Villeroy & Boch
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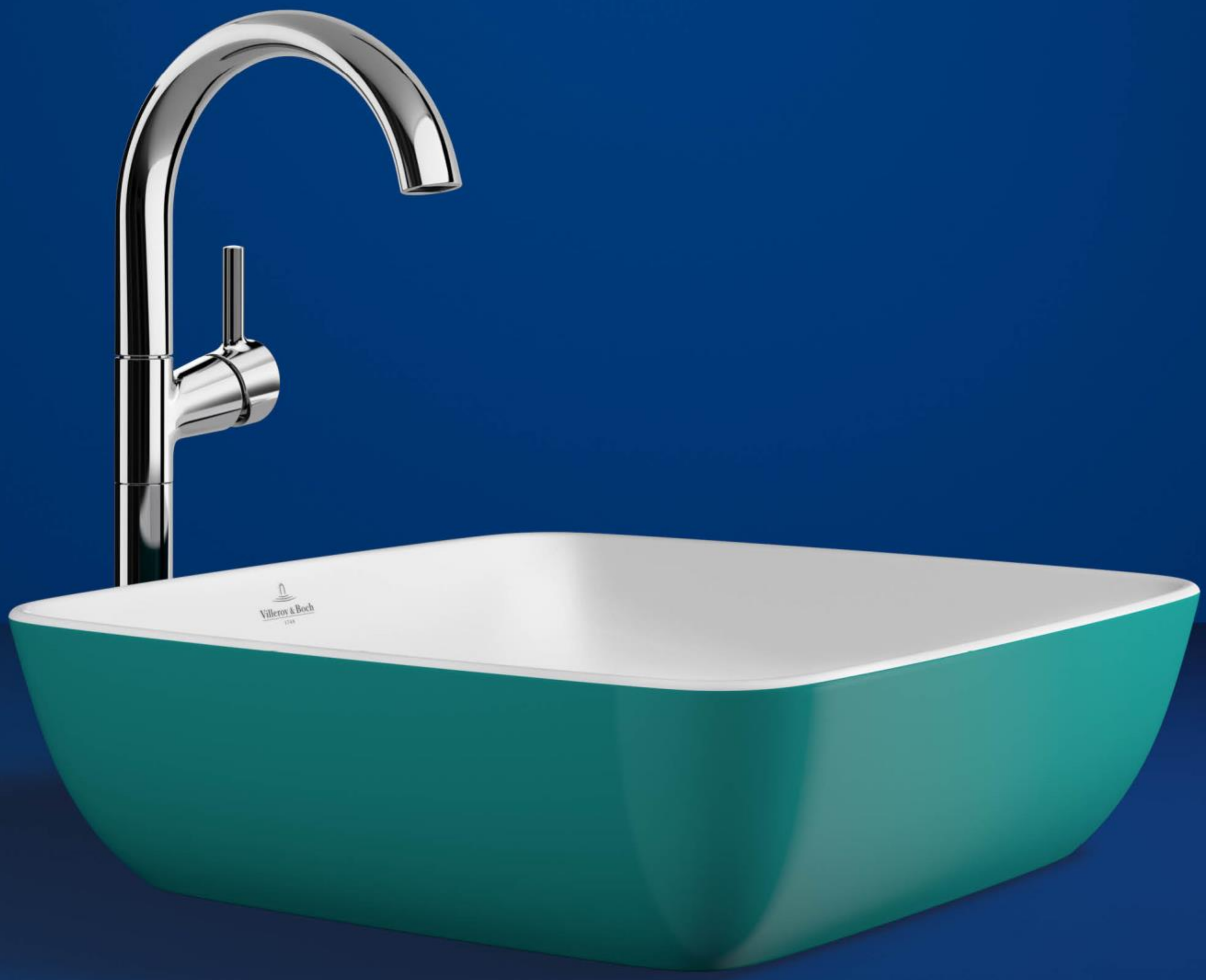

INTERIM REPORT
1 January to 30 June 2017

INTERIM REPORT
1 January to 30 June 2017

- Consolidated revenue up 1.0 % year-on-year to € 402.4 million.
- EBIT climbs 7.7 % to € 18.1 million.
- Earnings target for 2017 as a whole confirmed.

THE GROUP AT A GLANCE	1/1/2017 - 30/6/2017	1/1/2016 - 30/6/2016	Change	Change
	in € million	in € million	in € million	in %
Revenue (nominal)	402.4	398.6	3.8	1.0
Revenue – Germany	119.3	118.4	0.9	0.8
Revenue – Abroad	283.1	280.2	2.9	1.0
Revenue (on a constant currency basis)	402.9	398.6	4.3	1.1
EBIT	18.1	16.8	1.3	7.7
EBT	15.5	14.1	1.4	9.9
Group result	10.9	9.9	1.0	10.1
Return on net operating assets (rolling)	16.8 %	15.7 % *	1.1 pp	7.0
Investments	8.8	7.4	1.4	18.9
Employees (FTEs as at end of period)	7,538 FTE	7,374 FTE	164 FTE	2.2

* Return on net assets as at 31 December 2016

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

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

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

Global economic momentum picked up in the first half of 2017.
The German economy expanded on all fronts. Rising exports were accompanied by the ongoing boom in the construction industry and increased investment in equipment by companies. Meanwhile, private consumption continued to develop at a solid level, although it has been curbed slightly by the impact of rising oil prices on purchasing power.
The rest of the euro zone also enjoyed a stable upward trend thanks to the continued increase in employment and rising income. By contrast, the pace of growth in the United Kingdom slowed considerably as a result of the depreciation of the pound sterling.
Following a muted start to the year in the United States, the economic policy stimuli promised by the new US government are still yet to materialise. The Chinese economy has continued to grow strongly in the year to date, albeit at a slower pace.

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 half of 2017, we increased our consolidated revenue by 1.0 % to € 402.4 million in nominal terms. Positive and negative exchange rate developments largely cancelled each other out, meaning that consolidated revenue was not materially impacted by exchange rate effects.

Orders on hand in the Group amounted to € 117.4 million as at 30 June 2017, a significant increase of € 43.5 million as against 1 January 2017. Orders on hand in the Bathroom and Wellness Division reached a new record high of € 96.4 million. Orders on hand of € 21.0 million were attributable to the Tableware Division.

At the end of the first half of 2017, we increased our EBIT by € 1.3 million or 7.7 % to € 18.1 million on the back of the healthy revenue performance in the Bathroom and Wellness Division. We intend to build on this success and are therefore reiterating our earnings forecast for 2017 as a whole.

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 1.1 percentage points to 16.8 % as of 30 June 2017 (31 December 2016: 15.7 %). The Group's rolling net operating assets amounted to € 280.5 million at the reporting date (31 December 2016: € 292.5 million).

Course of business and position of the divisions

<u>Bathroom and Wellness</u>

We generated revenue (nominal) of € 283.2 million in the Bathroom and Wellness Division in the first half-year of 2017, an increase of 5.2 % as against the previous year.
In Germany, we continued on the steady growth path recorded in recent years, increasing our revenue by 5.4 %. This was not least attributable to the sustained strength of our bathroom furniture business. The division also recorded substantial growth in the Netherlands (+13.7 %), Norway (+10.8 %) and Finland (+10.4 %),

whereas revenue on the French market declined in the first half of 2017 (-3.7 %). In the United Kingdom, the significant depreciation of the pound sterling meant that revenue fell by 7.9 % year-on-year in nominal terms, whereas it increased by 2.7 % on a constant currency basis. The Eastern Europe region saw revenue growth of 2.5 % on the whole, with Hungary enjoying particularly encouraging development (+12.4 %).
In our most important growth market, China, we again recorded above-average revenue growth of +49.2 %. This was driven in particular by strong demand for shower toilets. Our project business meant we also generated substantial revenue growth in the Gulf States in particular (+28.2 %).

Thanks to its positive revenue performance, the Bathroom and Wellness Division improved its operating result (EBIT) by € 2.4 million or 11.4 % year-on-year to € 23.4 million.

The division improved its rolling return on net operating assets to 22.0 % (31 December 2016: 20.6 %). The operating net assets employed in the division declined by € 6.8 million as against 31 December 2016 to € 201.8 million.

Tableware

The Tableware Division generated revenue (nominal) of € 119.2 million in the first half of 2017, down 8.0 % on the same period of the previous year.
Revenue performance 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 internally has been replaced by licence income reported in net other operating 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 pricing and discount policy. 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, are already starting to bear fruit. 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 (-9.9 %) and France (-8.6 %), 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 5.4 % in nominal terms, whereas we improved by 4.8 % year-on-year on a constant currency basis.
In our markets outside Europe, Tableware revenue increased in South Korea (+47.8 %), China (+16.5 %) and the Gulf States (+5.2 %), whereas revenue in the USA declined by 7.6 %.

The Tableware Division closed the first half of 2017 with an operating result (EBIT) of € -5.4 million (previous year: € -4.2 million). Thanks to the restrictive pricing and discount policy, the downturn in revenue was reflected in EBIT only to a below-average extent.

The rolling net operating assets of the Tableware Division amounted to € 78.7 million as of 30 June 2017, down on the figure of € 83.9 million as of 31 December 2016. The return on net operating assets fell by 0.3 percentage points as against 31 December 2016, amounting to 13.3 % at the reporting date.

Capital structure

Our equity declined by € 2.7 million as against 31 December 2016, amounting to € 169.9 million as of 30 June 2017. The change in equity was attributable primarily to the dividend paid by Villeroy & Boch AG in the amount of € 13.3 million in March 2017, which was mostly offset by the Group result of € 10.9 million in the first half of 2017. At 25.2 %, our equity ratio was down slightly compared with 31 December 2016 (25.5 %).

Investments

In the first half of 2017, we made investments in property, plant and equipment and intangible assets totalling € 8.8 million (previous year: € 7.4 million). The Bathroom and Wellness Division accounted for € 6.6 million, with the remaining € 2.2 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 site in Mettlach and 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 € 8.6 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 € 44.6 million as at 30 June 2017, a decrease of € 16.1 million as against 31 December 2016. In particular, this reflects seasonal effects such as the dividend payment as well as the annual payment of customer bonuses and variable performance-based remuneration.

By contrast, net liquidity increased by € 38.8 million compared with the same point of the previous year (30 June 2016: € 5.8 million), thereby underlining our sustained success in the area of working capital management.

Balance Sheet structure

Total assets amounted to € 673.5 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 32.1 % (31 December 2016: 31.7 %).

Current assets fell by € 3.9 million as against 31 December 2016. The biggest change was the € 13.6 million decrease in other current assets 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. Inventories also increased by € 9.3 million due to seasonal factors.

On the equity and liabilities side of the balance sheet, the main changes compared with year-end 2016 were the increase in current financial assets (€ +14.1 million) and the decrease in current provisions for personnel (€ -6.4 million) and income tax liabilities (€ -6.3 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

At the end of the first six months, we are still anticipating moderate global economic momentum for 2017 as a whole. The stable economic development in the euro zone is being boosted by the continued positive situation on the employment market and the sustained low level of interest rates, while exports are benefiting from the low external value of the euro. 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 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 %.

COMBINED RESPONSIBILITY STATEMENT

To the best of our knowledge, and in accordance with the applicable reporting principles for interim financial reporting, the interim consolidated financial statements give a true and fair view of the net assets, financial position and results of operations of the Group in line with the German generally accepted standards for the audit of financial statements, and the interim management report of the Group includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group over the remainder of the financial year.

Mettlach, 18 July 2017

Frank Göring

Nicolas Luc Villeroy

Andreas Pfeiffer

Dr Markus Warncke

CONSOLIDATED BALANCE SHEET

as of 30 June 2017

in € million

Assets	Notes	30/6/2017	31/12/2016
Non-current assets			
Intangible assets		36.0	36.7
Property, plant and equipment	1	152.5	157.2
Investment property		8.6	8.9
Investments accounted for using the equity method	2	6.9	1.5
Other financial assets	3	11.9	10.1
		215.9	**214.4**
Other non-current assets	6	3.3	3.3
Deferred tax assets		47.0	47.4
		266.2	**265.1**
Current assets			
Inventories	4	150.7	141.4
Trade receivables	5	117.8	116.0
Other current assets	6	25.8	39.4
Income tax receivables		3.3	2.7
Cash and cash equivalents	7	109.2	111.2
		406.8	**410.7**
Non-current asset held for sale		**0.5**	**0.5**
Total assets		**673.5**	**676.3**

Equity and Liabilities	Notes	30/6/2017	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		-6.3	-3.9
Revaluation surplus	8	-74.4	-74.1
		169.8	**172.5**
Equity attributable to minority interests		**0.1**	**0.1**
Total equity		**169.9**	**172.6**
Non-current liabilities			
Provisions for pensions		195.5	201.1
Non-current provisions for personnel	9	18.5	18.8
Other non-current provisions		15.9	16.2
Non-current financial liabilities	10	50.0	50.0
Other non-current liabilities	11	3.7	4.1
Deferred tax liabilities		4.4	4.3
		288.0	**294.5**
Current liabilities			
Current provisions for personnel	9	11.4	17.8
Other current provisions		18.9	19.8
Current financial liabilities	10	14.6	0.5
Other current liabilities	11	84.0	82.7
Trade payables		81.8	77.2
Income tax liabilities		4.9	11.2
		215.6	**209.2**
Total liabilities		**503.6**	**503.7**
Total equity and liabilities		**673.5**	**676.3**

CONSOLIDATED INCOME STATEMENT

for the period 1 January to 30 June 2017

in € million

	Notes	1/1/2017 - 30/6/2017	1/1/2016 - 30/6/2016
Revenue	12	**402.4**	**398.6**
Costs of sales		-226.9	-223.7
Gross profit		**175.5**	**174.9**
Selling, marketing and development costs	13	-136.5	-135.5
General administrative expenses		-22.9	-22.3
Other operating income and expenses		1.9	-0.4
Result of associates accounted for using the equity method		0.1	0.1
Operating result (EBIT)		**18.1**	**16.8**
Financial result	14	**-2.6**	**-2.7**
Earnings before taxes		**15.5**	**14.1**
Income taxes	15	-4.6	-4.2
Group result		**10.9**	**9.9**
Thereof attributable to:			
▌ Villeroy & Boch AG shareholders		10.9	9.9
▌ Minority interests		0.0	0.0
		10.9	**9.9**
EARNINGS PER SHARE		**in €**	**in €**
▌ Earnings per ordinary share		0.39	0.35
▌ Earnings per preference share		0.44	0.40

During the reporting period there were no share dilution effects.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the period 1 January to 30 June 2017

in € million

		1/1/2017 - 30/6/2017	1/1/2016 - 30/6/2016
Group result		**10.9**	**9.9**
Other comprehensive income			
Items to be reclassified to profit or loss:			
▌ Gains or losses on cash flow hedge		0.0	1.4
▌ Gains or losses on translations of exchange differences		-1.5	-1.3
▌ Deferred income tax effect on items to be reclassified to profit or loss		-0.1	-1.0
Items not to be reclassified to profit or loss:			
▌ Actuarial gains or losses on defined benefit plans		1.8	0.0
▌ Deferred income tax effect on items not to be reclassified to profit or loss		-0.5	0.0
Total other comprehensive income		**-0.3**	**-0.9**
Total comprehensive income net of tax		**10.6**	**9.0**
Thereof attributable to:			
▌ Villeroy & Boch AG shareholders		10.6	9.0
▌ Minority interests		0.0	0.0
Total comprehensive income net of tax		**10.6**	**9.0**

CONSOLIDATED INCOME STATEMENT

for the period 1 April to 30 June 2017

in € million

	Notes	1/4/2017 - 30/6/2017	1/4/2016 - 30/6/2016
Revenue	12	**201.2**	**200.2**
Costs of sales		-113.9	-113.7
Gross profit		**87.3**	**86.5**
Selling, marketing and development costs	13	-68.6	-68.0
General administrative expenses		-11.8	-11.1
Other operating income and expenses		0.6	-0.7
Result of associates accounted for using the equity method		0.1	0.1
Operating result (EBIT)		**7.6**	**6.8**
Financial result	14	**-1.3**	**-1.4**
Earnings before taxes		**6.3**	**5.4**
Income taxes	15	-1.8	-1.6
Group result		**4.5**	**3.8**
Thereof attributable to:			
Villeroy & Boch AG shareholders		4.5	3.8
Minority interests		0.0	0.0
		4.5	**3.8**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the period 1 April to 30 June 2017

in € million

		1/4/2017 - 30/6/2017	1/4/2016 - 30/6/2016
Group result		**4.5**	**3.8**
Other comprehensive income			
Items to be reclassified to profit or loss:			
Gains or losses on cash flow hedge		0.4	0.7
Gains or losses on translations of exchange differences		-0.6	-1.5
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		0.2	-0.1
Deferred income tax effect on items not to be reclassified to profit or loss		-0.1	0.1
Total other comprehensive income		**0.2**	**-0.9**
Total comprehensive income net of tax		**4.7**	**2.9**
Thereof attributable to:			
Villeroy & Boch AG shareholders		4.7	2.9
Minority interests		0.0	0.0
Total comprehensive income net of tax		**4.7**	**2.9**

CONSOLIDATED STATEMENT OF EQUITY

for the period 1 January to 30 June 2017

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 1/1/2016	**71.9**	**193.6**	**-15.0**	**-20.8**	**-64.5**	**165.2**	**0.1**	**165.3**
Group result				9.9		9.9	0.0	9.9
Other comprehensive income					-0.9	-0.9		-0.9
Total comprehensive income net of tax				**9.9**	**-0.9**	**9.0**	**0.0**	**9.0**
Dividend payments				-12.2		-12.2		-12.2
As of 30/6/2016	**71.9**	**193.6**	**-15.0**	**-23.1**	**-65.4**	**162.0**	**0.1**	**162.1**
As of 1/1/2017	**71.9**	**193.6**	**-15.0**	**-3.9**	**-74.1**	**172.5**	**0.1**	**172.6**
Group result				10.9		10.9	0.0	10.9
Other comprehensive income					-0.3	-0.3		-0.3
Total comprehensive income net of tax				**10.9**	**-0.3**	**10.6**	**0.0**	**10.6**
Dividend payments				-13.3		-13.3		-13.3
As of 30/6/2017	**71.9**	**193.6**	**-15.0**	**-6.3**	**-74.4**	**169.8**	**0.1**	**169.9**

CONSOLIDATED CASH FLOW STATEMENT

for the period 1 January to 30 June 2017

in € million

	1/1/2017 - 30/6/2017	1/1/2016 - 30/6/2016
Group result	10.9	9.9
Depreciation of non-current assets	13.1	13.5
Change in non-current provisions	-5.5	-4.8
Profit from disposal of fixed assets	0.0	-0.1
Change in inventories, receivables and other assets	-13.7	-7.2
Change in liabilities, current provisions and other liabilities	-7.3	-10.0
Other non-cash income/expenses	-0.1	5.7
Cash Flow from operating activities	**-2.6**	**7.0**
Purchase of intangible assets, property, plant and equipment	-8.8	-7.4
Investment in non-current financial assets	-7.8	-0.3
Cash receipts from disposals of Gustavsberg´s assets	0.3	-
Cash receipts from disposals of fixed assets	16.1	3.7
Cash Flow from investing activities	**-0.2**	**-4.0**
Change in financial liabilities	14.1	-0.3
Dividend payments	-13.3	-12.2
Cash Flow from financing activities	**0.8**	**-12.5**
Sum of cash flows	**-2.0**	**-9.5**
Balance of cash and cash equivalents as at 1/1/	111.2	65.6
Net increase in cash and cash equivalents	-2.0	-9.5
Balance of cash and cash equivalents as at 30/6/	**109.2**	**56.1**

CONSOLIDATED SEGMENT REPORT

for the period 1 January to 30 June 2017

in € million

	Bathroom & Wellness		Tableware		Transition / Other		Villeroy & Boch Group	
	1/1/2017 - 30/6/2017	1/1/2016 - 30/6/2016	1/1/2017 - 30/6/2017	1/1/2016 - 30/6/2016	1/1/2017 - 30/6/2017	1/1/2016 - 30/6/2016	1/1/2017 - 30/6/2017	1/1/2016 - 30/6/2016
Revenue								
Segment revenue from sales to external customers	283.2	269.1	119.2	129.5	0.0	0.0	402.4	398.6
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	23.4	21.0	-5.4	-4.2	-	-	18.0	16.8
Real estate income from Gustavsberg					0.1	-	0.1	0.0
Financial result	-	-	-	-	-2.6	-2.7	-2.6	-2.7
Investments and depreciations								
Investments	6.6	5.4	2.2	2.0	-	-	8.8	7.4
Scheduled depreciation	9.2	9.3	3.9	4.2	-	-	13.1	13.5
Assets and Liabilities	30/6/2017	31/12/2016	30/6/2017	31/12/2016	30/6/2017	31/12/2016	30/6/2017	31/12/2016
Segment assets	343.4	329.5	118.1	125.1	212.0	221.7	673.5	676.3
Segment liabilities	144.6	141.4	45.5	49.5	313.5	312.8	503.6	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	30/6/2017	31/12/2016	30/6/2017	31/12/2016	30/6/2017	31/12/2016	30/6/2017	31/12/2016
Rolling operating assets	331.6	333.8	122.8	126.9	-	-	454.4	460.7
Rolling operating liabilities	129.8	125.2	44.1	43.0	-	-	173.9	168.2
Rolling net operation assets	201.8	208.6	78.7	83.9	-	-	280.5	292.5
Rolling operating result (EBIT) *								
Rolling operating result (EBIT) *	43.2	42.9	10.5	11.4	-7.4	-8.4	46.4	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 April to 30 June 2017

in € million

	Bathroom & Wellness		Tableware		Transition / Other		Villeroy & Boch Group	
	1/4/2017 - 30/6/2017	1/4/2016 - 30/6/2016	1/4/2017 - 30/6/2017	1/4/2016 - 30/6/2016	1/4/2017 - 30/6/2017	1/4/2016 - 30/6/2016	1/4/2017 - 30/6/2017	1/4/2016 - 30/6/2016
Revenue								
Segment revenue from sales to external customers	144.8	139.9	56.4	60.3	0.0	0.0	201.2	200.2
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	12.2	11.0	-4.7	-4.2	-	-	7.5	6.8
Real estate income from Gustavsberg					0.1	-	0.1	0.0
Financial result	-	-	-	-	-1.3	-1.4	-1.3	-1.4
Investments and depreciations								
Investments	4.3	3.8	1.5	1.2	-	-	5.8	5.0
Scheduled depreciation	4.7	4.7	1.9	2.1	-	-	6.6	6.8

NOTES TO THE INTERIM FINANCIAL STATEMENTS OF THE VILLEROY & BOCH GROUP ON THE FIRST HALF-YEAR 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 June 2017. It was approved for publication on 18 July 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 53 companies (31 December 2016: 53 companies).

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 amounting to € 8.5 million (previous year: € 6.8 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 the Tableware Division, new facilities were acquired for the production plants 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 € 12.3 million (previous year: € 12.7 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 € 8.5 million (31 December 2016: € 5.5 million).

2. Investments accounted for using the equity method

On 23 June 2017, Villeroy & Boch AG acquired a 45 % interest in the share capital of a foreign corporate entity. The company's operating activities primarily involve the sale and distribution of bathroom and kitchen fittings to specialist retailers and project customers. The purchase price for this investment, to which section 313(3) HGB is applied, amounted to € 5.6 million. Villeroy & Boch AG received a distribution of € 0.5 million from another associated company.

3. Other financial assets

The increase in other financial assets in the period under review primarily resulted from the investment of € 2.0 million in a special fund.

4. Inventories

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

in € million	30/6/2017	31/12/2016
Raw materials and supplies	21.4	20.9
Work in progress	17.8	16.3
Finished goods and goods for resale	111.5	104.2
Inventories (total)	**150.7**	**141.4**

In the period under review, impairment losses on inventories increased by € -1.4 million to a total of € -17.5 million.

5. Trade receivables

Trade receivables are broken down as follows:

by customer domicile / in € million	30/6/2017	31/12/2016
Germany	27.3	23.7
Rest of euro zone	27.9	29.4
Rest of world	66.1	66.0
Gross carrying amount of trade receivables	121.3	119.1
Write-downs	-3.5	-3.1
Trade receivables (total)	117.8	116.0

6. Other non-current and current assets

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

in € million	30/6/2017		31/12/2016	
	current	non-current	current	non-current
Other tax receivables	10.1	-	10.7	-
Prepaid expenses	3.4	-	2.1	-
Change in fair value of hedging instruments	2.3	1.4	2.7	1.3
Advance payments and deposits	1.6	1.9	1.1	2.0
Miscellaneous assets (a)	8.4	-	22.8	-
Other assets (total)	25.8	3.3	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.

7. Cash and cash equivalents

Cash and cash equivalents are composed as follows:

in € million	30/6/2017	31/12/2016
Cash on hand incl. cheques	0.4	0.4
Current bank balances	41.7	41.2
Cash equivalents	67.1	69.6
Cash and cash equivalents (total)	109.2	111.2

The € 2.0 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 6). Bank balances were offset against matching liabilities in the amount of € 11.6 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.

8. Revaluation surplus

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

in € million	30/6/2017	31/12/2016
Items to be reclassified to profit or loss:		
Currency translation of financial statements of foreign group companies	-3.5	-1.6
Currency translation of long-term loans classified as net investments in foreign group companies	-3.1	-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	-4.6	-4.5
Sub-total (a)	-8.1	-6.5
Items not to be reclassified to profit or loss:		
Actuarial gains or losses on defined benefit obligations	-94.0	-95.8
Deferred taxes for this category	27.7	28.2
Sub-total (b)	-66.3	-67.6
Total revaluation surplus [(a)+(b)]	-74.4	-74.1

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 first half of the year. 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	30/6/2017		31/12/2016	
	current	non-current	current	non-current
Bonus liabilities [(a)]	31.1	-	42.6	-
Personnel liabilities [(a)]	22.5	0.2	19.1	0.3
Other tax liabilities	10.6	-	11.3	-
Advance payments received on orders	15.4	-	5.5	-
Change in fair value of hedging instruments	0.6	0.0	0.9	0.0
Miscellaneous liabilities	3.8	3.5	3.3	3.8
Other liabilities (total)	84.0	3.7	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	
	H1	Q2	H1	Q2
Bathroom and Wellness	-5.6	-2.9	-5.6	-3.1
Tableware	-1.8	-0.9	-1.7	-0.8
Research and development costs (total)	-7.4	-3.8	-7.3	-3.9

14. Financial result

The financial result is broken down as follows:

in € million	2017		2016	
	H1	Q2	H1	Q2
Financial income	0.6	0.3	0.6	0.3
Finance expenses	-1.9	-0.9	-1.3	-0.6
Interest expenses for provisions (pensions)	-1.3	-0.7	-2.0	-1.1
Net finance expense (total)	-2.6	-1.3	-2.7	-1.4

15. Income taxes

The main components of income tax expense are as follows:

in € million	2017		2016	
	H1	Q2	H1	Q2
Current income taxes	-4.7	-2.6	-4.9	-1.9
Deferred taxes	0.0	0.7	0.7	0.3
Income taxes (total)	-4.7	-1.9	-4.2	-1.6

OTHER NOTES

16. Human resources

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

in € million	2017		2016	
	H1	30/6	H1	30/6
	Staff costs in € million	Employees (FTEs)	Staff costs in € million	Employees (FTEs)
Bathroom and Wellness	-80.6	5,128	-77.3	4,906
Tableware	-47.4	1,946	-48.3	1,999
Other	-15.4	464	-14.8	469
Total	-143.4	7,538	-140.4	7,374

17. Contingent liabilities and commitments and financial obligations

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

in € million	30/6/2017	31/12/2016
Guarantees	43.7	34.0
Obligations to acquire property, plant and equipment	8.5	5.5
Trustee obligations	-	0.1
Obligations to acquire intangible assets	0.1	0.1
Total	52.3	39.7

18. Financial instruments

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

in € million	30/6/2017			31/12/2016		
Items of the statement of financial position containing financial instruments:	Book value	Measured under IAS 39 At cost	Measured under IAS 39 At fair value	Book value	Measured under IAS 39 At cost	Measured under IAS 39 At fair value
Assets						
Cash and cash equivalents (note 7)	109.2	109.2	-	111.2	111.2	-
Trade receivables (note 5)	117.8	117.8	-	116.0	116.0	-
Other financial assets (note 3)	11.9	8.2 A	3.7	10.1	8.6 A	1.5
Other assets (note 6)	15.6	11.4	4.2	29.9	25.9	4.0
Total asset-side instruments	254.5	246.6	7.9	267.2	261.7	5.5

A) thereof measured as loans and receivables: € 6.4 million (31 December 2016: € 6.5 million)

in € million	30/6/2017			31/12/2016		
Items of the statement of financial position containing financial instruments:	Book value	Measured under IAS 39 At cost	Measured under IAS 39 At fair value	Book value	Measured under IAS 39 At cost	Measured under IAS 39 At fair value
Equity and liabilities						
Trade payables	81.8	81.8	-	77.2	77.2	-
Financial liabilities (note 10)	64.6	64.6	-	50.5	50.5	-
Other liabilities (note 11)	47.8	47.2	0.6	52.8	51.9	0.9
Total liability-side instruments	194.2	193.6	0.6	180.5	179.6	0.9

19. 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. A new investment has been reported as an associated company since 23 June 2017 (see note 2). The Villeroy & Boch Group is a long-standing supplier of products from the Bathroom and Wellness Division to this company. In the first half-year of 2017, the value of the delivered goods amounted to € 1.8 million. All transactions are conducted at arm's-length conditions.

20. Events after the end of the reporting period

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

FINANCIAL CALENDAR

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

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.