Villeroy & Boch
1748

Interim Report
1 January to 31 March 2014

- **Revenue for the first quarter up 5.1 % year-on-year to Euro 193.0 million.**
- **EBIT up 13.9 % year-on-year to Euro 8.2 million.**
- **Growth and earnings targets for 2014 as a whole confirmed.**

Villeroy & Boch Group at a glance	01.01. - 31.03.		Change	
	2014 in Euro million	2013 in Euro million	in Euro million	in %
Revenue (total)	**193.0**	**183.7**	**9.3**	**5.1**
Germany	**59.0**	**54.3**	**4.7**	**8.7**
Abroad	**134.0**	**129.4**	**4.6**	**3.6**
Earnings before interest and taxes (EBIT)	**8.2**	**7.2**	**1.0**	**13.9**
Earnings before interest and taxes (EBIT) adjusted for non-recurring expenses for the real estate project in Sweden	**8.8**	**7.2**	**1.6**	**22.2**
Earnings before taxes (EBT)	**6.1**	**4.8**	**1.3**	**27.1**
Consolidated net income	**4.3**	**3.4**	**0.9**	**26.5**
Return on net operating assets (rolling)	**12.7 %**	**12.0 % *)**	**-**	**-**
Investments	**5.3**	**1.8**	**3.5**	**194.4**
Employees (FTEs at the end of the period)	**7,321**	**7,412**	**-91**	

*) Return on net assets as of 31 December 2013

German Securities Code Numbers (WKN): 765 720, 765 723
ISIN: DE0007657207, DE0007657231
Villeroy & Boch AG • 66688 Mettlach • Germany
Tel.: 0049 (0)6864 - 81 2715 • Fax: 0049 (0)6864 - 81 7 2715
Internet: http://www.villeroyboch-group.com

Interim Management Report of the Villeroy & Boch Group for the First Quarter of 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 11 and page 15 of the notes to the consolidated financial statements respectively.

2. Economic Report

2.1. General economic conditions

The economic recovery in the industrialised nations continued in the first quarter of 2014. Reflecting the trend in Germany, economic output is now also growing in a number of other euro zone countries on the back of increased private consumption. China and some emerging economies saw weaker development in the period under review, while economic performance in the USA was adversely affected by the unusually cold weather.

The commodities markets are providing stability. Euro zone inflation in the first quarter of 2014 was significantly below the ECB target.

We expect the euro zone economy to remain robust as 2014 progresses. However, the structurally unresolved high level of sovereign debt in the euro zone, uncertainties affecting the global financial system and new geopolitical tension between the West and Russia continue to represent risk factors.

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

Our assessment of the economic position of the Group is positive. The course of business in the first quarter confirms our expectations for 2014.

In the first quarter of 2014, we generated net revenue of Euro 193.0 million compared with Euro 183.7 million in the same period of the previous year, an increase of 5.1 %.

Orders on hand amounted to Euro 57.8 million as of 31 March 2014, up Euro 12.5 million on the start of the year. The Bathroom and Wellness Division accounted for Euro 36.5 million of orders on hand, with the remaining Euro 21.3 million attributable to the Tableware Division.

Earnings before interest and taxes (EBIT) in the first three months of the current financial year amounted to Euro 8.2 million, up 13.9 % on the same period of the previous year (Euro 7.2 million).

We have pressed ahead with the real estate project in Sweden as scheduled in 2014. The corresponding expenses served to reduce our earnings for the first quarter by Euro 0.6 million. Earnings before interest and taxes (EBIT) adjusted for these non-recurring expenses were up 22.2 % year-on-year at Euro 8.8 million.
On 2 April 2014, we signed a further purchase agreement for a second sub-tranche as planned. The corresponding revenue will be recognised in the second quarter. The total income from this real estate transaction is still expected to amount to around Euro 17 million, of which Euro 7 million was already recognised in 2013.

The rolling net operating assets of the Villeroy & Boch Group amounted to Euro 297.6 million at the reporting date (31 December 2013: Euro 301.5 million). Earnings growth in particular meant that our return on net operating assets improved by 0.7 % compared with 31 December 2013 to 12.7 %.

2.3. Course of business and position of the divisions

2.3.1. Bathroom and Wellness

The Bathroom and Wellness Division recorded revenue of Euro 123.8 million in the first quarter of 2014, up 5.8 % or Euro 6.8 million on the same period of the previous year.
We generated significant revenue growth in Germany (+8.7 %). This development was primarily driven by bathroom furniture, and in particular by the Sanipa brand; however, the Bathroom and Wellness Division also recorded growth across all other product categories. In the area of sanitary ware, the new "Architectura" collection, which was launched last year, and DirectFlush WCs enjoyed particularly strong performance.
We also recorded substantially higher revenue in our growth markets of China (+43.0 %) and Russia (+28.3 %), as well as in Eastern Europe (+17.6 %) and Sweden (+8.5 %).
There was a downturn in revenue in the USA (-35.5 %), Italy (-21.7 %), Denmark (-15.1 %) and Mexico (-16.4 %) in particular. In the USA, this was primarily attributable to the disposal of the local second brand St. Thomas Creations in 2013. Negative revenue development in Mexico continued on the back of the difficult economic situation and a reluctance to invest due to the uncertainty affecting the local residential construction market.

We are pleased to announce that we have again received awards for our innovative design in 2014, including the "red dot design award" for the "Architectura MetalRim" shower tubs and the "universal design award 2014" at the Munich Creative Business Week for the "Omnia Architectura" DirectFlush WC.

SHK, Germany's most important trade fair for sanitation and craft trades, took place in Essen in March. Based on the response from customers, we expect to see further positive revenue development over the coming months.

The Bathroom and Wellness Division recorded an operating result (EBIT) of Euro 8.8 million. The increase of Euro 1.0 million as against the prior-year figure (Euro 7.8 million) was largely due to the revenue generated.

The rolling net operating assets of the Bathroom and Wellness Division amounted to Euro 199.3 million at the reporting date compared with Euro 201.3 million on 31 December 2013. The return on net operating assets increased to 15.5 % (31 December 2013: 14.3 %).

2.3.2. Tableware

Revenue in the Tableware Division increased by Euro 2.5 million or 3.7 % year-on-year to Euro 69.2 million. As previously, Germany was the main driver of this revenue growth (+7.6 %). An upward trend was also observed in a number of other countries, with the division recording significantly higher revenue in Poland (+20.9 %), Austria (+15.3 %) and Benelux (+8.0 %). We also enjoyed substantial revenue growth in the Middle East (+50.5 %), especially in Saudi Arabia.

Lower revenue was recorded in Australia (-15.5 %) and Italy (-8.9 %) in particular.

The Tableware Division broke even in terms of its operating result (EBIT) in the first quarter. This represents an improvement of Euro 0.6 million on the same period of the previous year.

The rolling net operating assets of the Tableware Division amounted to Euro 98.3 million at the reporting date compared with Euro 100.2 million on 31 December 2013. The return on net operating assets amounted to 9.9 % (31 December 2013: 8.6 %).

The presentation of new products at the "Ambiente" trade fair in Frankfurt and other international trade fairs met with an extremely positive response.

Good overall development is expected in light of the incoming orders that have already been placed for our 2014 Christmas collection.
In terms of the new products we have launched, the "Artesano Provençal", a floral decor of the "red dot"-winning "Artesano Original" collection, "La Classica", a new interpretation of modern tradition, and "Anmut

Flowers", a floral decor addition to our "Anmut My Colour" mix-and-match concept, have proved to be especially popular. This is also reflected in the initial orders and revenue that are being generated at present. In addition, our activities are concentrating on the further intensification of our range of gift items and gift sets.

2.4. Capital structure

Our equity declined by Euro 9.3 million compared with 31 December 2013 to Euro 151.1 million. This was primarily due to the dividend payment of Euro 10.4 million.
Our equity ratio amounted to 26.0 % at the reporting date. This meant that the reduction in equity only impacted the equity ratio to the tune of 0.8 percentage points, as total assets also declined substantially (Euro -18.2 million).

2.5. Investments

Our investments in the period under review totalled Euro 5.3 million (previous year: Euro 1.8 million).
The Bathroom and Wellness Division accounted for 86.8 % or Euro 4.6 million of the total investment volume in the first quarter of 2014, with the Tableware Division accounting for the remaining 13.2 % or Euro 0.7 million.
Investments in the Bathroom and Wellness Division primarily related to the construction of our new logistics and assembly centre in Sweden.
In the Tableware Division, we mainly invested in the further expansion of our retail network.
At the reporting date, the Group had obligations to acquire property, plant and equipment in the amount of Euro 6.8 million. These acquisitions will be financed from operating cash flow.
The information contained in the 2013 Group management report on the investments planned for 2014 as a whole continue to apply.

2.6. Net liquidity

Our net liquidity amounted to Euro -13.0 million as of 31 March 2014, an improvement of Euro 17.4 million on the previous year.
Net liquidity fell by Euro 22.1 million compared with 31 December 2013 (Euro +9.1 million). This was primarily due to the dividend distribution and the payment of customer bonuses.

2.7. Structure of the statement of financial position

Total assets amounted to Euro 581.4 million at the reporting date compared with Euro 599.6 million on 31 December 2013. The share of total assets attributable to non-current assets increased slightly to 35.5 % (31 December 2013: 34.7 %). Current assets declined to Euro 16.2 million, largely as a result of seasonal factors. This can mainly be seen in the lower level of cash and cash equivalents and inventories, which was partially offset by the increase in receivables from suppliers. On the liability side of the statement of financial position, the reduction in total equity and liabilities is primarily reflected in equity and other current liabilities. The reduction in equity was predominantly due to the dividend payment, while the lower level of other liabilities is mainly attributable to the payment of customer bonuses.

3. Report on Post-Reporting Date Events

As discussed under 2.2 above, a further purchase agreement for a second sub-tranche of the real estate project in Sweden was signed as planned on 2 April 2014.
Above and beyond this, no further significant events occurred up until 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

As previously, we expect to see moderate overall economic growth in 2014, with the positive effects from improved economic development, particularly in the European sales markets that are important for us, being largely offset by the slowdown in growth in the emerging economies. We are currently concerned by the as yet unforeseeable developments in Ukraine and the impact they will have. The imposition of further economic sanctions by the EU and the USA and the resulting backlash could have an adverse effect on revenue and earnings in our growth market of Russia as well as in Europe generally.
Despite this, we are currently maintaining our forecast of growth in consolidated net income of between 3 % and 5 % for the financial year as a whole.

We are also continuing to forecast above-average growth in earnings, i.e. an improvement of more than 5 % compared with the previous year.

Our rolling net operating assets are expected to remain at the prior-year level in 2014.

Villeroy & Boch Group

Consolidated balance sheet as at 31 March 2014

Assets

in € million	Notes	as of 31.03.2014	as of 31.12.2013
Non-current assets			
Intangible assets		37.5	38.1
Property, plant and equipment	1	140.3	141.3
Investment property		12.9	13.1
Investment accounted for using the equity method	2	1.6	1.4
Other financial assets		14.1	14.1
		206.4	**208.0**
Other non-current assets	5	0.1	0.0
Deferred tax assets		48.1	48.8
		254.6	**256.8**
Current assets			
Inventories	3	141.5	148.8
Trade receivables	4	113.1	102.1
Other current assets	5	21.7	21.0
Income tax claims		3.9	2.9
Cash and cash equivalents	6	38.7	60.3
		318.9	**335.1**
Non-current asset held for sale	7	**7.9**	**7.7**
Total assets		**581.4**	**599.6**

Shareholders' Equity and Liabilities

in € million	Notes	as of 31.03.2014	as of 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		-66.3	-57.4
Revaluation surplus	8	-33.2	-32.8
		151.0	**160.3**
Equity attributable to minority interests		**0.1**	**0.1**
Total equity		**151.1**	**160.4**
Non-current liabilities			
Provisions for pensions		181.5	182.7
Non-current provisions for personnel	9	14.9	15.2
Other non-current provisions	10	1.5	1.4
Non-current financial liabilities		25.0	25.0
Other non-current liabilities	11	2.8	2.7
Deferred tax liabilities		11.2	11.5
		236.9	**238.5**
Current liabilities			
Current provisions for personnel	9	6.8	12.9
Other current provisions	10	21.0	21.3
Current financial liabilities		26.7	26.2
Other current liabilities	11	66.6	75.2
Trade payables		67.5	60.7
Income Tax liabilities		4.8	4.4
		193.4	**200.7**
Total liabilities		**430.3**	**439.2**
Total equity and liabilities		**581.4**	**599.6**

Villeroy & Boch Group

Consolidated Income Statement for the period from 1 January to 31 March 2014

in € million	Notes	2014 01.01.-31.03.	2013 01.01.-31.03.
Revenue	12	**193.0**	**183.7**
Costs of sales		-107.8	-103.8
Gross profit		**85.2**	**79.9**
Selling, marketing and development costs	13	-64.8	-62.9
General administrative expenses		-11.4	-11.2
Other operating income and expenses		-0.7	1.3
Result of associates accounted for using the equity method		-0.1	0.1
Operating result (EBIT)		**8.2**	**7.2**
(Operating result before real estate project Gustavsberg)		**(8.8)**	(7.2)
Financial result	14	**-2.1**	**-2.4**
Earnings before taxes		**6.1**	**4.8**
Income taxes	15	-1.8	-1.4
Group result		**4.3**	**3.4**
Thereof attributable to			
Villeroy & Boch AG shareholders		4.3	3.4
Minority interests		0.0	0.0
		4.3	**3.4**
EARNINGS PER SHARE			
Earnings per ordinary share in Euro		0.14	0.11
Earnings per preference share in Euro		0.19	0.16

During the reporting period there were no share dilution effects.

Villeroy & Boch Group

Consolidated Statement of Comprehensive Income for the periode from 1 January to 31 March 2014

in € million		2014 01.01.-31.03.	2013 01.01.-31.03.
Group result		**4.3**	**3.4**
Other comprehensive income			
● Items to be reclassified to profit or loss:			
Gains or losses on cash flow hedge		-0.8	-0.2
Unrealised exchange differences on translation		-2.0	3.4
Deferred income tax effect on items to be reclassified to profit or loss		-0.3	-0.2
● Items not to be reclassified to profit or loss:			
Acturial gains or losses on defined benefit plans		-0.1	-0.4
Deferred income tax effect on items not to be reclassified to profit or loss		0.0	0.1
Total other comprehensive income	**8**	**-3.2**	**2.7**
Total comprehensive income net of tax		**1.1**	**6.1**
Thereof attributable to			
Villeroy & Boch AG shareholders		1.1	6.1
Minority interests		0.0	0.0
		1.1	**6.1**

Villeroy & Boch Group
Consolidated Statement of Equity for the period from 1 January to 31 March 2014

in € million	Equity attributable to Villeroy & Boch AG shareholders						Equity attrib-	Total
	Issued capital	Capital surplus	Treasury shares	Retained earnings	Revaluation surplus	**Total**	utable to minority interests	**equity**
Note					8			
As of 01.01.2013	**71.9**	**193.6**	**-15.0**	**-72.0**	**-29.2**	**149.3**	**0.1**	**149.4**
Group result				3.4		3.4	0.0	3.4
Other comprehensive income				-4.5	7.2	2.7		2.7
Total comprehensive income net of tax				**-1.1**	**7.2**	**6.1**	**0.0**	**6.1**
Dividend payments				-9.9		-9.9		-9.9
As of 31.03.2013	**71.9**	**193.6**	**-15.0**	**-83.0**	**-22.0**	**145.5**	**0.1**	**145.6**
As of 01.01.2014	**71.9**	**193.6**	**-15.0**	**-57.4**	**-32.8**	**160.3**	**0.1**	**160.4**
Group result				4.3		4.3	0.0	4.3
Other comprehensive income				-2.8	-0.4	-3.2		-3.2
Total comprehensive income net of tax				**1.5**	**-0.4**	**1.1**	**0.0**	**1.1**
Dividend payments				-10.4		-10.4		-10.4
As of 31.03.2014	**71.9**	**193.6**	**-15.0**	**-66.3**	**-33.2**	**151.0**	**0.1**	**151.1**

Villeroy & Boch Group
Consolidated Cash Flow Statement for the period from 1 January to 31 March 2014

	01.01.-31.03.	
in € million	2014	2013
Group result	4.3	3.4
Depreciation of non-current assets	6.6	6.7
Change in non-current provisions	-3.1	-4.0
Profit from disposal of fixed assets	-0.6	-1.4
Change in inventories, receivables and other assets	-7.7	-10.9
Change in liabilities, current provisions and other liabilities	-10.7	-20.8
Other non-cash income/expenses	2.2	1.8
Cash Flow from operating activities	**-9.0**	**-25.2**
Purchase of intangible assets, property, plant and equipment	-5.3	-1.8
Liabilities from investing activities of real estate project Gustavsberg	1.8	-
Investment in non-current financial assets and cash payments	-0.3	0.0
Cash receipts from disposals of fixed assets	1.0	2.5
Cash Flow from investing activities	**-2.8**	**0.7**
Change in financial liabilities	0.6	7.9
Dividend payments	-10.4	-9.9
Cash Flow from financing activities	**-9.8**	**-2.0**
Net increase in cash and cash equivalents	**-21.6**	**-26.5**
Balance of cash and cash equivalents as at 01.01.	60.3	55.3
Net increase in cash and cash equivalents	-21.6	-26.5
Balance of cash and cash equivalents as at 31.03.	38.7	28.8

Villeroy & Boch Group

Consolidated Segment Report for the period from 1 January to 31 March 2014

in € million	BATHROOM & WELLNESS		TABLEWARE		TRANSITION / OTHER		VILLEROY & BOCH GROUP	
	2014	**2013**	**2014**	**2013**	**2014**	**2013**	**2014**	**2013**
	01.01. - 31.03.		**01.01. - 31.03.**		**01.01. - 31.03.**		**01.01. - 31.03.**	
Revenue								
Segment revenue from sales to external customers	**123.8**	117.0	**69.2**	66.7	**0.0**	0.0	**193.0**	183.7
Segment revenue from transactions with other segments	**0.1**	0.2	**0.0**	0.0	**-0.1**	-0.2	**0.0**	0.0
Result								
Segment result	**8.8**	7.8	**0.0**	-0.6	**-**	-	**8.8**	7.2
Real estate project Gustavsberg					**-0.6**	-	**-0.6**	-
Financial result	**-**	-	**-**	-	**-2.1**	-2.4	**-2.1**	-2.4
Investments and depreciations								
Investments	**4.6**	1.3	**0.7**	0.5	**-**	-	**5.3**	1.8
Scheduled depreciation of segment assets	**4.3**	4.4	**2.3**	2.3	**-**	-	**6.6**	6.7
Assets and Liabilities	**31.03.**	**31.12.**	**31.03.**	**31.12.**	**31.03.**	**31.12.**	**31.03.**	**31.12.**
Segment assets	**303.1**	292.3	**130.0**	137.3	**148.3**	170.0	**581.4**	599.6
Segment liabilities	**102.8**	113.1	**40.4**	42.6	**287.1**	283.5	**430.3**	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	**31.03.**	**31.12.**	**31.03.**	**31.12.**	**31.03.**	**31.12.**	**31.03.**	**31.12.**
Rolling operating assets	**306.0**	308.2	**138.7**	140.2	**-**	-	**444.7**	448.4
Rolling operating liabilities	**106.7**	106.9	**40.4**	40.0	**-**	-	**147.1**	146.9
Rolling net operation assets	**199.3**	201.3	**98.3**	100.2	**-**	-	**297.6**	301.5

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

General information

Villeroy & Boch AG, Mettlach (Germany), is a listed public limited company under German law and acts as the parent company to 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 and the SDAX operated by Deutsche Börse AG.

This interim report covers the period from 1 January to 31 March 2014. It was approved for publication on 15 April 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 area 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 required to be applied for 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). On 31 January 2014, Vilbona Inc, San Diego, USA, was merged into Villeroy & Boch USA Inc., New York, USA.

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

Due 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 in the amount of Euro 5.1 million was acquired in the period under review (previous year: Euro 1.6 million), with a particular focus on the construction of our new logistics and assembly centre for sanitary ware in Gustavsberg, Sweden (Euro 3.0 million). In the Tableware Division, retail outlets in Luxembourg City and Barkarby (Sweden) were reopened following modernisation, while new stores will be opened in Dänischburg (Germany) and Wijnegem (Belgium) in the second quarter of 2014. Depreciation amounted to Euro 6.0 million (previous year: Euro 6.2 million). At the reporting date, the Villeroy & Boch Group had obligations to acquire property, plant and equipment in the amount of Euro 6.8 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. Inventories

As at the end of the reporting period, inventories were composed as follows:

in Euro million	**31.03.2014**	31.12.2013
Raw materials and supplies	19.7	20.0
Work in progress	14.3	14.7
Finished goods and goods for resale	107.4	114.1
Advance payments	0.1	0.0
Inventories (total)	**141.5**	**148.8**

In the period under review, impairment losses on inventories increased by Euro 2.0 million to a total of Euro 18.2 million.

4. Trade receivables

Trade receivables are broken down as follows:

by customer domicile / in Euro million	**31.03.2014**	31.12.2013
Germany	25.2	18.9
Rest of euro zone	27.7	26.5
Rest of world	63.9	60.4
Gross carrying amount of trade receivables	116.8	105.8
Impairment losses	-3.7	-3.7
Trade receivables (total)	**113.1**	**102.1**

5. Other current and non-current assets

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

	31.03.2014		31.12.2013	
in Euro million	**current**	**non-current**	current	non-current
Other tax receivables	7.1	-	7.1	-
Advance payments and deposits	2.8	0.0	2.2	0.0
Prepaid expenses	3.7	0.0	2.0	0.0
Fair value of hedging instruments (a)	1.5	0.1	2.1	0.0
Miscellaneous assets	6.6	-	7.6	-
Other assets (total)	**21.7**	**0.1**	**21.0**	**0.0**

(a) At the reporting date, Euro 1.6 million was recognised for the marking to market of exchange rate hedges (31 December 2013: Euro 2.1 million).

6. Cash and cash equivalents

Cash and cash equivalents are composed as follows:

in Euro million	**31.03.2014**	31.12.2013
Cash on hand incl. cheques	0.3	0.4
Current bank balances	12.4	17.7
Cash equivalents	26.0	42.2
Cash and cash equivalents (total)	**38.7**	**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 14.2 million (31 December 2013: Euro 13.8 million). Cash equivalents are partially covered by external guarantee systems.

7. Non-current assets held for sale

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

in Euro million	**31.03.2014**	31.12.2013
Property	4.1	4.0
Equity investments	3.8	3.7
Non-current assets held for sale (total)	**7.9**	**7.7**

8. Revaluation surplus

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

in Euro million	**31.03.2014**	31.12.2013
Items to be reclassified to profit or loss:		
● Currency translation of financial statements in foreign group companies	11.4	10.6
● Currency translation of long-term loans classified as net investments in group companies	-0.6	-0.6
● Change in fair value of cash flow hedges	-0.4	0.4
● Deferred taxes for this category	-2.1	-1.8
Sub-total (a)	**8.3**	**8.6**
Items not to be reclassified to profit or loss:		
● Actuarial gains on defined benefit obligations	-58.8	-58.7
● Deferred taxes for this category	17.3	17.3
Sub-total (b)	**-41.5**	**-41.4**
Total revaluation surplus [(a)+(b)]	**-33.2**	**-32.8**

9. 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 primarily due to the payment of variable remuneration components for 2013.

10. Other current provisions

The decrease in other current provisions is primarily due to the utilisation of the provision for restructuring.

11. Other current and non-current liabilities

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

	31.03.2014		31.12.2013	
in Euro million	**current**	**non-current**	current	non-current
Bonus liabilities (a)	20.6	-	33.9	-
Personnel liabilities	22.5	0.6	20.0	0.6
Other tax liabilities	11.5	-	9.4	-
Change in fair value of hedging instruments (b)	1.8	0.2	1.7	0.0
Government grants	0.6	0.6	0.5	0.6
Advance payments received on orders	3.4	-	3.5	-
Other liabilities	6.2	1.4	6.2	1.5
Other liabilities (total)	**66.6**	**2.8**	**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

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 Euro million	**Q1 2014**	Q1 2013
Bathroom and Wellness	-2.1	-1.8
Tableware	-0.9	-1.0
Research and development costs (total)	**-3.0**	**-2.8**

14. Financial result

The financial result is broken down as follows:

in Euro million	**Q1 2014**	Q1 2013
Financial income	0.3	0.3
Financial expenses	-0.9	-1.0
Interest expenses for provisions (pensions)	-1.5	-1.7
Financial result (total)	**-2.1**	**-2.4**

15. Income taxes

The main components of income tax expense are as follows:

in Euro million	**Q1 2014**	Q1 2013
Current income taxes	-1.5	-1.2
Deferred taxes	-0.3	-0.2
Income taxes (total)	**-1.8**	**-1.4**

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, will leave Villeroy & Boch AG at his own request when his contract expires on 31 May 2014. Our CEO, Frank Göring, will assume this function on a temporary basis until a new appointment is made to succeed Jörg Wahlers.

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.
The General Meeting of Shareholders on 21 March 2014 elected Francesco Grioli to the Supervisory Board of Villeroy & Boch AG as the union representative; he succeeds Ralf Sikorski in this function.

19. Events after the end of the reporting period

A further purchase agreement for a second sub-tranche of the real estate project in Sweden was signed as planned on 2 April 2014. The corresponding revenue is expected to be recognised in the second quarter of 2014.
Above and beyond this, no further significant events occurred up until the time the interim report was approved for publication.

Mettlach, 15 April 2014

Frank Göring | Andreas Pfeiffer | Nicolas Luc Villeroy | Jörg Wahlers

Financial calendar:

18 July 2014	Report on the first half of 2014
21 October 2014	Report on the first nine months of 2014
27 March 2015	General Meeting of Shareholders of Villeroy & Boch AG

This interim report is available in English, German and French. In the event of variances, the German version shall take precedence over any translations. Due to rounding differences, there may be slight discrepancies in the totals and percentages contained in this report. Percentages are generally shown as rounded numbers. This interim report and further information can also be downloaded at www.VilleroyBoch-Group.com.