for publication on 16 October 2017 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 IFRS 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 2016. 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 2016 Annual Report were extended to include the accounting standards endorsed by the EU and applicable to reporting periods beginning on or after 1 January 2017. 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 2016: 53 companies). On 23 June 2017, Villeroy & Boch AG acquired an equity interest in Argent Australia Pty. Ltd., Brisbane, Australia. The company primarily sells and distributes bathroom and kitchen fittings to specialist retailers and project customers. The Villeroy & Boch Group is a long-standing supplier of products from the Bathroom and Wellness Division to this company.

The main effects of the first-time consolidation of this company on our consolidated financial statements are a positive revenue effect of € 4.0 million in the income statement and an increase in inventories (€ 8.9 million), trade receivables (€ 4.4 million) and equity attributable to minority interests (€ 5.3 million) in the consolidated balance sheet.

Dividend paid by Villeroy & Boch AG for the 2016 financial year

The General Meeting of Shareholders on 24 March 2017 approved the dividend of € 0.48 per ordinary share and € 0.53 per preference share as proposed by the Supervisory Board and Management Board of Villeroy & Boch AG. The distribution corresponds to a dividend payment of € 6.7 million for the ordinary share capital (previous year: € 6.2 million) and € 6.6 million for the preference share capital (previous year: € 6.0 million). The dividend was paid on 29 March 2017. 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 result 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 amounted to € 153.5 million as at 30 September 2017 (31 December 2016: € 157.2 million). The decrease in property, plant and equipment is attributable primarily to the temporary reduction in the investment volume compared with depreciation. Property, plant and equipment amounting to € 15.4 million (previous year: € 12.1 million) was acquired in the period under review. Investments in the Bathroom and Wellness Division focused on Germany. In particular, new facilities were acquired for the sanitary ware plant in Mettlach and the logistics centre in Losheim was optimised. In Hódmezövásárhely (Hungary), investments were made in environmental protection and the introduction of a production management system and a standardised washbasin glazing line. New moulds were purchased for the production facility in Roden (Netherlands). In the Tableware Division, new facilities were acquired for the production locations in Torgau and Merzig as well as the logistics centre in Merzig. We also invested in our retail stores, including in France, Australia and Germany. Depreciation amounted to € 18.3 million (previous year: € 19.2 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 € 11.3 million (31 December 2016: € 5.5 million).

2. Other financial assets

The increase in other financial assets in the period under review primarily resulted from the investment of € 4.7 million in a special fund.

3. Inventories

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

in € million	**30/9/2017**	**31/12/2016**
Raw materials and supplies	21.7	20.9
Work in progress	18.0	16.3
Finished goods and goods for resale	121.4	104.2
Inventories (total)	**161.1**	**141.4**

In the period under review, impairment losses on inventories increased by € -1.1 million to a total of € -17.2 million.

4. Trade receivables

Trade receivables are broken down as follows:

by customer domicile / in € million	30/9/2017	31/12/2016
Germany	30.5	23.7
Rest of euro zone	26.0	29.4
Rest of world	71.7	66.0
Gross carrying amount of trade receivables	**128.2**	**119.1**
Write-downs	-3.1	-3.1
Trade receivables (total)	**125.1**	**116.0**

5. Other non-current and current assets

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

in € million	30/9/2017		31/12/2016	
	current	non-current	current	non-current
Other tax receivables	8.6	-	10.7	-
Prepaid expenses	3.5	-	2.1	-
Change in fair value of hedging instruments	2.1	1.9	2.7	1.3
Advance payments and deposits	1.2	1.8	1.1	2.0
Miscellaneous assets (a)	10.7	-	22.8	-
Other assets (total)	**26.1**	**3.7**	**39.4**	**3.3**

(a) In the first half-year of 2017, the City of Luxembourg paid the purchase price of € 14.3 million for the acquisition of a section of our former tableware plant in Luxembourg that was agreed on 15 December 2016.

6. Cash and cash equivalents

Cash and cash equivalents are composed as follows:

in € million	30/9/2017	31/12/2016
Cash on hand incl. cheques	0.4	0.4
Current bank balances	36.5	41.2
Cash equivalents	65.5	69.6
Cash and cash equivalents (total)	**102.4**	**111.2**

The € 8.8 million decrease in cash and cash equivalents was mainly due to seasonal effects such as the dividend payment of € 13.3 million and the payment of customer bonuses (see note 11) and variable remuneration for 2016. This was offset in particular by the payment received for the sale of a section of our former tableware plant in Luxembourg (see note 5). Bank balances were offset against matching liabilities in the amount of € 17.5 million (31 December 2016: € 14.6 million). Cash is held at banks of good credit standing that are predominantly a part of a deposit protection system.

7. Revaluation surplus

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

in € million	30/9/2017	31/12/2016
Items to be reclassified to profit or loss:		
Currency translation of financial statements of foreign group companies	-2.6	-1.6
Currency translation of long-term loans classified as net investments in foreign group companies	-4.4	-3.5
Change in fair value of cash flow hedges	3.1	3.1
Valuation results on securities	-0.0	0.0
Deferred taxes for this category	-4.9	-4.5
Sub-total (a)	**-8.8**	**-6.5**
Items not to be reclassified to profit or loss:		
Actuarial gains or losses on defined benefit obligations	-93.9	-95.8
Deferred taxes for this category	27.7	28.2
Sub-total (b)	**-66.2**	**-67.6**
Total revaluation surplus [(a)+(b)]	**-75.0**	**-74.1**

8. Equity attributable to minority interests

Other shareholders hold an equity interest of € 5.3 million in the acquired Group company Argent Australia Pty. Ltd.

9. Non-current and 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 2016.

10. Non-current and current financial liabilities

Non-current financial liabilities did not change in the reporting period. The change in current financial liabilities was mainly attributable to the utilization of interim finance.

11. Other non-current and current liabilities

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

in € million	30/9/2017		31/12/2016	
	current	non-current	current	non-current
Bonus liabilities [a]	36.9	-	42.6	-
Personnel liabilities [a]	24.2	0.2	19.1	0.3
Other tax liabilities	9.3	-	11.3	-
Advance payments received on orders	16.3	-	5.5	-
Change in fair value of hedging instruments	0.7	0.2	0.9	0.0
Miscellaneous liabilities	4.0	3.7	3.3	3.8
Other liabilities (total)	**91.4**	**4.1**	**82.7**	**4.1**

[a] Seasonal change

NOTES ON SELECTED ITEMS OF THE CONSOLIDATED INCOME STATEMENT

12. Revenue

Revenue is broken down as part of segment reporting.

13. Selling, marketing and development costs

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

in € million	2017		2016	
	Q1-3	Q3	Q1-3	Q3
Bathroom and Wellness	-8.6	-3.0	-8.3	-2.7
Tableware	-2.6	-0.8	-2.6	-0.9
Research and development costs (total)	**-11.2**	**-3.8**	**-10.9**	**-3.6**

14. Financial result

The financial result is broken down as follows:

in € million	2017		2016	
	Q1-3	Q3	Q1-3	Q3
Financial income	0.9	0.3	0.9	0.3
Finance expenses	-2.5	-0.6	-1.9	-0.6
Interest expenses for provisions (pensions)	-2.0	-0.7	-2.9	-0.9
Net finance expense (total)	**-3.6**	**-1.0**	**-3.9**	**-1.2**

15. Income taxes

The main components of income tax expense are as follows:

in € million	2017		2016	
	Q1-3	Q3	Q1-3	Q3
Current income taxes	-6.5	-1.8	-7.2	-2.3
Deferred taxes	0.2	0.1	1.2	0.5
Income taxes (total)	**-6.3**	**-1.7**	**-6.0**	**-1.8**

OTHER NOTES

16. 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 2016 annual financial statements. All transactions are conducted at arm's-length conditions.

17. Events after the end of the reporting period

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

FINANCIAL CALENDAR

8 February 2018	Annual press conference for the 2017 financial year
23 March 2018	General Meeting of Shareholders of Villeroy & Boch AG
20 April 2018	Report on the first three months of 2018

This interim report is available in English and German. In the event of variances, the German version shall take precedence over the translation. 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.