



Villeroy & Boch

1748



INTERIM REPORT
1 January to 31 March 2018

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- ▮ Consolidated revenue from sale of goods up 3.4 % to € 208.0 million.
- ▮ EBIT increases by 5.7 % to € 11.1 million.
- ▮ Revenue and earnings targets for 2018 as a whole confirmed.

THE GROUP AT A GLANCE	1/1/2018 - 31/3/2018 in € million	1/1/2017 - 31/3/2017 in € million	Change in € million	Change in %
Revenue incl. income from licence ⁽¹⁾	209.7	–	–	–
Revenue (nominal) ⁽²⁾	208.0	201.2	6.8	3.4
Revenue – Germany	62.2	62.0	0.2	0.3
Revenue – Abroad	145.8	139.2	6.6	4.7
On a constant currency basis	212.6	201.2	11.4	5.7
EBIT	11.1	10.5	0.6	5.7
EBT	10.0	9.2	0.8	8.7
Group result	7.0	6.4	0.6	9.4
Return on net operating assets (rolling)	17.6 %	17.7 % ⁽³⁾	-0.1 PP	-0.6
Investments	4.8	3.0	1.8	60.0
Employees (FTEs as at end of period)	7,581 FTE	7,472 FTE	109 FTE	1.5

(1) Income from licence business is reported in revenue from the 2018 financial year having been reported in other operating income until 31 December 2017. The corresponding prior-year figures have not been restated.

(2) Revenue from sale of goods (i.e. excluding licence revenue)

(3) Return on net assets as at 31 December 2017

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INTERIM MANAGEMENT REPORT OF THE VILLEROY & BOCH GROUP FOR THE FIRST QUARTER OF 2018

GENERAL CONDITIONS OF THE GROUP

The basic information on the Group as presented in the 2017 Group management report remains unchanged. Information on changes in the consolidated group and on research and development costs can be found on page 12 and in note 12 to the consolidated financial statements respectively.

ECONOMIC REPORT

General economic conditions

The upturn in the world economy continued in early 2018. In the euro zone, sustained momentum was observed in the majority of countries. As previously, this was driven by substantial growth in employment, falling unemployment and favourable financing conditions.

Domestic and external demand factors propelled the German economy even closer to boom territory. This was accompanied by capacity bottlenecks in the construction industry and the service sector in particular.

Outside Europe, economic growth in China remained at the same high level thanks to monetary and fiscal policy measures, while growth momentum in the USA also remained strong.

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.

We generated consolidated revenue of € 209.7 million in the first quarter of 2018. For the first time, this figure includes income from our licence business in the amount of € 1.7 million. Licence income was previously reported in other operating income. Extensive information

on this change in reporting can be found in note 11 of the notes to the consolidated financial statements.

Excluding licence income, consolidated revenue from the sale of goods increased by 3.4 % to € 208.0 million. On a constant currency basis, i.e. assuming unchanged exchange rates against the previous year, we generated revenue growth of 5.7 %. This means that negative exchange rate effects notably outweighed their positive counterparts, with the US dollar, the Chinese renminbi and the Swedish krona seeing the most pronounced depreciation.

Orders on hand amounted to € 110.4 million as at 31 March 2018, an increase of € 3.4 million as against 1 January 2018. Of this figure, € 94.7 million related to the Bathroom and Wellness Division and € 15.7 million to the Tableware Division.

In the first quarter of 2018, we increased our EBIT by 5.7 % to € 11.1 million on the back of extremely strong revenue and earnings performance in the Bathroom and Wellness Division. Further information on the course of business in the two divisions can be found in the sections below.

We are reiterating our revenue and earnings forecasts for the year as a whole.

The Group's rolling return on net operating assets was 17.6 % as at 31 March 2018. The slight change compared with the end of the 2017 financial year (17.7 %) was due to the seasonal rise in net operating assets to € 286.0 million (31 December 2017: € 280.4 million).

Course of business and position of the divisions

Bathroom and Wellness

The Bathroom and Wellness Division contributed € 147.2 million to consolidated revenue in the first quarter of 2018, of which € 0.1 million was attributable to licence business. Excluding licence income, revenue from the sale of goods increased by 6.3 % to € 147.1 million. On a constant currency basis, revenue growth was even higher at 8.3 %.

Revenue in Germany increased by a moderate 1.4 %, as the high level of fitting capacity utilization slowed growth within the industry as a whole. In our other key European markets, we enjoyed robust growth in the regions of Northern Europe (+6.2 %) and Benelux (+3.7 %) in particular. The varied development in the other countries – largely as a result of unfavorable exchange rate effects – meant that total revenue in Europe was essentially unchanged year-on-year at € 120.2 million (-0.4 %).

Revenue outside Europe increased by an impressive 52.1 % to € 26.9 million. The growth region of Asia-Pacific enjoyed particularly strong development, with revenue rising by 61.7 % (adjusted for the acquisition of Argent Australia Pty. Ltd. in June 2017). China was the standout performer with revenue growth of 61.5 %.

Thanks to its strong revenue performance and efficiency improvements in our production network, the Bathroom and Wellness Division increased its operating result (EBIT) by € 1.8 million or 16.1 % year-on-year to € 13.0 million.

The rolling return on net operating assets rose to 24.0 % (31 December 2017: 23.5 %). The net operating assets employed in the division increased by € 4.0 million to € 206.1 million compared with 31 December 2017.

Tableware

The Tableware Division generated revenue of € 61.7 million in the first quarter of 2018, of which € 0.8 million was attributable to license income. Although revenue from the sale of

goods decreased by 3.0 % year-on-year to € 60.9 million, this was largely due to negative exchange rate effects. We repeated the prior-year revenue level on a constant currency basis (€ 62.8 million).

Following key strategic adjustments in the previous year, including pursuing a more restrictive discount policy, we succeeded in largely stabilising revenue in our home market of Europe at € 48.0 million in the first quarter of 2018 (-0.6 %). While important markets such as Benelux (+18.1 %), Italy (+6.8 %) and France (+3.7 %) saw further growth, the nominal revenue generated in the other markets was adversely affected by the negative exchange rate development of the Swiss franc and the pound sterling in particular.

Outside Europe, we generated above-average revenue growth of 46.4 % in the Middle East/Africa region thanks to extremely successful project business. Revenue in the USA declined almost exclusively as a result of exchange rate effects (-14.0 %) and would otherwise have been largely unchanged year-on-year (-0.6 %).

Another encouraging development is the fact that our intensified sales and marketing activities in the area of e-commerce paid off, with online revenue growing by 8.3 % across all markets.

The Tableware Division started the 2018 financial year with operating EBIT of € -1.9 million in the first quarter (previous year: € -0.7 million). In addition to the reduction in revenue, divisional earnings were impacted by increased logistics costs in connection with service optimization and the expansion of the online mail order business and shifts in the revenue structure.

The rolling return on net operating assets in the Tableware Division fell by 2.4 percentage points as against 31 December 2017, amounting to 9.5 % at the reporting date. This was due to the lower level of earnings accompanied by the € 1.6 million increase in rolling net operating assets to € 79.9 million.

Capital structure

Our equity declined by € 9.5 million as against the end of 2017, amounting to € 185.1 million as at 31 March 2018. The change in equity was primarily attributable to the dividend paid by Villeroy & Boch AG in the amount of € 14.3 million in March 2018, which was partially offset by the Group result of € 7.0 million in the first quarter of 2018. At 28.2 %, our equity ratio (including minority interests) was essentially unchanged compared with 31 December 2017 (28.3 %).

Investments

We made investments totalling € 4.8 million in the first quarter of 2018 (previous year: € 3.0 million). The Bathroom and Wellness Division accounted for € 3.8 million, with the remaining € 1.0 million attributable to the Tableware Division.

In the Bathroom and Wellness Division, we acquired new facilities for the sanitary ware plants in Mettlach, Mexico and France in particular. In the Tableware Division, we primarily invested in new facilities and modernization measures for the production site in Merzig, as well as opening new stores in Spain, the United Kingdom and Canada.

At the reporting date, the Group had obligations to acquire property, plant and equipment and in-tangible assets in the amount of € 11.2 million. Our investments are financed from operating cash flow.

We are continuing to forecast an investment volume of more than € 40 million for 2018 as a whole.

Net liquidity

Our net liquidity amounted to € 13.5 million as at 31 March 2018, a decrease of € 44.1 million as against 31 December 2017. 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.

Balance sheet structure

Total assets amounted to € 655.3 million at the end of the reporting period compared with € 687.1 million as of 31 December 2017. The reduction in total assets meant that the share of total assets attributable to non-current assets increased to 34.5 % (31 December 2017: 33.1 %).

Current assets fell by € 31.5 million as against 31 December 2017, largely as a result of the seasonal reduction in cash and cash equivalents. On the equity and liabilities side of the balance sheet, the main changes compared with year-end 2017 related to the reduction in other current liabilities, current provisions for personnel and trade payables.

REPORT ON RISKS AND OPPORTUNITIES

The opportunities and risks described in the 2017 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 three months, we are continuing to anticipate a further robust expansion in the world economy in 2018 as a whole. At the same time, there are not inconsiderable downside risks due to factors such as the threat of an escalation in the international trade conflict with the United States of America. Meanwhile, the high level of capacity utilisation means the German economy is likely to be approaching its growth limit, which is also why construction activity will grow slower than in previous years for the time being in spite of the favourable conditions. In overseas, our largest growth market of China is expected to see above-average economic growth, albeit at a slightly slower rate. The phase of expansion in the US economy is also likely to continue thanks to improved investment momentum and tax incentives.

In light of the course of business in the first three months of the year and taking into account all of the available market estimates, the Management Board of Villeroy & Boch AG is

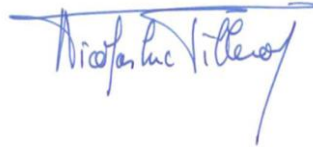
continuing to forecast an increase in consolidated revenue of between 3 % and 5 % for the 2018 financial year as a whole. In terms of our earnings performance, we are forecasting an improvement in our operating result (EBIT) of between 5 % and 10 %. Our return on net operating assets is expected to amount to be-

tween 17 % and 18 % in the current year. We are therefore confirming the forecasts made in the 2017 Group management report unconditionally.

Mettlach, 16 April 2018



Frank Göring



Nicolas Luc Villeroy



Andreas Pfeiffer



Dr. Markus Warncke

CONSOLIDATED BALANCE SHEET

as of 31 March 2018

in € million

Assets	Notes	31/3/2018	31/12/2017
Non-current assets			
Intangible assets		38.3	37.5
Property, plant and equipment	1	162.1	165.3
Investment property		8.0	8.2
Investment accounted for using the equity method		1.6	1.5
Other financial assets	2	16.4	14.8
		226.4	227.3
Other non-current assets	5	3.4	3.7
Deferred tax assets		38.2	37.3
		268.0	268.3
Current assets			
Inventories	3	158.4	154.6
Trade receivables	4	129.2	127.2
Other current assets	5	26.5	25.3
Income tax receivables		3.7	2.5
Cash and cash equivalents	6	69.0	108.7
		386.8	418.3
Non-current asset held for sale		0.5	0.5
Total assets		655.3	687.1
Equity and Liabilities			
	Notes	31/3/2018	31/12/2017
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		5.3	12.7
Revaluation surplus	7	-75.8	-74.0
		180.0	189.2
Equity attributable to minority interests		5.1	5.4
Total equity		185.1	194.6
Non-current liabilities			
Provisions for pensions		183.1	185.1
Non-current provisions for personnel	8	18.6	19.0
Other non-current provisions		11.6	11.3
Non-current financial liabilities	10	50.1	50.2
Other non-current liabilities	9	4.3	4.7
Deferred tax liabilities		4.1	3.4
		271.8	273.7
Current liabilities			
Current provisions for personnel	8	8.1	15.4
Other current provisions		19.5	20.0
Current financial liabilities	10	5.4	0.9
Other current liabilities	9	82.2	92.5
Trade payables		77.4	83.5
Income tax liabilities		5.8	6.5
		198.4	218.8
Total liabilities		470.2	492.5
Total equity and liabilities		655.3	687.1

CONSOLIDATED INCOME STATEMENT

for the period 1 January to 31 March 2018

in € million

	Notes	1/1/2018 - 31/3/2018	1/1/2017 - 31/3/2017
Revenue	11	209.7	201.2
Costs of sales		-120.3	-113.0
Gross profit		89.4	88.2
Selling, marketing and development costs	12	-66.6	-67.9
General administrative expenses		-11.1	-11.1
Other operating income and expenses	13	-0.6	1.3
Result of associates accounted for using the equity method		0.0	0.0
Operating result (EBIT)		11.1	10.5
Financial result	14	-1.1	-1.3
Earnings before taxes		10.0	9.2
Income taxes	15	-3.0	-2.8
Group result		7.0	6.4
Thereof attributable to:			
■ Villeroy & Boch AG shareholders		6.9	6.4
■ Minority interests		0.1	0.0
		7.0	6.4
EARNINGS PER SHARE		in €	in €
■ Earnings per ordinary share		0.24	0.22
■ Earnings per preference share		0.29	0.27

During the reporting period there were no share dilution effects.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the period 1 January to 31 March 2018

in € million

	1/1/2018 - 31/3/2018	1/1/2017 - 31/3/2017
Group result	7.0	6.4
Other comprehensive income		
Items to be reclassified to profit or loss:		
■ Gains or losses on cash flow hedge	-1.1	-0.4
■ Gains or losses on translations of exchange differences	-0.6	-0.9
■ Deferred income tax effect on items to be reclassified to profit or loss	-0.1	-0.4
Items not to be reclassified to profit or loss:		
■ Actuarial gains or losses on defined benefit plans	0.1	1.6
■ Gains or losses on value changes of securities	-0.3	0.0
■ Deferred income tax effect on items not to be reclassified to profit or loss	-0.1	-0.4
Total other comprehensive income	-2.1	-0.5
Total comprehensive income net of tax	4.9	5.9
Thereof attributable to:		
■ Villeroy & Boch AG shareholders	5.1	5.9
■ Minority interests	-0.2	0.0
Total comprehensive income net of tax	4.9	5.9

INTERIM REPORT ON THE FIRST QUARTER OF 2018

CONSOLIDATED STATEMENT OF EQUITY

for the period 1 January to 31 March 2018

in € million

Notes	Equity attributable to Villeroy & Boch AG shareholders					Total	Equity attributable to minority interests	Total equity
	Issued capital	Capital surplus	Treasury shares	Retained earnings	Revaluation surplus			
					7			
As of 1/1/2017	71.9	193.6	-15.0	-3.9	-74.1	172.5	0.1	172.6
Group result				6.4		6.4	0.0	6.4
Other comprehensive income					-0.5	-0.5		-0.5
Total comprehensive income net of tax				6.4	-0.5	5.9	0.0	5.9
Dividend payments				-13.3		-13.3		-13.3
As of 31/3/2017	71.9	193.6	-15.0	-10.8	-74.6	165.1	0.1	165.2
As of 1/1/2018	71.9	193.6	-15.0	12.7	-74.0	189.2	5.4	194.6
Group result				6.9		6.9	0.1	7.0
Other comprehensive income					-1.8	-1.8	-0.3	-2.1
Total comprehensive income net of tax				6.9	-1.8	5.1	-0.2	4.9
Dividend payments				-14.3		-14.3	-0.1	-14.4
As of 31/3/2018	71.9	193.6	-15.0	5.3	-75.8	180.0	5.1	185.1

CONSOLIDATED CASH FLOW STATEMENT

for the period 1 January to 31 March 2018

in € million

	1/1/2018 - 31/3/2018	1/1/2017 - 31/3/2017
Group result	7.0	6.4
Depreciation of non-current assets	6.3	6.5
Change in non-current provisions	-2.8	-2.2
Profit from disposal of fixed assets	0.1	0.2
Change in inventories, receivables and other assets	-7.9	-4.6
Change in liabilities, current provisions and other liabilities	-26.1	-24.4
Other non-cash income/expenses	0.2	0.3
Cash Flow from operating activities	-23.2	-17.8
Purchase of intangible assets, property, plant and equipment	-4.8	-3.0
Investment in non-current financial assets	-2.1	-0.1
Cash receipts from disposals of fixed assets	0.4	14.8
Cash Flow from investing activities	-6.5	11.7
Change in financial liabilities	4.5	3.4
Cash payments for the acquisition of non-controlling interests	-0.1	-
Dividend payments	-14.4	-13.3
Cash Flow from financing activities	-10.0	-9.9
Sum of cash flows	-39.7	-16.0
Balance of cash and cash equivalents as at 1 Jan	108.7	111.2
Net increase in cash and cash equivalents	-39.7	-16.0
Balance of cash and cash equivalents as at 31 Mar	69.0	95.2

INTERIM REPORT ON THE FIRST QUARTER OF 2018

CONSOLIDATED SEGMENT REPORT

for the period 1 January to 31 March 2018

in € million

	Bathroom & Wellness		Tableware		Transition / Other		Villeroy & Boch-Group	
	1/1/2018	1/1/2017	1/1/2018	1/1/2017	1/1/2018	1/1/2017	1/1/2018	1/1/2017
	- 31/3/2018	- 31/3/2017	- 31/3/2018	- 31/3/2017	- 31/3/2018	- 31/3/2017	- 31/3/2018	- 31/3/2017
Revenue								
■ Segment revenue from sales of goods to external customers	147.1	138.4	60.9	62.8	0.0	0.0	208.0	201.2
■ Segment revenue from transactions with other segments	-	-	0.0	0.0	-	-	0.0	0.0
■ Segment revenue from licence	0.1		0.8		0.8		1.7	
Revenue	147.2	138.4	61.7	62.8	0.8	0.0	209.7	201.2
Result								
■ Segment result	13.0	11.2	-1.9	-0.7	-	-	11.1	10.5
■ Financial result	-	-	-	-	-1.1	-1.3	-1.1	-1.3
Investments and depreciations								
■ Investments	3.8	2.3	1.0	0.7	-	-	4.8	3.0
■ Scheduled depreciation	4.8	4.5	1.5	2.0	-	-	6.3	6.5
Assets and Liabilities	31/3/2018	31/12/2017	31/3/2018	31/12/2017	31/3/2018	31/12/2017	31/3/2018	31/12/2017
■ Segment assets	371.0	358.8	115.2	124.4	169.1	203.9	655.3	687.1
■ Segment liabilities	141.3	157.6	38.2	42.7	290.7	292.2	470.2	492.5

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:

	31/3/2018	31/12/2017	31/3/2018	31/12/2017	31/3/2018	31/12/2017	31/3/2018	31/12/2017
Rolling net operating assets								
■ Rolling operating assets	346.4	339.3	121.2	120.8	-	-	467.6	460.1
■ Rolling operating liabilities	140.3	137.2	41.3	42.5	-	-	181.6	179.7
Rolling net operation assets	206.1	202.1	79.9	78.3	-	-	286.0	280.4
Rolling operating result (EBIT) *								
■ Rolling operating result (EBIT) *	49.4	47.5	7.5	9.3	-6.6	-7.0	50.3	49.8

* Central function earnings components that cannot be influenced by the division are not taken into account in calculating the operating result of both divisions.

NOTES TO THE INTERIM FINANCIAL STATEMENTS OF THE VILLEROY & BOCH GROUP FOR THE FIRST QUARTER OF 2018

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 31 March 2018. It was approved for publication on 16 April 2018 after the Management Board discussed the interim report with the Audit Committee of the Supervisory Board. It was prepared in accordance with section 315e 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 2017. 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 2017 Annual Report were extended to include the accounting standards endorsed by the EU and applicable to reporting periods beginning on or after 1 January 2018, and in particular IFRS 9 "Financial Instruments" and IFRS 15 "Revenue from Contracts with Customers". The material effects of the first-time application of these standards are described in notes 11 and 16. None of the other changes to accounting provisions, such as those set out in IFRS 4 "Insurance Contracts", had a material impact on this interim report.

Basis of consolidation

The basis of consolidation of the Villeroy & Boch Group consists of 54 companies (31 December 2017: 54 companies).

Dividend paid by Villeroy & Boch AG for the 2017 financial year

The General Meeting of Shareholders on 23 March 2018 approved the dividend of € 0.52 per ordinary share and € 0.57 per preference share as proposed by the Supervisory Board and Management Board of Villeroy & Boch AG. The distribution corresponds to a dividend payment of € 7.3 million for the ordinary share capital (previous year: € 6.7 million) and € 7.0 million for the preference share capital (previous year: € 6.6 million). The dividend was paid on 28 March 2018. 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 BALANCE SHEET

1. Property, plant and equipment

Property, plant and equipment amounting to € 3.4 million (previous year: € 2.7 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, including a new shuttle kiln and a new WC pressure casting line. Outside Germany, we also invested in a new tunnel kiln in Mexico and a new high-pressure press in France. The Tableware Division acquired new pressing tools and modernised the conveyor technology for the glazing line in Merzig. We also invested in our retail stores, including in Spain, the United Kingdom and Canada. The largest project in the central functions remains the redevelopment of the Old Abbey to create a modern administrative headquarters. Depreciation amounted to € 5.7 million (previous year: € 6.3 million). As at the end of the reporting period, the Villeroy & Boch Group had obligations to acquire property, plant and equipment in the amount of € 11.2 million (31 December 2017: € 2.1 million).

2. Other financial assets

Financial assets increased by € 1.6 million in the first quarter of 2018 as a result of the acquisition of additional securities as a freely marketable investment in the amount of € 1.8 million.

3. Inventories

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

in € million	31/3/2018	31/12/2017
Raw materials and supplies	21.8	21.1
Work in progress	17.6	17.5
Finished goods and goods for resale	119.0	116.0
Inventories (total)	158.4	154.6

In the period under review, impairment losses on inventories increased by € -2.4 million to a total of € -17.8 million.

4. Trade receivables

On initial recognition, trade receivables are carried at their transaction price less expected losses over the agreed payment period. An additional impairment loss is recognised if there is objective evidence that a customer may default on a receivable.

Trade receivables are broken down as follows:

by customer domicile/in € million	31/3/2018	31/12/2017
Germany	30.3	26.8
Rest of euro zone	30.0	29.0
Rest of world	72.2	74.5
Gross carrying amount of trade receivables (a)	132.5	130.3

INTERIM REPORT ON THE FIRST QUARTER OF 2018

Continued / in € million	31/3/2018	31/12/2017
Gross carrying amount of trade receivables (a)	132.5	130.3
Impairment due to expected losses	-0.4	-0.4
Impairment due to objective evidence	-2.9	-2.7
Impairment losses (b)	-3.3	-3.1
Total trade receivables [(a)+(b)]	129.2	127.2

Impairment losses are recognized using the practical expedient as the respective receivables do not contain significant financing components. Expected losses are primarily calculated on the basis of external and internal customer ratings and the corresponding probabilities of default (see also note 16).

5. Other current and non-current assets

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

in € million	31/3/2018		31/12/2017	
	Current	Non-current	Current	Non-current
Other tax receivables	8.8	-	9.4	-
Deferred income	2.8	-	2.1	-
Advance payments and deposits (a)	3.1	1.9	1.1	1.9
Fair values of hedging instruments	1.9	1.5	2.7	1.8
Miscellaneous assets	9.9	-	10.0	-
Other assets (total)	26.5	3.4	25.3	3.7

- (a) Advance payments and deposits increased by a total of € 2.0 million to € 5.0 million. € 0.9 million of this figure related to Argent Australia Pty. Ltd., which was fully consolidated for the first time in the third quarter of 2017.

6. Cash and cash equivalents

Cash and cash equivalents are composed as follows:

in € million	31/3/2018	31/12/2017
Cash on hand incl. cheques	0.5	0.5
Current bank balances	15.5	48.6
Short-term bank deposits	53.0	59.6
Total cash and cash equivalents	69.0	108.7

The € 39.7 million decrease in cash and cash equivalents is primarily attributable to seasonal effects such as the dividend payment of € 14.3 million, the payment of customer bonuses (see note 9) and variable remuneration for 2017. Bank balances were offset against matching liabilities in the amount of € 22.6 million (31 December 2017: € 14.6 million). Cash is held solely in the short term and at banks of good credit standing that are predominantly members of a deposit protection system.

7. Revaluation surplus

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

in € million	31/3/2018	31/12/2017*
Items to be reclassified to profit or loss:		
█ Currency translation of financial statements of foreign group companies	-4.1	-3.3
█ Currency translation of long-term loans classified as net investments in foreign group companies	-7.0	-7.5
█ Change in fair value of cash flow hedges	2.4	3.5
█ Deferred taxes for this category	-5.3	-5.2
Sub-total (a)	-14.0	-12.5
Items not to be reclassified to profit or loss:		
█ Actuarial gains and losses on defined benefit obligations	-86.7	-86.8
█ Valuation results on securities *	-0.2	0.1
█ Deferred taxes for this category	25.1	25.2
Sub-total (b)	-61.8	-61.5
Total revaluation surplus [(a)+(b)]	-75.8	-74.0

* Prior-period amounts restated: Non-current investments in investment funds (see note 2) are recognised using the fair value option in accordance with IFRS 9 (see note 16).

8. Current and non-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 2017.

9. Other current and non-current liabilities

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

in € million	31/3/2018		31/12/2017	
	current	non-current	current	non-current
Bonus liabilities (a)	28.6	-	43.7	-
Personnel liabilities (a)	23.3	0.1	20.1	0.2
Advance payments	12.0	-	11.5	-
Other tax liabilities	11.9	-	12.1	-
Change in fair value of hedging instruments	0.9	0.1	0.8	0.2
Miscellaneous liabilities	5.5	4.1	4.3	4.3
Other liabilities (total)	82.2	4.3	92.5	4.7

(a) Seasonal change

10. Non-current and current financial liabilities

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

NOTES ON SELECTED ITEMS OF THE CONSOLIDATED INCOME STATEMENT

11. Revenue

The first-time application of IFRS 15 “Revenue from Contracts with Customers” with effect from 1 January 2018 did not result in any significant transition effects in terms of the timing or measurement of the revenue reported.

As part of the adaptation to reflect the new accounting standard, income from Villeroy & Boch’s licence business is reported in revenue for the first time from the 2018 financial year, having previously been reported in other operating income until 31 December 2017. Accordingly, revenue for the period under review includes licence income of € 1.7 million. The prior-period figures were not restated.

A breakdown of the revenue to be fully subsumed under revenue from contracts with customers within the meaning of IFRS 15 can be found in the segment report. Further information on the introduction of this new standard at the Villeroy & Boch Group can be found in the notes to the consolidated financial statements (note 62) in the 2017 Annual Report.

12. Selling, marketing and development costs

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

in € million	31/3/2018	31/3/2017
Bathroom and Wellness	-2.8	-2.7
Tableware	-0.9	-0.9
Research and development costs (total)	-3.7	-3.6

13. Other operating income and expenses

The difference compared with the previous year is primarily due to the change in presentation concerning the licence income generated in the first quarter of 2018 in the amount of € 1.7 million, which is reported in revenue for the first time starting from the current financial year (see note 11). In the comparative prior-year period, other operating income included licence income of € 1.9 million.

14. Financial result

The financial result is broken down as follows:

in € million	31/3/2018	31/3/2017
Financial expenses	-0.6	-0.9
Interest expenses for provisions (pensions)	-0.8	-0.7
Financial income	0.3	0.3
Net finance expense (total)	-1.1	-1.3

15. Income taxes

The main components of income tax expense are as follows:

in € million	31/3/2018	31/3/2017
Current income taxes	-2.3	-2.2
Deferred taxes	-0.7	-0.6
Income taxes (total)	-3.0	-2.8

OTHER NOTES

16. Financial instruments

Following the introduction of IFRS 9, all the Group's financial instruments were reclassified to reflect the contractual cash flows and the nature of the respective business model in line with the categories applicable from 1 January 2018:

Balance sheet item	Note	Recognition until 31 December 2017		Recognition from 1 January 2018	
		IAS 39 category	€ million	IFRS 9 category	€ million
Trade receivables	4	Loans and receivables	127.2	Cost	127.2
Cash and cash equivalents	6	Cash	108.7	Cost	108.7
Other financial assets					
█ Securities	2	Available for sale (OCI)	8.7	Fair value (excl. recycling)	8.7
█ Loans	2	Loans and receivables	4.0	Cost	4.0
█ Equity investments	2	Available for sale (cost)	2.1	Fair value (excl. recycling)	2.1
█ Hedging derivatives	5	Hedge accounting	4.5	Hedge accounting	4.5
█ Other financial instruments	5	Loans and receivables	12.7	Cost	12.7
Total financial assets			267.9		267.9

The changeover to this system did not have any significant consequences for the Villeroy & Boch Group.

Trade receivables are due within a short payment period following the respective invoice date. The default risk during this period is largely borne by an insurance company, which classifies each customer in terms of their creditworthiness. Uninsured receivables are controlled using limits based on insurance company classification and an internal rating. On initial recognition, trade receivables are carried at their transaction price using the practical expedient. This corresponds to the previous IAS 39 carrying amount. Impairment losses are recognised in a two-stage process. In the first stage, we examine the potential loss over the agreed payment period. In the second stage, an additional impairment loss is recognised if there is objective evidence that a customer may default on a receivable (see note 4).

Cash and cash equivalents are recognised at cost on initial recognition. Impairment losses are recognised using the general three-stage impairment model. In the first stage, the expected loss due to potential default within the next twelve months is recognised immediately on initial recognition. As these cash and cash equivalents are held solely in the short term and at banks of good credit standing that are typically members of a deposit protection scheme, we do not anticipate any defaults. We continuously monitor the creditworthiness of our banking partners. In the event of a significant increase in default risk, an impairment loss is recognised in the amount of the expected losses over the next twelve months (stage 2). Further information can be found in note 6.

The transition to the new IFRS 9 did not have any consequences in terms of the recognition of financial liabilities and hedging relationships at the Villeroy & Boch Group.

Further information on the introduction of this new standard at the Villeroy & Boch Group can be found in the notes to the consolidated financial statements (note 62) in the 2017 Annual Report.

17. 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 2017 annual financial statements. All transactions are conducted at arm's-length conditions.

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

The shareholders elected the following members to the Supervisory Board at this year's General Meeting of Shareholders: Dr. Alexander von Boch-Galhau, Yves Elsen, Christina Rosenberg, Louis de Schorlemer, Prof. Dr. Annette G. Köhler. Bärbel Werwie and Thomas Kannengießer joined the Supervisory Board for the first time as employee representatives. Peter Prinz Wittgenstein, Dr. Renate Neumann-Schäfer, Susanne Ollmann, Francesco Grioli and Werner Jäger stepped down from the Supervisory Board.

19. Events after the end of the reporting period

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

FINANCIAL CALENDAR

19 July 2018	Report on the first half of 2018
19 October 2018	Report on the first nine months of 2018
29 March 2019	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.