Villeroy & Boch
1748

Interim Report
1 January to 30 September 2014

- **Consolidated revenue up 4.4 % year-on-year on a constant currency basis (nominally by 2.9 % to Euro 558.8 million).**
- **Operating EBIT climbs 10.5 % year-on-year to Euro 20.0 million.**
- **Further tranche from sale of plant property in Sweden increases non-recurring income from this project to Euro 3.2 million.**
- **Growth and earnings targets for 2014 as a whole confirmed.**

Villeroy & Boch Group at a glance	1 Jan. – 30 Sept. 2014 in Euro million	1 Jan. – 30 Sept. 2013 in Euro million	Change in Euro million	Change in %
Revenue (constant currency basis)	567.2	543.3	23.9	4.4
Revenue (nominal)	558.8	543.3	15.5	2.9
Germany	160.8	156.1	4.7	3.0
Abroad	398.0	387.2	10.8	2.8
Earnings before interest and taxes (EBIT)				
- Operating	20.0	18.1	1.9	10.5
- Including non-recurring income from Sweden property project	23.2	25.5	-2.3	-9.0
Earnings before taxes (EBT)	17.3	18.8	-1.5	-8.0
Group result	12.1	13.2	-1.1	-8.3
Return on net operating assets (rolling)	13.0 %	12.0 % *)	-	-
Investments	30.2	10.5	19.7	187.6
Employees (FTEs as at end of period)	7,326	7,430	-104	-1.4 %

*) Return on net assets as at 31 December 2013

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Interim Management Report of the Villeroy & Boch Group for the period from 1 January to 30 September 2014

1. Basic Information on the Group

The basic information on the Group as presented in the 2013 Group management report remains unchanged. Information on changes in the consolidated group and research and development costs can be found on page 12 or page 16 of the notes to the consolidated financial statements respectively.

2. Economic Report

2.1. General economic conditions

The recovery of the global economy continued unevenly in the third quarter of 2014. While the upswing in the United States and the UK continued, for example, the recovery in Europe, and euro zone countries in particular, failed to move forward as had been forecast in the spring. With projected growth for 2014 as a whole of 0.8 % – 1.1 % had originally been expected – the euro zone is trailing behind global economic development (forecast: 3.3 %). The performance in France and Italy was particularly weak, though the German economy has also cooled and is thought to have remained stagnant in the third quarter. In total, overall economic activity in the euro zone rose only moderately, with correspondingly restrained increases in both private consumer spending and construction activity.

2.2. Course of business and position of the Villeroy & Boch Group

We still see the economic situation of the Group as positive. The development of the first nine months of the 2014 financial year confirms our revenue forecasts for the year as a whole. In addition, the significantly higher level of orders on hand indicates that the goals defined can be achieved.

In the first three quarters of 2014, our net revenue increased by 4.4 % to Euro 567.2 million on a constant currency basis, i.e. assuming unchanged exchange rates as against the previous year. Nominal consolidated revenue amounted to Euro 558.8 million, up 2.9 % on the same period of the previous year.
The relatively pronounced exchange rate effects were due in particular to the changes in the Russian rouble, the Swedish krona, the Norwegian krone, the US dollar and the Australian dollar.

Orders on hand amounted to Euro 54.9 million as at 30 September 2014, up Euro 9.6 million since the start of the year. The Bathroom and Wellness Division accounted for Euro 35.6 million of orders on hand, with the remaining Euro 19.3 million attributable to the Tableware Division.

In the first nine months of the current financial year, we increased operating EBIT by Euro 1.9 million or 10.5 % to Euro 20.0 million.

We signed additional purchase agreements in connection with our property project in Sweden in the current financial year. As a result we generated non-recurring income of Euro 3.2 million by 30 September 2014, increasing our EBIT to Euro 23.2 million. However, as non-recurring income in the same period of the previous year amounted to Euro 7.4 million, EBIT as at 30 September 2014 was therefore down Euro 2.3 million or 9.0 % on the previous year. We further assume that the total income from this property transaction will amount to around Euro 17 million.

The rolling net operating assets of the Villeroy & Boch Group, based on the last 12 months, amounted to Euro 292.9 million as at the end of the reporting period (31 December 2013: Euro 301.5 million). Earnings growth and the reduction in the average net operating assets employed meant that our rolling operating return on net assets improved by one percentage point to 13.0 % as against 31 December 2013. The decrease in net operating assets is mainly due to a decline in inventories.

2.3. Course of business and position of the divisions

2.3.1. Bathroom and Wellness

The Bathroom and Wellness Division generated revenue of Euro 362.2 million on a constant currency basis in the first nine months of 2014, up 4.6 % on the same period of the previous year. Nominal revenue increased by 2.9 % or Euro 9.9 million year-on-year to Euro 356.1 million. The main exchange rate effects were due to changes in the Russian rouble, the Swedish krona and the Norwegian krone.
Growth on our domestic market of Germany has amounted to 3.2 % in the 2014 financial year to date. In addition, we generated gratifying (nominal) increases in revenue in the UK (up 12.5 %), BeNeLux (up 11.9 %) and Eastern Europe (up 9.3 %).
We also continued to strengthen our position on our growth markets of China (up 37.7 %) and Russia (up 13.5 %).
There was a significant drop in revenue of 47.6 % in Ukraine on account of the political situation. Furthermore, we posted revenue declines, predominantly due to economic effects, in Italy (down 17.8 %), France (down 10.2 %) and Denmark (down 9.3 %).
The Bathroom and Wellness Division posted an operating result (EBIT) of Euro 23.4 million, up Euro 0.4 million on the same period of the previous year.
The division increased its return on net assets to 15.9 % (31 December 2013: 14.3 %). In addition to improved earnings, this resulted from the reduction in rolling net operating assets, based on the last 12 months, of Euro 3.5 million as against 31 December 2013, from Euro 201.3 million to Euro 197.8 million.

2.3.2. Tableware

The Tableware Division generated revenue of Euro 205.0 million on a constant currency basis in the first three quarters of 2014, up Euro 7.9 million or 4.0 % on the same period of the previous year. Nominal revenue improved by Euro 5.6 million or 2.8 % to Euro 202.7 million. The main exchange rate effects were due to changes in the US dollar and the Australian dollar.
In the first nine months of the current financial year, the domestic market of Germany posted a solid revenue increase of 2.7 %. Abroad, the good revenue development of the first half of the year in many countries continued in the third quarter as well. Significant (nominal) revenue growth was generated in Poland (up 21.6 %), Austria (up 19.7 %) and BeNeLux (up 11.8 %). Furthermore, we enjoyed substantial revenue growth in the Middle East (up 21.8 %) and Saudi Arabia especially.
Revenue was down by 8.7 % in the UK as a result of the closure of retail outlets in particular, and by down 16.3 % in Japan and 7.8 % in Italy respectively on account of economic effects.

In the first three quarters of 2014, the Tableware Division improved its operating result (EBIT) by Euro 1.5 million to Euro -3.4 million.

The rolling net operating assets of the Tableware Division, based on the last 12 months, amounted to Euro 95.1 million as at the end of the reporting period compared to Euro 100.2 million as at 31 December 2013. The return on net assets therefore rose substantially by four percentage points to 12.6 %.

The performance of the new products presented at the relevant trade fairs is still highly encouraging. Specifically, revenue from the new “Artesano Provençal” and “La

Classica" lines as well the new "Winter Collage" Christmas collection is developing well. The consistently high level of incoming orders points to good Christmas business. Moreover, hotel business has developed positively, achieving particular success with growth of 16.3 % as against the same period of the previous year.

2.4. Capital structure

Our equity declined by Euro 1.5 million as against 31 December 2013 to Euro 158.9 million. In addition to exchange rate effects, this was due in particular to the dividend payment of Euro 10.4 million, which was offset by the consolidated net income of Euro 12.1 million in the reporting period.
Our equity ratio was 26.0 % as at the end of the reporting period. The drop in the equity ratio as against 31 December 2013 (26.8 %) is mainly due to the Euro 11.3 million increase in total assets.

2.5. Investments

Our investments in the period under review totalled Euro 30.2 million (previous year: Euro 10.5 million).
The Bathroom and Wellness Division accounted for Euro 26.3 million or 87.1 % of the total investment volume in the first nine months of 2014, with the Tableware Division accounting for the remaining 12.9 % or Euro 3.9 million.

In line with planning, investments in the Bathroom and Wellness Division primarily related to the construction of our new logistics and assembly centre in Sweden. Investments also concentrated on the sanitary ware plants in Mettlach (Germany) and Saraburi (Thailand).
In the Tableware Division, we predominantly invested in the machinery fleet at the Torgau plant and the further expansion of our retail network. For example, new or renovated retail outlets were opened in Lübeck-Dänischburg (Germany), Luxembourg, Marseille (France) and Wijnegem (Belgium).

As at the end of the reporting period, the Group had obligations to acquire property, plant and equipment in the amount of Euro 5.6 million. These acquisitions will be financed from operating cash flow.

The statements in the 2013 Group management report on the investments planned for 2014 as a whole still apply.

2.6. Net liquidity

Our net liquidity amounted to Euro -16.4 million as at 30 September 2014, thereby improving significantly by Euro 7.9 million year-on-year. Net liquidity was Euro 25.5 million lower than on 31 December 2013 (Euro 9.1 million). The main reason for this decline was the payment of the dividend and a seasonal build-up of trade receivables.

2.7. Structure of the statement of financial position

Total assets amounted to Euro 610.9 million as at the end of the reporting period compared to Euro 599.6 million as at 31 December 2013. The share of total assets attributable to non-current assets increased slightly to 36.5 % (31 December 2013: 34.7 %). This was due to a high level of investment, including in the new logistics and assembly centre in Sweden. Current assets rose by Euro 3.4 million, largely as a result of seasonal effects. This can mainly be seen in trade receivables. By contrast, cash and cash equivalents declined as against 31 December 2013. Non-current assets held for sale decreased by Euro 6.5 million in connection with the successive disposal of the plant property in Sweden. The rise in total equity and liabilities primarily relates to current liabilities, and here to trade payables in particular.

3. Report on post-balance sheet date events

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

4. Report on Risks and Opportunities

The opportunities and risks described in the 2013 annual report remain unchanged.

There is no evidence of any individual risks that could endanger the continued existence of the Group.

5. Outlook for the Current Financial Year

After the end of the third quarter of 2014, we continue to expect to see moderate overall economic growth for the year as a whole. However, the poor economic performance in France and Italy is leading to a slight decline in the growth forecast for the euro zone. Furthermore, the geopolitical unrest in Ukraine is having a negative impact on economic development. We also still see risks on the financial and commodities markets.

On the basis of our forecasts, we continue to anticipate an increase in consolidated revenue of between 3 % and 5 % for the 2014 financial year as a whole.

As before, we are predicting an improvement of more than 5 % in operating earnings. Positive non-recurring effects in the previous year, essentially income from the hedging of exchange rate risks and income from the settlement of pension benefits are expected to result in the growth in profits for 2014 as a whole being less than the earnings improvement in the first nine months.

Our return on net operating assets in 2014 is expected to be slightly higher than in the previous year.

Villeroy & Boch Group

Consolidated balance sheet as at 30 September 2014

Assets

in Euro million	Notes	as at 30.09.2014	as at 31.12.2013
Non-current assets			
Intangible assets		36.5	38.1
Property, plant and equipment	1	153.5	202.7
Investment property		12.4	13.1
Investments accounted for using the equity method	2	1.8	1.4
Other financial assets	3	18.6	14.1
		222.8	**208.0**
Other non-current assets	6	1.2	0.0
Deferred tax assets		47.2	48.8
		271.2	**256.8**
Current assets			
Inventories	4	150.9	148.8
Trade receivables	5	126.7	102.1
Other current assets	6	21.6	21.0
Income tax claims		5.2	2.9
Cash and cash equivalents	7	34.1	60.3
		338.5	**335.1**
Non-current assets held for sale	8	**1.2**	**7.7**
Total assets		**610.9**	**599.6**

Shareholders' Equity and Liabilities

in Euro million	Notes	as at 30.09.2014	as at 31.12.2013
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		-61.8	-57.4
Revaluation surplus	9	-29.9	-32.8
		158.8	**160.3**
Equity attributable to minority interests		**0.1**	**0.1**
Total equity		**158.9**	**160.4**
Non-current liabilities			
Provisions for pensions		178.4	182.7
Non-current provisions for personnel	10	13.7	15.2
Other non-current provisions		1.2	1.4
Non-current financial liabilities		25.0	25.0
Other non-current liabilities	12	3.4	2.7
Deferred tax liabilities		10.6	11.5
		232.3	**238.5**
Current liabilities			
Current provisions for personnel	10	11.4	12.9
Other current provisions	11	21.9	21.3
Current financial liabilities		25.5	26.2
Other current liabilities	12	82.7	75.2
Trade payables		73.9	60.7
Income tax liabilities		4.3	4.4
		219.7	**200.7**
Total liabilities		**452.0**	**439.2**
Total equity and liabilities		**610.9**	**599.6**

Villeroy & Boch Group

Consolidated Income Statement for the period from 1 January to 30 September 2014

in Euro million	Notes	**2014** **01.01.-30.09.**	2013 01.01.-30.09.
Revenue	13	**558.8**	**543.3**
Costs of sales		-311.9	-307.9
Gross profit		**246.9**	**235.4**
Selling, marketing and development costs	14	-190.6	-188.0
General administrative expenses		-33.8	-33.8
Other operating income and expenses		0.5	11.5
Result of associates accounted for using the equity method		0.2	0.4
Operating result (EBIT)		**23.2**	**25.5**
(Operating result before real estate project Gustavsberg)		**(20.0)**	**(18.1)**
Financial result	15	**-5.9**	**-6.7**
Earnings before taxes		**17.3**	**18.8**
Income taxes		-5.2	-5.6
Group result		**12.1**	**13.2**
Thereof attributable to			
Villeroy & Boch AG shareholders		12.1	13.2
Minority interests		0.0	0.0
		12.1	**13.2**
EARNINGS PER SHARE			
Earnings per ordinary share in Euro		0,43	0,48
Earnings per preference share in Euro		0,48	0,53

During the reporting period there were no share dilution effects.

Villeroy & Boch Group

Consolidated Statement of Comprehensive Income for the period from 1 January to 30 September 2014

in Euro million		**2014** **01.01.-30.09.**	2013 01.01.-30.09.
Group result		**12.1**	**13.2**
Other comprehensive income			
● Items to be reclassified to profit or loss:			
Gains or losses on cash flow hedge		-0.4	-0.9
Unrealised exchange differences on translation		-2.2	0.5
Deferred income tax effect on items to be reclassified to profit or loss		-0.5	-1.0
● Items not to be reclassified to profit or loss:			
Actuarial gains or losses on defined benefit plans		-0.2	-1.5
Deferred income tax effect on items not to be reclassified to profit or loss		0.1	0.5
Total other comprehensive income	9	**-3.2**	**-2.4**
Total comprehensive income net of tax		**8.9**	**10.8**
Thereof attributable to			
Villeroy & Boch AG shareholders		8.9	10.8
Minority interests		0.0	0.0
		8.9	**10.8**

Villeroy & Boch Group

Consolidated Income Statement for the period from 1 July to 30 September 2014

in Euro million	Notes	**2014** **01.07.-30.09.**	2013 01.07.-30.09.
Revenue	13	**186.7**	**183.5**
Costs of sales		-106.2	-105.9
Gross profit		**80.5**	**77.6**
Selling, marketing and development costs	14	-63.1	-61.7
General administrative expenses		-10.7	-11.2
Other operating income and expenses		1.8	8.8
Result of associates accounted for using the equity method		0.1	0.1
Operating result (EBIT)		**8.6**	**13.6**
(Operating result before real estate project Gustavsberg)		**(6.5)**	**(6.2)**
Financial result	15	**-1.8**	**-2.1**
Earnings before taxes		**6.8**	**11.5**
Income taxes		-2.0	-3.4
Group result		**4.8**	**8.1**
Thereof attributable to			
Villeroy & Boch AG shareholders		4.8	8.1
Minority interests		0.0	0.0
		4.8	**8.1**

Villeroy & Boch Group

Consolidated Statement of Comprehensive Income for the period from 1 July to 30 September 2014

in Euro million	Notes	**2014** **01.07.-30.09.**	2013 01.07.-30.09.
Group result		**4.8**	**8.1**
Other comprehensive income			
● Items to be reclassified to profit or loss:			
Gains or losses on cash flow hedge		0.2	-0.7
Unrealised exchange differences on translation		0.0	-1.0
Deferred income tax effect on items to be reclassified to profit or loss		0.0	-0.2
● Items not to be reclassified to profit or loss:			
Actuarial gains or losses on defined benefit plans		-0.1	0.0
Deferred income tax effect on items not to be reclassified to profit or loss		-0.1	0.0
Total other comprehensive income	9	**0.0**	**-1.9**
Total comprehensive income net of tax		**4.8**	**6.2**
Thereof attributable to			
Villeroy & Boch AG shareholders		4.8	6.2
Minority interests		0.0	0.0
		4.8	**6.2**

Villeroy & Boch Group

Consolidated Statement of Equity for the period from 1 January to 30 September 2014

	Equity attributable to Villeroy & Boch AG shareholders						Equity attribu-	Total
	Issued	Capital	Treasury	Retained	Revaluation		table to mi-	equity
in Euro million	capital	surplus	shares	earnings	surplus	**Total**	nority interests	
Note					9			
	202.7							
As at 01.01.2013	**71.9**	**193.6**	**-15.0**	**-72.1**	**-29.2**	**149.2**	**0.1**	**149.3**
Group result				13.2		13.2	0.0	13.2
Other comprehensive income				-0.5	-1.9	-2.4		-2.4
Total comprehensive income net of tax				**12.7**	**-1.9**	**10.8**	**0.0**	**10.8**
Dividend payments				-9.9		-9.9		-9.9
As at 30.09.2013	**71.9**	**193.6**	**-15.0**	**-69.3**	**-31.1**	**150.1**	**0.1**	**150.2**
As at 01.01.2014	**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
Acquisition of non-controlling interests				0.0		0.0	0.0	0.0
As at 30.09.2014	**71.9**	**193.6**	**-15.0**	**-61.8**	**-29.9**	**158.8**	**0.1**	**158.9**

Villeroy & Boch Group
Consolidated Cash Flow Statement for the period from 1 January to 30 September 2014

	01.01.-30.09.	
in Euro million	2014	2013
Group result	12.1	13.2
Depreciation of non-current assets	19.8	19.7
Change in non-current provisions	-10.5	-16.6
Profit from disposal of fixed assets	-1.1	-1.8
Change in inventories, receivables and other assets	-32.8	-40.0
Change in liabilities, current provisions and other liabilities	13.5	2.9
Other non-cash income/expenses	2.9	7.7
Cash Flow from operating activities	**3.9**	**-14.9**
Purchase of intangible assets, property, plant and equipment	-30.2	-10.5
Investment in non-current financial assets and cash payments	-0.8	0.0
Cash receipts from activities of real estate project Gustavsberg	4.8	-
Cash receipts from disposals of fixed assets	7.1	6.8
Cash Flow from investing activities	**-19.1**	**-3.7**
Change in financial liabilities	-0.6	-0.4
Dividend payments	-10.4	-9.9
Cash Flow from financing activities	**-11.0**	**-10.3**
Net increase in cash and cash equivalents	**-26.2**	**-28.9**
Balance of cash and cash equivalents as at 01.01.	60.3	55.3
Net increase in cash and cash equivalents	-26.2	-28.9
Balance of cash and cash equivalents as at 30.09.	**34.1**	**26.4**

Villeroy & Boch Group

Consolidated Segment Report for the period from 1 January to 30 September 2014

in Euro million	BATHROOM & WELLNESS		TABLEWARE		TRANSITION / OTHER		VILLEROY & BOCH GROUP	
	2014	2013	2014	2013	2014	2013	2014	2013
	01.01. - 30.09.		01.01. - 30.09.		01.01. - 30.09.		01.01. - 30.09.	
Revenue								
Segment revenue from sales to external customers	**356.1**	346.2	**202.7**	197.1	**0.0**	0.0	**558.8**	543.3
Segment revenue from transactions with other segments	**0.1**	1.0	**0.0**	0.0	**-0.1**	-1.0	**0.0**	0.0
Result								
Segment result	**23.4**	23.0	**-3.4**	-4.9	**-**	-	**20.0**	18.1
Real estate project Gustavsberg	**-**	-	**-**	-	**3.2**	7.4	**3.2**	7.4
Financial result	**-**	-	**-**	-	**-5.9**	-6.7	**-5.9**	-6.7
Investments and depreciations								
Investments	**26.3**	6.8	**3.9**	3.7	**-**	-	**30.2**	10.5
Scheduled depreciation of segment assets	**12.8**	13.0	**7.0**	6.7	**-**	-	**19.8**	19.7
Assets and liabilities	**30.09.**	**31.12.**	**30.09.**	**31.12.**	**30.09.**	**31.12.**	**30.09.**	**31.12.**
Segment assets	**323.8**	292.3	**144.8**	137.3	**142.3**	170.0	**610.9**	599.6
Segment liabilities	**122.4**	113.1	**45.9**	42.6	**283.7**	283.5	**452.0**	439.2

The rolling net operating assets of the two divisions were as follows as at the end of the reporting period:

Rolling net operating assets	**30.09.**	**31.12.**	**30.09.**	**31.12.**	**30.09.**	**31.12.**	**30.09.**	**31.12.**
Rolling operating assets	**305.7**	308.2	**137.0**	140.2	**-**	-	**442.7**	448.4
Rolling operating liabilities	**107.9**	106.9	**41.9**	40.0	**-**	-	**149.8**	146.9
Rolling net operation assets	**197.8**	201.3	**95.1**	100.2	**-**	-	**292.9**	301.5

Consolidated Segment Report for the period from 1 July to 30 September 2014

in Euro million	BATHROOM & WELLNESS		TABLEWARE		TRANSITION / OTHER		VILLEROY & BOCH GROUP	
	2014	2013	2014	2013	2014	2013	2014	2013
	01.07. - 30.09.		01.07. - 30.09.		01.07. - 30.09.		01.07. - 30.09.	
Revenue								
Segment revenue from sales to external customers	**113.6**	112.2	**73.1**	71.3	**0.0**	0.0	**186.7**	183.5
Segment revenue from transactions with other segments	**0.0**	0.5	**0.0**	0.0	**0.0**	-0.5	**0.0**	0.0
Result								
Segment result	**5.4**	5.4	**1.1**	0.8	**-**	-	**6.5**	6.2
Real estate project Gustavsberg	**-**	-	**-**	-	**2.1**	7.4	**2.1**	7.4
Financial result	**-**	-	**-**	-	**-1.8**	-2.1	**-1.8**	-2.1
Investments and depreciations								
Investments	**13.2**	3.9	**1.5**	2.4	**-**	-	**14.7**	6.3
Scheduled depreciation of segment assets	**4.2**	4.2	**2.3**	2.2	**-**	-	**6.5**	6.4

Notes to the Interim Financial Statements of the Villeroy & Boch Group for the Third Quarter of 2014

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. Villeroy & Boch's preference shares are represented in the CDAX and SDAX and were included in the MSCI Germany Small Cap Index on 30 May 2014.

This interim report covers the period from 1 January to 30 September 2014. It was approved for publication on 15 October 2014 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 2013. 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 2013 Annual Report were extended to include the accounting standards endorsed by the EU and applicable to reporting periods beginning on or after 1 January 2014. None of these changes had a material impact on this interim report.

Basis of consolidation

The basis of consolidation of the Villeroy & Boch Group consists of 55 companies (31 December 2013: 56 companies). Vilbona Inc, San Diego, USA, was merged with Villeroy & Boch USA Inc., New York, USA, on 31 January 2014.

Dividend paid by Villeroy & Boch AG for the 2013 financial year

The General Meeting of Shareholders on 21 March 2014 approved the dividend of Euro 0.37 per ordinary share and Euro 0.42 per preference share as proposed by the Supervisory Board and Management Board of Villeroy & Boch AG. The distribution corresponds to a dividend payment of Euro 5.2 million for the ordinary share capital (previous year: Euro 4.9 million) and Euro 5.2 million for the preference share capital (previous year: Euro 4.9 million). As in the previous year, the Villeroy & Boch Group held 1,683,029 preference treasury shares at the distribution date. These shares were not entitled to dividends. The dividend was paid on 24 March 2014.

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 Euro 29.4 million (previous year: Euro 8.9 million) was acquired in the period under review. At Euro 24.9 million, this focused on the Bathroom and Wellness Division. It invested in the construction of our new Swedish logistics and assembly centre for sanitary ware in Gustavsberg, new energy headquarters in Mettlach, a production line in Saraburi (Thailand) and a Bathroom and Wellness World of Discovery at the new LUV SHOPPING shopping centre in Dänischburg (Germany). The Tableware Division invested in the plant in Torgau and the further expansion of its retail network. For example, new or renovated retail outlets were opened in Lübeck-Dänischburg (Germany), the City of Luxembourg, Marseille (France) and Wijnegem (Belgium). Depreciation amounted to Euro 17.9 million (previous year: Euro 18.3 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 Euro 5.6 million (31 December 2013: Euro 3.7 million).

2. Investments accounted for using the equity method

On 28 March 2014, additional shares in V & B Lifestyle India Private Limited, New Delhi, in the amount of Euro 0.2 million were subscribed for in connection with a capital increase. The equity interest held remains unchanged at 50 %.

3. Other financial assets

In connection with the successive sale of the plant properties in Gustavsberg, Sweden (see note 8), a second loan receivable with a term of eight years was granted to Porslinsfabriksstaden AB, Gustavsberg, Sweden, on 9 April 2014. Repayments will be made every two years, starting in 2014. Rights to the sold property were transferred as collateral for the loan. The current carrying amount of the two loans as at 30 September 2014 was Euro 11.3 million.

V&B Fliesen GmbH, Merzig, made its repayment of Euro 1.2 million as scheduled.

4. Inventories

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

in Euro million	**30 Sept. 2014**	31 Dec. 2013
Raw materials and supplies	19.9	20.0
Work in progress	14.0	14.7
Finished goods and goods for resale	117.0	114.1
Advance payments	0.0	0.0
Inventories (total)	**150.9**	**148.8**

In the period under review, impairment losses on inventories increased by Euro 2.2 million to a total of Euro 18.4 million.

5. Trade receivables

Trade receivables are broken down as follows:

by customer domicile — in Euro million	30 Sept. 2014	31 Dec. 2013
Germany	31.6	18.9
Rest of euro zone	29.4	26.5
Rest of world	69.3	60.4
Gross carrying amount of trade receivables	130.3	105.8
Impairment losses	-3.6	-3.7
Trade receivables (total)	**126.7**	**102.1**

6. Other current and non-current assets

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

	30 Sept. 2014		31 Dec. 2013	
in Euro million	**current**	**non-current**	current	non-current
Other tax receivables	7.9	-	7.1	-
Advance payments and deposits	2.4	1.0	2.2	0.0
Prepaid expenses	2.7	0.0	2.0	0.0
Fair value changes of hedging instruments (a)	1.7	0.2	2.1	0.0
Miscellaneous assets	6.9	-	7.6	-
Other assets (total)	**21.6**	**1.2**	**21.0**	**0.0**

(a) As at the end of the reporting date, Euro 1.7 million (31 December 2013: Euro 2.1 million) was recognised for the marking to market of exchange rate hedges and Euro 0.2 million for the marking to market of brass futures (31 December 2013: Euro 0.0 million).

7. Cash and cash equivalents

Cash and cash equivalents are composed as follows:

in Euro million	30 Sept. 2014	31 Dec. 2013
Cash on hand incl. cheques	0.2	0.4
Current bank balances	12.3	17.7
Cash equivalents	21.6	42.2
Cash and cash equivalents (total)	**34.1**	**60.3**

The decrease in cash and cash equivalents is primarily attributable to the dividend payment and seasonal effects such as the payment of customer bonuses and variable remuneration for 2013. Bank balances were offset against matching liabilities in the amount of Euro 13.9 million (31 December 2013: Euro 13.8 million). Cash equivalents are partially covered by external guarantee systems.

8. Non-current assets held for sale

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

in Euro million	**30 Sept. 2014**	31 Dec. 2013
Property	1.2	4.0
Equity investments	-	3.7
Non-current asset held for sale (total)	**1.2**	**7.7**

As part of the successive sale of the plant buildings in Sweden, additional tranches was sold on 9 April 2014, 10 June 2014 and 10 July 2014, resulting in income totalling Euro 3.2 million. The total income from this property project is expected to amount to around Euro 17 million, of which Euro 7 million was already recognised in 2013.

In addition, the property of the former manufacturing plant in Lerma, Mexico, was sold by way of a notarised agreement dated 22 May 2014 resulting in a book profit of Euro 0.4 million. The purchase price was transferred as scheduled.

The transfer of the 15 % interest in V&B Fliesen GmbH to the Eczacıbaşı Group effective 1 January 2014 in exchange for a purchase price of Euro 3.7 million was notarised on 13 May 2014. The purchase price was transferred in accordance with the terms of the agreement.

9. Revaluation surplus

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

in Euro million	**30 Sept. 2014**	31 Dec. 2013
Items to be reclassified to profit or loss:		
● Currency translation of financial statements in foreign group companies	14.4	10.6
● Currency translation of long-term loans classified as net investments in foreign operations	-0.5	-0.6
● Change in fair value of cash flow hedges	0.0	0.4
● Change in fair value of investment securities	0.0	-
● Deferred taxes for this category	-2.3	-1.8
Sub-total (a)	**11.6**	**8.6**
Items not to be reclassified to profit or loss:		
● Actuarial gains or losses on defined benefit plans	-58.9	-58,7
● Deferred taxes for this category	17.4	17,3
Sub-total (b)	**-41.5**	**-41,4**
Total revaluation surplus [(a)+(b)]	**-29,9**	**-32.8**

10. Current and non-current provisions for personnel

The decrease in non-current provisions for personnel is primarily due to the utilisation of the provision for partial retirement. The change in current provisions for personnel is mainly due to the payment of variable remuneration components for 2013.

11. Other current provisions

The provision for restructuring reported in other current provisions decreased by Euro 1.4 million as a result of utilisation.

12. Other current and non-current liabilities

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

	30 Sept. 2014		31 Dec. 2013	
in Euro million	**current**	**non-current**	current	non-current
Bonus liabilities (a)	33.2	-	33.9	-
Personnel liabilities	23.3	0.4	20.0	0.6
Other tax liabilities	10.2	-	9.4	-
Change in fair value of hedging instruments (b)	1.6	0.3	1.7	0.0
Government grants	0.7	0.5	0.5	0.6
Advance payments received on orders	4.5	-	3.5	-
Miscellaneous liabilities	9.2	2.2	6.2	1.5
Other liabilities (total)	**82.7**	**3.4**	**75.2**	**2.7**

(a) Seasonal change

(b) Change due to the current exchange rate development of the exchange rate hedge

Notes on selected items of the consolidated income statement

13. Revenue

Revenue is broken down as part of segment reporting.

14. Selling, marketing and development costs

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

	2014		2013	
in Euro million	**Q1-3**	**Q3**	Q1-3	Q3
Bathroom and Wellness	-7.1	-2.7	-6.3	-2.2
Tableware	-2.9	-1.0	-2.9	-1.0
Research and development costs (total)	**-10.0**	**-3.7**	**-9.2**	**-3.2**

15. Financial result

The financial result is broken down as follows:

	2014		2013	
in Euro million	**Q1-3**	**Q3**	Q1-3	Q3
Financial income	1.0	0.4	0.8	0.1
Finance expenses	-2.6	-0.8	-2.9	-0.9
Interest expenses for provisions (pensions)	-4.3	-1.4	-4.6	-1.3
Total net finance expense	**-5.9**	**-1.8**	**-6.7**	**-2.1**

Other notes

16. 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 2013 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.

17. Changes to the composition of the Management Board of Villeroy & Boch AG

Jörg Wahlers, member of the Management Board of Villeroy & Boch AG responsible for Finance, Human Resources and Compliance, left Villeroy & Boch AG at his own request when his contract expired on 31 May 2014. Our CEO, Frank Göring, has temporarily assumed this role until a successor to Jörg Wahlers is appointed.

In its meeting on Thursday, 25 September 2014, the Supervisory Board of Villeroy & Boch AG resolved the early prolongation of the Management Board mandates of Mr. Andreas Pfeiffer (Bathroom and Wellness Division) and Mr. Nicolas Luc Villeroy (Tableware Division) by a further five years until 1 May 2020.

18. Changes to the composition of the Supervisory Board of Villeroy & Boch AG

Bernd Thömmes has represented the senior employees on the Supervisory Board of Villeroy & Boch AG since 27 January 2014 after Jürgen Beining stepped down from the Supervisory Board at his own request.

By way of a decision by the Saarbrücken Local Court on 14 March 2014, Mr. Franceso Grioli, Ronneberg, District Manager of IG Bergbau, Chemie, Energie for Rhineland-Palatinate and Saarland, Mainz, was appointed to the Supervisory Board as an employee representative effective 21 March 2014 (from the end of the General Meeting of Shareholders (5:50 p.m.)) until the end of the General Meeting of Shareholders resolving the approval of the actions of the members of the executive bodies for the 2017 financial year.

19. Voting right notifications

On 13 June 2014, Baroness Ghislaine de Schorlemer, Luxembourg, informed us in accordance with section 21(1) of the German Securities Trading Act (WpHG) that her share of the voting rights in Villeroy & Boch AG exceeded the thresholds of 3 % and 5 % on 27 February 2014 as a result of inheritance (testator: Baron Antoine de Schorlemer) and amounted to 5.92 % (831,575 voting rights) at this date.

On 13 June 2014, Baroness Ghislaine de Schorlemer, Luxembourg, further informed us in accordance with section 21(1) WpHG that her share of the voting rights in Villeroy & Boch AG returned to below the thresholds of 3 % and 5 % on 28 March 2014 and has amounted to 0 % since this date.

On 13 June 2014, Mr. Christophe de Schorlemer, Luxembourg, informed us in accordance with section 21(1) WpHG that his share of the voting rights in Villeroy & Boch AG exceeded the threshold of 3 % on 28 March 2014 and amounted to 3.16 % (444,307 voting rights) at this date.

On 13 June 2014, Ms. Gabrielle de Schorlemer-de Theux, Luxembourg, informed us in accordance with section 21(1) WpHG that her share of the voting rights in Villeroy & Boch AG exceeded the threshold of 3 % on 28 March 2014 and amounted to 3.16 % (444,308 voting rights) at this date.

On 11 June 2014, Ms. Caroline de Schorlemer-d'Huart, Belgium, informed us in accordance with section 21(1) WpHG that her share of the voting rights in Villeroy & Boch AG exceeded the threshold of 3 % on 28 March 2014 and amounted to 3.16 % (444,308 voting rights) at this date.

20. Events after the end of the reporting period

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

Mettlach, 15 October 2014

Frank Göring   Andreas Pfeiffer   Nicolas Luc Villeroy

Financial calendar:

12 February 2015	Annual press conference for the 2014 financial year
27 March 2015	General Meeting of Shareholders of Villeroy & Boch AG
22 April 2015	Report on the first three months of 2015
20 July 2015	Report on the first half of 2015
20 October 2015	Report on the first nine months of 2015

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.