Villeroy & Boch
1748

INTERIM REPORT
1 January to 30 September 2016

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1 January to 30 September 2016

- Consolidated revenue up 4.2 % on a constant currency basis and 2.8 % in nominal terms to € 594.7 million.
- EBIT improves by 7.7 % to € 23.8 million.
- Growth and earnings targets for 2016 as a whole confirmed.

THE GROUP AT A GLANCE	1/1/2016 - 30/9/2016	1/1/2015 - 30/9/2015	Change	Change
	in € million	in € million	in € million	in %
Revenue (nominal)	594.7	578.4	16.3	2.8
Revenue – Germany	176.9	166.0	10.9	6.6
Revenue – Abroad	417.8	412.4	5.4	1.3
Revenue (on a constant currency basis)	602.6	578.4	24.2	4.2
EBIT	23.8	22.1	1.7	7.7
EBT	19.9	17.9	2.0	11.2
Group result	13.9	12.5	1.4	11.2
Return on net operating assets (rolling)	14.5 %	13.6 % *	-	-
Investments	12.9	16.3	-3.4	-20.9
Employees (FTEs as at end of period)	7,393 FTE	7,350 FTE	43 FTE	0.6

* Return on net assets as at 31 December 2015

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 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

The global economy picked up in summer 2016 following extremely moderate growth in the first half of the year.
Although the referendum on the United Kingdom's withdrawal from the EU temporarily led to significant volatility on the financial markets in the euro zone, the economic trend remained broadly if cautiously positive. The German economy enjoyed stable growth, driven in particular by the construction and service industries and the growth in employment in these sectors. In France, the pace of expansion was slower than the euro zone average.
The US economy lost momentum and was unable to repeat the strong growth rates recorded in the previous year. Following a modest start to the year, the Chinese economy has returned to solid growth recently, thanks in particular to fiscal impetus, while the recession in Russia has slowed.

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 nine months of 2016, we increased our consolidated revenue (nominal) by 2.8 % year-on-year to € 594.7 million. We recorded revenue growth of 4.2 % on a constant currency basis, i.e. assuming unchanged exchange rates against the previous year. Negative exchange rate effects, driven in particular by the Russian rouble, the pound sterling, the Mexican peso and Norwegian krone, were not fully offset by positive effects from the Swedish krona and the US dollar.

Orders on hand amounted to € 85.9 million as at 30 September 2016, a significant increase of € 22.6 million as against 1 January 2016. Of this figure, € 69.8 million related to the Bathroom and Wellness Division and € 16.1 million to the Tableware Division.

Thanks to the good revenue performance in the first nine months of 2016 and in light of our substantial orders on hand, we are reiterating our revenue and earnings forecast for 2016 as a whole.

At the end of the third quarter of 2016, we increased EBIT by € 1.7 million or 7.7 % to € 23.8 million.
This includes non-recurring income of € 1.2 million (previous year: € 1.0 million) from the sale of properties to Värmdö municipality in connection with the property project in Gustavsberg (Sweden).

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 € 300.8 million at the reporting date (31 December 2015: € 310.6 million). Our rolling operating return on net assets improved by 0.9 percentage points to 14.5 % compared with 31 December 2015.

Course of business and position of the divisions

Bathroom and Wellness

In the Bathroom and Wellness Division, we increased our revenue (nominal) by 6.9 % to € 395.5 million in the first nine months of 2016. On a constant currency basis, revenue growth was even stronger at 8.7 %. The exchange rate effects were due primarily to the weak development of the Russian rouble, the pound sterling, the Mexican peso and the Norwegian krone.

We recorded substantial revenue growth of 11.7 % in our home market of Germany. We also enjoyed growth in other key European markets, particularly Sweden (+8.8 %), the Benelux countries (+8.4 %), the United Kingdom (+2.4 %) and France (+1.9 %). By contrast, revenue in Italy (-9.3 %) declined as a result of the sustained weakness of the construction industry.

We significantly increased our revenue volume in China (+48.4 %). Revenue in Russia declined by -12.1 % on the back of exchange rate and economic effects, but our business stabilised in the third quarter at a higher level than in the same period of the previous year.

Thanks to its strong revenue performance, the Bathroom and Wellness Division increased its operating result (EBIT) by € 2.2 million or 9.1 % year-on-year to € 26.5 million.

The rolling return on net operating assets rose to 20.0 % (31 December 2015: 19.2 %). The operating net assets employed in the division amounted to € 212.5 million, down € 2.8 million compared with 31 December 2015.

Tableware

In the Tableware Division, we generated revenue (nominal) of € 199.2 million in the first nine months of 2016, down 4.4 % on the previous year. Revenue declined by -3.9 % on a constant currency basis, with negative exchange rate effects resulting from the pound sterling in particular.

Our own e-commerce business is an increasingly important factor in the division's success, recording year-on-year growth of +7.7 % across all sales markets.

Revenue in Germany failed to repeat the prior-year level (-2.7 %), whereas in the rest of Europe, we recorded growth amongst others in Austria (+5.5 %) and the Benelux countries (+2.7 %). One encouraging development was the return to revenue growth in Italy (+1.6 %) following comparatively weak performance in the previous year. Outside the euro zone, we increased our revenue in South Korea and Russia by 21.0 % and 17.3 % respectively, while revenue in China doubled on the back of strong project business. By contrast, downturns were recorded in markets including the USA (-7.9 %) and the United Kingdom (-7.2 %), with the latter being attributable to exchange rate effects.

The operating result of € -3.9 million in the Tableware Division was down € 0.7 million on the previous year.

The rolling net operating assets of the Tableware Division amounted to € 88.3 million as of 30 September 2016 (31 December 2015: € 95.3 million). The return on net operating assets increased by 0.9 percentage points as against 31 December 2015, amounting to 9.9 % at the reporting date.

Capital structure

Our equity amounted to € 151.2 million as at 30 September 2016. This represents a reduction of € 14.1 million compared with 31 December 2015, although the Group result of € 13.9 million generated in the first nine months of 2016 slightly exceeded the dividend payment in the spring (€ 12.2 million). The reduction in equity was primarily attributable to the remeasurement of pension provisions, which was affected by the historically low interest rates. Accordingly, the reduction in the discount rate for pension obligations from 2.0 % as at 31 December 2015 to 1.25 % led to an increase in actuarial losses on defined benefit obligations that served to reduce equity by € 16.2 million, not affecting profit or loss.

As a result, our equity ratio of 23.7 % at the reporting date was down compared with

31 December 2015 (26.0 %) but higher than at the same point of the previous year (22.8 %).

Investments

We made investments totalling € 12.9 million in the first nine months of 2016 (previous year: € 16.3 million). The Bathroom and Wellness Division accounted for € 8.8 million or 68.2 % of the investment volume, with the remaining € 4.1 million or 31.8 % 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 France.

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

At the reporting date, the Group had obligations to acquire property, plant and equipment and intangible assets in the amount of € 9.9 million. Our investments are financed from operating cash flow.

We are forecasting an investment volume of around € 25 million for 2016 as a whole. With some investment projects having been postponed until 2017, this means that the investment volume at the end of the 2016 financial year will be lower than the forecast of over € 30 million that was made in the 2015 Group management report.

Net liquidity

Our net liquidity amounted to € 23.4 million as at 30 September 2016, up € 8.4 million as against 31 December 2015 (€ 15.0 million); this development was largely due to our revenue performance.

Structure of the statement of financial position

Total assets amounted to € 637.3 million as at 30 September 2016 compared with € 636.6 million as of 31 December 2015. The share of total assets attributable to non-current assets declined by 2.3 percentage points to 32.9 %, largely as a result of the temporary reduction in the investment volume compared with depreciation.

Current assets increased by € 11.4 million to € 375.1 million compared with 31 December 2015. This is reflected primarily in the higher level of cash and cash equivalents and a moderate seasonal increase in our inventories. On the equity and liabilities side of the statement of financial position, the main changes compared with year-end 2015 related to the increase in pension provisions due to the lower discount rate, as well as the reduction in deferred tax liabilities.

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 nine months of 2016, we are still anticipating moderate macro-economic growth for the year as a whole.

The factors driving the economic upturn in Europe are intact, not least thanks to the high level of momentum on the employment market. Although the Brexit vote has adversely affected the economic outlook in the United Kingdom, the specific macro-economic consequences for the euro zone are still difficult to gauge. The solid upturn in the German economy will continue. Meanwhile, the latest economic indicators in the USA suggest that the pace of expansion has increased once again. We expect China to continue to see economic growth that is subject to a number of uncertainties. At the same time, Russia is likely to gradually recover from its sustained recession.

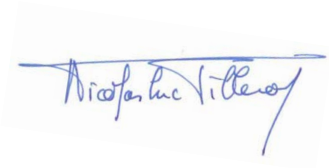
In light of the course of business in the first nine months of the year and taking into account all of the available market estimates, the Management Board of Villeroy & Boch AG is continuing to forecast an increase in consolidated revenue of between 3 and 6 % for the 2016 financial year as a whole. We are still anticipating growth in the operating result of 5 to 10 %.

Our return on net operating assets in 2016 is expected to be higher than the prior-year level of 13.6 %.

As a result, we are reiterating the forecasts made in the 2015 Group management report with regard to revenue, the operating result and the return on net operating assets.

Mettlach, 14 October 2016

Frank Göring



Nicolas Luc Villeroy

Andreas Pfeiffer

Dr. Markus Warncke

CONSOLIDATED BALANCE SHEET

as of 30 September 2016

in € million

Assets	Notes	30/9/2016	31/12/2015
Non-current assets			
Intangible assets		36.2	37.1
Property, plant and equipment	1	151.8	161.2
Investment property		9.1	11.4
Investment accounted for using the equity method		1.5	1.5
Other financial assets	2	11.3	12.8
		209.9	**224.0**
Other non-current assets	5	2.4	1.3
Deferred tax assets		47.7	47.2
		260.0	**272.5**
Current assets			
Inventories	3	153.8	151.3
Trade receivables	4	118.9	119.9
Other current assets	5	24.6	24.3
Income tax receivables		4.0	2.6
Cash and cash equivalents	6	73.8	65.6
		375.1	**363.7**
Non-current asset held for sale	7	**2.2**	**0.4**
Total assets		**637.3**	**636.6**

Equity and Liabilities	Notes	30/9/2016	31/12/2015
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		-19.1	-20.8
Revaluation surplus	8	-80.3	-64.5
		151.1	**165.2**
Equity attributable to minority interests		**0.1**	**0.1**
Total equity		**151.2**	**165.3**
Non-current liabilities			
Provisions for pensions	9	210.3	192.7
Non-current provisions for personnel	10	17.7	16.3
Other non-current provisions		3.3	2.4
Non-current financial liabilities		50.0	50.0
Other non-current liabilities	11	2.9	3.3
Deferred tax liabilities		2.7	10.2
		286.9	**274.9**
Current liabilities			
Current provisions for personnel	10	14.5	14.9
Other current provisions		19.6	18.0
Current financial liabilities		0.4	0.6
Other current liabilities	11	80.3	81.4
Trade payables		78.9	77.8
Income tax liabilities		5.5	3.7
		199.2	**196.4**
Total liabilities		**486.1**	**471.3**
Total equity and liabilities		**637.3**	**636.6**

CONSOLIDATED INCOME STATEMENT

for the period 1 January to 30 September 2016

in € million

	Notes	1/1/2016 - 30/9/2016	1/1/2015 - 30/9/2015
Revenue	12	**594.7**	**578.4**
Costs of sales		-338.3	-321.9
Gross profit		**256.4**	**256.5**
Selling, marketing and development costs	13	-200.0	-200.4
General administrative expenses		-33.1	-33.6
Other operating income and expenses		0.4	-0.6
Result of associates accounted for using the equity method		0.1	0.2
Operating result (EBIT)		**23.8**	**22.1**
Financial result	14	**-3.9**	**-4.2**
Earnings before taxes		**19.9**	**17.9**
Income taxes	15	-6.0	-5.4
Group result		**13.9**	**12.5**
Thereof attributable to:			
Villeroy & Boch AG shareholders		13.9	12.5
Minority interests		0.0	0.0
		13.9	**12.5**
EARNINGS PER SHARE		**in €**	**in €**
Earnings per ordinary share		0.50	0.45
Earnings per preference share		0.55	0.50

During the reporting period there were no share dilution effects.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the period 1 January to 30 September 2016

in € million

		1/1/2016 - 30/9/2016	1/1/2015 - 30/9/2015
Group result		**13.9**	**12.5**
Other comprehensive income			
Items to be reclassified to profit or loss:			
Gains or losses on cash flow hedge		2.9	0.1
Gains or losses on translations of exchange differences		-1.4	-2.6
Deferred income tax effect on items to be reclassified to profit or loss		-1.1	-1.0
Items not to be reclassified to profit or loss:			
Actuarial gains or losses on defined benefit plans		-22.7	-0.2
Deferred income tax effect on items not to be reclassified to profit or loss		6.5	0.1
Total other comprehensive income		**-15.8**	**-3.6**
Total comprehensive income net of tax		**-1.9**	**8.9**
Thereof attributable to:			
Villeroy & Boch AG shareholders		-1.9	8.9
Minority interests		0.0	0.0
Total comprehensive income net of tax		**-1.9**	**8.9**

CONSOLIDATED INCOME STATEMENT

for the period 1 July to 30 September 2016

in € million

	Notes	1/7/2016 - 30/9/2016	1/7/2015 - 30/9/2015
Revenue	12	**196.1**	**191.5**
Costs of sales		-114.6	-109.2
Gross profit		**81.5**	**82.3**
Selling, marketing and development costs	13	-64.5	-65.7
General administrative expenses		-10.8	-10.5
Other operating income and expenses		0.8	-0.7
Result of associates accounted for using the equity method		0.0	0.0
Operating result (EBIT)		**7.0**	**5.4**
Financial result	14	**-1.2**	**-1.5**
Earnings before taxes		**5.8**	**3.9**
Income taxes	15	-1.8	-1.2
Group result		**4.0**	**2.7**
Thereof attributable to:			
Villeroy & Boch AG shareholders		4.0	2.7
Minority interests		0.0	0.0
		4.0	**2.7**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the period 1 July to 30 September 2016

in € million

		1/7/2016 - 30/9/2016	1/7/2015 - 30/9/2015
Group result		**4.0**	**2.7**
Other comprehensive income			
Items to be reclassified to profit or loss:			
Gains or losses on cash flow hedge		1.5	1.0
Gains or losses on translations of exchange differences		-0.1	-2.5
Deferred income tax effect on items to be reclassified to profit or loss		-0.1	-0.2
Items not to be reclassified to profit or loss:			
Actuarial gains or losses on defined benefit plans		-22.7	0.3
Deferred income tax effect on items not to be reclassified to profit or loss		6.5	0.0
Total other comprehensive income		**-14.9**	**-1.4**
Total comprehensive income net of tax		**-10.9**	**1.3**
Thereof attributable to:			
Villeroy & Boch AG shareholders		-10.9	1.3
Minority interests		0.0	0.0
Total comprehensive income net of tax		**-10.9**	**1.3**

CONSOLIDATED STATEMENT OF EQUITY

for the period 1 January to 30 September 2016

in € million

	Equity attributable to Villeroy & Boch AG shareholders							
	Issued capital	Capital surplus	Treasury shares	Retained earnings	Revaluation surplus	Total	Equity attributable to minority interests	Total equity
Notes					8			
As of 1/1/2015	**71.9**	**193.6**	**-15.0**	**-51.5**	**-54.7**	**144.3**	**0.1**	**144.4**
Group result				12.5		12.5	0.0	12.5
Other comprehensive income				0.1	-3.7	-3.6		-3.6
Total comprehensive income net of tax				**12.6**	**-3.7**	**8.9**	**0.0**	**8.9**
Dividend payments				-10.9		-10.9		-10.9
As of 30/9/2015	**71.9**	**193.6**	**-15.0**	**-49.8**	**-58.4**	**142.3**	**0.1**	**142.4**
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**

CONSOLIDATED CASH FLOW STATEMENT

for the period 1 January to 30 September 2016

in € million

	1/1/2016 - 30/9/2016	1/1/2015 - 30/9/2015
Group result	13.9	12.5
Depreciation of non-current assets	20.4	20.6
Change in non-current provisions	-6.8	-8.1
Profit from disposal of fixed assets	0.0	0.1
Change in inventories, receivables and other assets	-3.9	-43.1
Change in liabilities, current provisions and other liabilities	2.6	1.9
Other non-cash income/expenses	3.6	5.7
Cash Flow from operating activities	**29.8**	**-10.4**
Purchase of intangible assets, property, plant and equipment	-12.9	-16.3
Investment in non-current financial assets	-0.4	-0.7
Cash receipts from disposals of fixed assets	4.1	1.8
Cash Flow from investing activities	**-9.2**	**-15.2**
Change in financial liabilities	-0.2	1.0
Dividend payments	-12.2	-10.9
Cash Flow from financing activities	**-12.4**	**-9.9**
Sum of cash flows	**8.2**	**-35.5**
Balance of cash and cash equivalents as at 1/1/	65.6	66.8
Net increase in cash and cash equivalents	8.2	-35.5
Balance of cash and cash equivalents as at 30/9/	**73.8**	**31.3**

CONSOLIDATED SEGMENT REPORT

for the period 1 January to 30 September 2016

in € million

	Bathroom & Wellness		Tableware		Transition / Other		Villeroy & Boch-Group	
	1/1/2016 - 30/9/2016	1/1/2015 - 30/9/2015	1/1/2016 - 30/9/2016	1/1/2015 - 30/9/2015	1/1/2016 - 30/9/2016	1/1/2015 - 30/9/2015	1/1/2016 - 30/9/2016	1/1/2015 - 30/9/2015
Revenue								
Segment revenue from sales to external customers	395.5	370.1	199.2	208.3	0.0	0.0	594.7	578.4
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	26.5	24.3	-3.9	-3.2	-	-	22.6	21.1
Real estate project Gustavsberg	-	-	-	-	1.2	1.0	1.2	1.0
Financial result	-	-	-	-	-3.9	-4.2	-3.9	-4.2
Investments and depreciations								
Investments	8.8	11.9	4.1	4.4	-	-	12.9	16.3
Scheduled depreciation	14.0	13.6	6.4	7.0	-	-	20.4	20.6
Assets and Liabilities	30/9/2016	31/12/2015	30/9/2016	31/12/2015	30/9/2016	31/12/2015	30/9/2016	31/12/2015
Segment assets	331.0	339.4	132.6	134.9	173.7	162.3	637.3	636.6
Segment liabilities	140.8	139.5	44.3	43.0	301.0	288.8	486.1	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:

Rolling net operating assets	30/9/2016	31/12/2015	30/9/2016	31/12/2015	30/9/2016	31/12/2015	30/9/2016	31/12/2015
Rolling operating assets	337.0	333.9	129.8	136.9	-	-	466.8	470.8
Rolling operating liabilities	124.5	118.6	41.5	41.6	-	-	166.0	160.2
Rolling net operation assets	212.5	215.3	88.3	95.3	-	-	300.8	310.6
Rolling operating result (EBIT) *								
Rolling operating result (EBIT) *	42.5	41.4	8.7	8.6	-7.5	-7.9	43.7	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 July to 30 September 2016

in € million

	Bathroom & Wellness		Tableware		Transition / Other		Villeroy & Boch-Group	
	1/7/2016 - 30/9/2016	1/7/2015 - 30/9/2015	1/7/2016 - 30/9/2016	1/7/2015 - 30/9/2015	1/7/2016 - 30/9/2016	1/7/2015 - 30/9/2015	1/7/2016 - 30/9/2016	1/7/2015 - 30/9/2015
Revenue								
Segment revenue from sales to external customers	126.4	117.1	69.7	74.4	0.0	0.0	196.1	191.5
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	5.5	4.9	0.3	0.5	-	-	5.8	5.4
Real estate project Gustavsberg	-	-	-	-	1.2	0.0	1.2	0.0
Financial result	-	-	-	-	-1.2	-1.5	-1.2	-1.5
Investments and depreciations								
Investments	3.4	6.1	2.1	2.7	-	-	5.5	8.8
Scheduled depreciation	4.7	4.5	2.2	2.3	-	-	6.9	6.8

NOTES TO THE INTERIM FINANCIAL STATEMENTS OF THE VILLEROY & BOCH GROUP FOR THE THIRD QUARTER OF 2016

GENERAL INFORMATION

Villeroy & Boch AG is domiciled in Mettlach (Germany) and is a listed stock corporation under German law. It is the parent company of the Villeroy & Boch Group. The Group is divided into two operating divisions: Bathroom and Wellness, and Tableware. Villeroy & Boch's preference shares are listed in the Prime Standard operated by Deutsche Börse AG.
This interim report covers the period from 1 January to 30 September 2016. It was approved for publication on 14 October 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 amounted to € 151.8 million as at 30 September 2016 (31 December 2015: € 161.2 million. The decrease in property, plant and equipment is primarily attributable to the temporary reduction in the investment volume compared with depreciation. Property, plant and equipment amounting to € 12.1 million (previous year: € 15.3 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 France. In the Tableware Division, new facilities were acquired for the plants in Merzig and Torgau. We also invested in the further expansion of our retail network, including opening new stores in the USA and Finland. Depreciation amounted to € 19.2 million (previous year: € 19.6 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 € 9.7 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	30/9/16	31/12/15
Raw materials and supplies	21.1	21.2
Work in progress	15.8	14.7
Finished goods and goods for resale	116.9	115.4
Inventories (total)	**153.8**	**151.3**

In the period under review, impairment losses on inventories increased by € 2.2 million to a total of € 19.4 million.

4. Trade receivables

Trade receivables are broken down as follows:

by customer domicile / in € million	30/9/16	31/12/15
Germany	29.5	21.3
Rest of euro zone	27.4	27.6
Rest of world	65.1	73.6
Gross carrying amount of trade receivables	**122.0**	**122.5**
Impairment losses	-3.1	-2.6
Trade receivables (total)	**118.9**	**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	30/9/16		31/12/15	
	current	non-current	current	non-current
Other tax receivables	9.5	-	9.8	-
Change in fair value of hedging instruments	3.3	1.3	2.4	0.0
Prepaid expenses	3.2	-	2.6	0.0
Advance payments and deposits	1.5	1.1	1.5	1.3
Miscellaneous assets	7.1	-	8.0	-
Other assets (total)	**24.6**	**2.4**	**24.3**	**1.3**

6. Cash and cash equivalents

Cash and cash equivalents are composed as follows:

in € million	30/9/16	31/12/15
Cash on hand	0.2	0.4
Current bank balances	14.3	19.2
Cash equivalents	59.3	46.0
Cash and cash equivalents (total)	**73.8**	**65.6**

The € 8.2 million increase in cash and cash equivalents is attributable primarily to operating cash flow surpluses. Bank balances were offset against matching liabilities in the amount of € 14.6 million (31 December 2015: € 17.4 million).

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 three months. A carrying amount of € 1.6 million was reclassified from non-current assets.

In September 2016, an option to sell the former production site in Selb, Germany, was concluded with an external project developer. The option expires in August 2017. The carrying amount of the corresponding assets in the amount of € 0.5 million was transferred from fixed assets.

In July 2016, ownership of additional properties in Gustavsberg, Sweden, with a carrying amount of € 0.3 million was transferred to Värmdö municipality. As a result, the change of ownership in connection with the gradual sale of the plant property in Gustavsberg, Sweden, is now largely complete.

8. Revaluation surplus

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

in € million	30/9/2016	31/12/2015
Items to be reclassified to profit or loss:		
Currency translation of financial statements of foreign group companies	-1.7	-2.3
Currency translation of long-term loans classified as net investments in foreign group companies	-3.6	-1.6
Change in fair value of cash flow hedges	3.4	0.5
Deferred taxes for this category	-4.7	-3.6
Sub-total (a)	**-6.6**	**-7.0**
Items not to be reclassified to profit or loss:		
Actuarial gains or losses on defined benefit obligations *	-104.2	-81.5
Deferred taxes for this category	30.5	24.0
Sub-total (b)	**-73.7**	**-57.5**
Total revaluation surplus [(a)+(b)]	**-80.3**	**-64.5**

* The increase in actuarial gains or losses on defined benefit obligations is attributable primarily to the adjustment of the discount rates to reflect market rates (see note 9).

9. Provisions for pensions

Provisions for defined benefit plans increased by € 17.6 million in the period under review, from € 192.7 million to € 210.3 million. This was due primarily to the reduction in the discount rates. The discount rates are determined on the basis of senior fixed-interest corporate bonds. The current company-specific discount rates range from 0.0 % in Japan to 7.0 % in Mexico. A discount rate of 1.25 % (31 December 2015: 2.0 %) is applied in Germany. The present values developed as follows:

in € million	2016	2015
Provisions for Pensions as at 1 January	192.7	212.0
Current service cost	1.3	2.4
Benefits paid	-8.6	-13.6
Actuarial gains and losses arising from changes in financial assumptions	22.7	-10.8
Other changes	2.2	2.7
Total provisions for pensions as at 30 September 2016 and 31 December 2015	**210.3**	**192.7**

10. Current and non-current provisions for personnel

Current provisions for personnel changed to a minor extent only. The increase in non-current provisions for personnel is due primarily to additions to the provision for partial retirement obligations.

11. Other current and non-current liabilities

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

in € million	30/9/16		31/12/15	
	current	non-current	current	non-current
Bonus liabilities [(a)]	35.5	-	40.3	-
Personnel liabilities	22.2	0.3	20.5	0,2
Other tax liabilities	9.5	-	11.7	-
Advance payments received on orders	7.4	-	3.9	-
Change in fair value of hedging instruments	1.1	0.2	1.1	0.8
Government grants	0.5	0.4	0.7	0.4
Miscellaneous liabilities	4.1	2.0	3.2	1.9
Other liabilities (total)	**80.3**	**2.9**	**81.4**	**3.3**

[(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	2016		2015	
	Q1-3	Q3	Q1-3	Q3
Bathroom and Wellness	-8.3	-2.7	-7.9	-2.5
Tableware	-2.6	-0.9	-3.0	-1.1
Research and development costs (total)	**-10.9**	**-3.6**	**-10.9**	**-3.6**

14. Financial result

The financial result is broken down as follows:

in € million	2016		2015	
	Q1-3	Q3	Q1-3	Q3
Financial income	0.9	0.3	1.1	0.3
Finance expenses	-1.9	-0.6	-2.5	-0.8
Interest expenses for provisions (pensions)	-2.9	-0.9	-2.8	-1.0
Net finance expense (total)	**-3.9**	**-1.2**	**-4.2**	**-1.5**

15. Income taxes

The main components of income tax expense are as follows:

in € million	2016		2015	
	Q1-3	Q3	Q1-3	Q3
Current income taxes	-7.2	-2.3	-3.3	-0.5
Deferred taxes	1.2	0.5	-2.1	-0.7
Income taxes (total)	**-6.0**	**-1.8**	**-5.4**	**-1.2**

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 2015 annual financial statements. All transactions are conducted at arm's-length conditions.

17. 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 October 2016

Frank Göring

Nicolas Luc Villeroy

Andreas Pfeiffer

Dr. Markus Warncke

FINANCIAL CALENDAR

9 February 2017	Annual press conference for the 2016 financial year
24 March 2017	General Meeting of Shareholders of Villeroy & Boch AG
24 April 2017	Report on the first three months of 2017

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.