K

Villeroy & Boch Gustavsberg AB

Org.nr. 556441-9918

Bolagsverket

2018 -07- 12

20180808136 75

ÅRSREDOVISNING

2017

Styrelsen och verkställande direktören för Villeroy & Boch Gustavsberg AB får härmed avlämna årsredovisning för räkenskapsåret 2017-01-01 -- 2017-12-31.

Innehåll

Fastställelseintyg

Undertecknad styrelseledamot i Villeroy & Boch Gustavsberg AB intygar, dels att denna kopia av årsredovisningen överensstämmer med originalet, dels att resultat- och balansräkning har fastställts på ordinarie bolagsstämma den 29 juni 2018.
Bolagsstämman beslöt även att godkänna styrelsens förslag till vinstdisposition.

Gustavsberg den 6 juli 2018

Marianne Jarnhed

2020180813676

VILLEROY & BOCH GUSTAVSBERG AB

Org. nr 556441-9918

FÖRVALTNINGSBERÄTTELSE

Alla belopp uttrycks i tusental svenska kronor (tkr) om inget annat anges.

Verksamhetens art och inriktning

Villeroy & Boch Gustavsberg AB är en av norra Europas ledande producenter av badrumsprodukter. I koncernen ingår varumärkena Gustavsberg, Villeroy & Boch och Vatette, med fokus på produkter inom badrum och badrumskopplingar. Utöver detta säljer företaget hushållsporslin från Villeroy & Boch. Bolaget har sitt säte i Gustavsberg.

Villeroy & Boch Gustavsberg AB är främst verksamt i Norden samt Baltikum med försäljning i Ukraina och Ryssland.
Företaget exporterar även till stora delar av världen. I Finland, Norge och Danmark drivs verksamheten som dotterbolag.

Flerårsjämförelse*

	2017	2016	2015	2014	2013
Nettoomsättning	894 349	822 012	811 002	773 686	777 469
Res. efter finansiella poster	74 449	59 728	50 475	44 931	65 659
Balansomslutning	708 024	616 437	581 327	552 181	491 614
Soliditet (%)	40	37	29	25	19
Avkastning på eget kapital (%)	29	30	33	39	99
Avkastning på sysselsatt kapital (%)	23	20	19	20	32
Antal anställda	307	310	314	320	350

*Definitioner av nyckeltal, se noter

Ägarförhållanden

Villeroy & Boch Gustavsberg AB är ett helägt dotterbolag till den tyska koncernen Villeroy & Boch AG, med säte i Mettlach, Tyskland. Därmed tillhör bolaget en av Europas största producenter av badrumsinredningar och hushållsporslin.

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VILLEROY & BOCH GUSTAVSBERG AB

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FÖRVALTNINGSBERÄTTELSE

Väsentliga händelser under räkenskapsåret 2017

2017 var ett framgångsrikt år för Villeroy & Boch Gustavsberg AB och bolaget noterade hög efterfrågan och framgång på marknaden. Villeroy & Boch Gustavsberg ABs tillväxt under 2017 beror främst på huvudsegmentet sanitetsporslin samt en lyckad produktlansering i slutet av 2016. Dessutom har försäljning av badrumsmöbler fördubblats under 2017. Övriga produktkategorier visade fin tillväxt, och låg över marknadens genomsnittliga tillväxt på 4 % (källa: prognoscentret), vilket innebär att företaget har utökat sina marknadsandelar.

Villeroy & Boch Gustavsberg AB har positionerat sig starkt i både nya och befintliga försäljningskanaler och har fortsatt utveckla dessa under 2017. Som en effekt av ett framgångsrikt arbete med referensprojektet NKS Stockholm, ses en ökad efterfrågan inom segmentet för Vård och Omsorg. Även Prefab-segmentet och hustillverkare ser Villeroy & Boch Gustavsberg AB som en pålitlig partner.

En varumärkesundersökning från årsskiftet 2016/2017, visade återigen att varumärket är uppskattat, kännetecknas av hög kvalitet och anses vara ett tryggt val. Resultatet visar också att varumärket är välkänt bland unga konsumenter, en effekt av bolagets intensiva kommunikation inom sociala medier.

Genom att lansera en ny spolteknik kallad "Hygenic Flush", har varumärket Gustavsberg skapat en ny marknadsstandard. 2017 uppdaterades samtliga toaletter inom serien Nautic till Hygienic Flush. Även en ny generation takduschar med snygg design lanserades under 2017.

Varumärket Vatette levererade ett jämnt resultat och Vattenfelsbrytaren är fortsatt en viktig produkt bland installatörer och försäkringsbolag. Under 2017 etablerade Villeroy & Boch Gustavsberg AB ett samarbete med Länsförsäkringar för att påvisa riskminimering med vattenfelsbrytaren.

För att höja den interna effektiviteten, har bolaget implementerat nya system under 2017, bl a Product Information Management (PIM), OCR-order-scanning för kunder. Som en del av IT-strategin har man även växlat till Office 365 under 2017.

Bolaget växer fortfarande starkt i Norge och Baltikum och i Finland har man vunnit flera stora referensprojekt, framförallt inom hotellbranschen. Expansion av varumärket Villeroy & Boch kommer att vara fokus för framtiden. I mars 2017 hölls den stora branschmässan ISH i Frankfurt, Tyskland. På mässan visade bolaget upp ett brett utbud av väldesignade produkter, samt en ny dusch-WC, vilken kommer att lanseras under 2018. Reaktionen på produkterna vid mässan var genomgående positiv och Villeroy & Boch Gustavsberg AB ser potential i alla nyheter.

Organisationen för bordsporslin har för 2017 levererat ett försäljningsresultat som ligger under förväntan. Detaljhandeln utvecklar sig negativt för hela branschen och framtiden är utmanande för butikskedjor och butiker, i både Norge och Sverige. Fokus framöver kommer att ligga på ny distribution och optimering av produktutbudet.

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VILLEROY & BOCH GUSTAVSBERG AB

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FÖRVALTNINGSBERÄTTELSE

Bolaget har realiserat fastighetsförsäljningar vilket inbringat realisationsvinster om 1,3 MSEK. Majoriteten av planerade fastighetsförsäljningar är gjorda.

Villeroy & Boch Gustavsberg AB är certifierade enligt ISO 9001 och 14001/EMAS och under 2017 reviderades bolaget och certifikaten förlängdes.

I april 2017 förändrades ledningen i Villeroy & Boch Gustavsberg AB; Andreas Pfeiffer tillträdde som ny VD och Katharina Klotz och Marianne Jarnhed tillträdde som vice VD:ar.

2017 präglades även av en väldigt utmanande leveranssituation, främst för sanitetsporslin. Dels på grund av ombyggnation i produktionsenheter, dels på förändringar i bolagets huvudsakliga logistikcenter i Tyskland, men även på grund av hög efterfrågan på marknaden. Utan dessa utmaningar inom logistik hade Villeroy & Boch Gustavsberg AB levererat ett än bättre resultat.

Under året har en stor ökning av kassa och bank skett, detta är en engångseffekt och består i förändrat förfarande av insättning bank. Dessa medel återfanns tidigare insatta hos Villeroy & Boch AG, men är nu förda från koncerninterna medel till kassa och bank vid bolaget, och ska lösa delar av långfristigt lån mot Villeroy & Boch AG, vilket återfinns under not 27.

Under året har bolaget förvärvat dotterbolaget Villeroy & Boch Tableware OY. Förvärvet av aktierna från Villeroy & Boch AG är det första steget mot fusion mellan Villeroy & Boch Gustavsberg OY och Villeroy & Boch Tableware OY.

Framtida utveckling

Tillväxten är moderat med 2% i Norge och 4-6% i Sverige, Danmark och Finland. Prognos för marknadsutveckling 2018 är fortsatt positiv och väntas ligga omkring 4 %. Anledningen till den fortsatt starka marknadsutvecklingen är att nybyggnationer fortsätter på en hög nivå och att byggnader måste färdigställas. Därefter förväntas renoveringar ta fart, då det p g a resursbrist tidigare har skjutits på. (Källa: Prognoscentret)

2019 väntas nybyggnationer avta men den sk. ROT-marknaden (marknaden för renovering) förväntas bli betydligt större och ha tillräckligt med potential för att uppnå tillväxt även under 2019 och framåt.

Det är miljonprogrammets hus i hela regionen som nu är i behov av renovering – något som gynnar hela branschens utveckling.

Affärsområdet Tableware har haft positiv försäljningsutveckling de senaste åren och 2017 var första året med negativ utveckling. För 2018 förväntas situationen stabiliseras och affärsutveckling med nya kunder kommer att bidra positivt inom 1-2 år. Höga ambitioner finns för att fortsätta positionera varumärket Villeroy & Boch, framförallt i Sverige och Norge.

Då verksamheten i Villeroy & Boch Gustavsberg AB är internationell, med både inköp och försäljning i utländska valutor finns en valutarisk, vilken hanteras genom valutasäkringar. Verksamheten innehåller även en osäkerhet kring prisutveckling för mässing, då denna råvara används i tillverkningen av kranar och kopplingar i Vårgårda. Risken hanteras genom mässingsterminer.

201808813679

FÖRVALTNINGSBERÄTTELSE

Miljöpåverkan

Verksamheten i Gustavsberg bestående av montering, porslinsbearbetning och lager bedrivs i en nybyggd lokal på Ekobacken i Gustavsberg. Verksamheten är certifierad enligt ISO 14001 och ISO 50001.
Bolaget äger också en stängd deponi i Gustavsberg, som har tätats i enlighet med avslutningsplan, beslutad av Länsstyrelsen i Stockholms län. Tätningen av deponin är godkänd av Länsstyrelsen. Det har gjorts en lakvattenutredning för omgivningen, vilken inte påvisar betydande konsekvenser för omgivande miljö. Länsstyrelsen har överlåtit tillsynsansvaret till Värmdö kommun. Från deponin är det främst vatten och mark som kan förorenas och ge några skador på omgivande natur. Under året har arbete påbörjats med att övertäcka ytterligare yta intill befintlig deponin, vilket genom beslut godkänts av Värmdö kommun.

Verksamheten i Vårgårda tillverkar sanitets- och teknisk armatur. Sedan 1998 är Vårgårdafabriken certifierad enligt ISO 14001 och registrerad enligt EMAS. Fabriken rymmer en komplett produktionskedja och behandlar alla moment i tillverkningen från mässingtacka till färdig produkt. Personalen arbetar under eget ansvar i målstyrda grupper. Det skapar en stimulerande och varierande arbetsmiljö som innebär ansvar för alltifrån avrop av material till produktion och miljö.

Den verksamhet som bedrivs i Vårgårda är tillståndspliktig enligt miljöskyddslagen. Tillståndet avser VVS-armatur och omfattar tillverkning av kranar/blandare, ytbehandling av kopplingar samt förbrukning av smältgods.

Kranar, blandare och VVS-armatur som tillverkas i Vårgårda är mycket strängt kontrollerade. Emissioner av metaller till vatten är testade enligt gällande normer. Enligt Nordiska kommittén för Byggbestämmelser ligger blandarna under gränsvärdena. För att blandarna ska klara kraven från typgodkännandeorgan i Norden och övriga marknader ska blandarnas ingående material godkännas av KTW (Kunststoffe im Trinkwasser), FDA (Food and Drug Administration) eller WRAS (Water Research Center) eller liknande. Det innebär att samtliga material i blandarna är godkända ur livsmedelssynpunkt.

Hållbarhetsrapportering

Bolaget omfattas av den hållbarhetsrapport som koncernen upprättar. Rapporten återfinns under https://www.villeroyboch-group.com/en/investor-relations/publications/annual-reports.html

Väsentliga risker och osäkerhetsfaktorer

Eftersom verksamheten i Villeroy & Boch Gustavsberg AB är internationell med både inköp och försäljning i utländska valutor finns en valutarisk. Denna risk hanterar bolaget genom valutasäkringar.

Verksamheten innehåller också en osäkerhet kring prisutveckling för mässing då denna råvara används i tillverkningen av kranar och kopplingar i Vårgårda. Risken hanterar bolaget genom mässingsterminer.

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VILLEROY & BOCH GUSTAVSBERG AB

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FÖRVALTNINGSBERÄTTELSE

Förändringar i eget kapital

	Bundet eget kapital		Fritt eget kapital			
	Aktie-kapital	**Reserv-fond**	**Fond för verkligt värde**	**Balanserat resultat**	**Årets resultat**	**Summa fritt eget kapital**
Belopp vid årets ingång	20 000	5 000	12 824	102 322	35 084	150 230
Resultatdisp. enl. beslut av årsstämma:				35 084	-35 084	
Värdeförändring derivat			-4 663			-4 663
Skatteeffekt värdeförändring derivat			1 026			1 026
Årets vinst					45 013	45 013
Belopp vid årets utgång	20 000	5 000	9 187	137 406	45 013	191 606

Resultatdisposition (kronor)

Förslag till disposition av bolagets vinst	
Till årsstämmans förfogande står	
balanserad vinst	137 406 282
fond för verkligt värde	9 186 693
årets vinst	45 012 670
	191 605 645
Styrelsen föreslår att	
i ny räkning överföres	191 605 645
	191 605 645

Beträffande bolagets resultat och ställning i övrigt hänvisas till efterföljande resultat- och balansräkningar med tillhörande noter.

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RESULTATRÄKNING

	Not	2017-01-01 2017-12-31	2016-01-01 2016-12-31
Rörelsens intäkter m.m.			
Nettoomsättning	2, 3	894 349	822 012
Kostnad för sålda varor		-674 764	-617 044
Bruttoresultat		**219 585**	**204 968**
Rörelsens kostnader			
Försäljningskostnader		-132 367	-142 105
Administrationskostnader		-18 165	-19 993
Realisationsvinst försäljning av fastighet		1 342	18 928
Övriga rörelseintäkter	4	15 517	10 952
Övriga rörelsekostnader	5	-5	-177
		-133 678	**-132 395**
Rörelseresultat	6,7,8,10	85 907	72 573
Resultat från finansiella poster			
Ränteintäkter och liknande	11	597	156
Räntekostnader och liknande	12	-12 055	-13 000
		-11 458	-12 845
Resultat efter finansiella poster		74 449	59 728
Bokslutsdispositioner			
Bokslutsdispositioner	9	-17 881	-17 110
		-17 881	-17 110
Resultat före skatt		56 568	42 618
Skatt på årets resultat	13	-11 555	-7 534
Årets resultat		**45 013**	**35 084**

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VILLEROY & BOCH GUSTAVSBERG AB

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BALANSRÄKNING

	Not	2017-12-31	2016-12-31
TILLGÅNGAR			
Anläggningstillgångar			
Materiella anläggningstillgångar			
Byggnader och mark	14	97 348	100 074
Maskiner och andra tekniska anläggningar	15	37 997	40 967
Inventarier, verktyg och installationer	16	11 657	12 389
Pågående nyanläggningar och förskott avseende materiella anläggningstillgångar	17	6 313	1 087
		153 315	154 517
Finansiella anläggningstillgångar			
Andelar i koncernföretag	18	38 041	34 051
Andra långfristiga värdepappersinnehav	19	14	14
Uppskjuten skattefordran	20	765	1 120
Andra långfristiga fordringar	21	21 054	43 467
		59 874	78 652
Summa anläggningstillgångar		213 189	233 169
Omsättningstillgångar			
Varulager m.m.			
Råvaror och förnödenheter		39 656	41 242
Varor under tillverkning		25 901	22 133
Färdiga varor och handelsvaror		62 805	61 713
		128 362	125 088
Kortfristiga fordringar			
Kundfordringar		161 687	150 141
Fordringar hos koncernföretag		59 707	69 459
Aktuell skattefordran		2 852	11 701
Derivat	28	11 699	18 090
Övriga fordringar		17 571	6 341
Förutbetalda kostnader och upplupna intäkter	22	2 757	2 343
		256 273	258 075
Kassa och bank			
Kassa och bank	30	110 200	105
		110 200	105
Summa omsättningstillgångar		494 835	383 268
SUMMA TILLGÅNGAR		**708 024**	**616 437**

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VILLEROY & BOCH GUSTAVSBERG AB

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BALANSRÄKNING

	Not	2017-12-31	2016-12-31
EGET KAPITAL OCH SKULDER			
Eget kapital			
Bundet eget kapital			
Aktiekapital	23	20 000	20 000
Reservfond		5 000	5 000
		25 000	25 000
Fritt eget kapital			
Fond för verkligt värde		9 187	12 824
Balanserat resultat		137 406	102 322
Årets resultat		45 013	35 084
		191 606	150 230
Summa eget kapital		216 606	175 230
Obeskattade reserver			
Obeskattade reserver	24	85 236	67 355
Summa obeskattade reserver		85 236	67 355
Avsättningar			
Avsättningar för pensioner och andra liknande förpliktelser	25	5 632	5 913
Uppskjuten skatteskuld	20	2 574	3 980
Övriga avsättningar	26	16 564	17 834
Summa avsättningar		24 770	27 727
Långfristiga skulder			
Skulder till koncernföretag	27	25 763	131 578
Summa långfristiga skulder		25 763	131 578
Kortfristiga skulder			
Skulder till koncernföretag		109 827	0
Leverantörsskulder		95 814	76 393
Derivat	28	1 109	2 837
Övriga skulder		21 656	15 423
Upplupna kostnader och förutbetalda intäkter	29	127 243	119 894
Summa kortfristiga skulder		355 649	214 547
SUMMA EGET KAPITAL OCH SKULDER		**708 024**	**616 437**

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VILLEROY & BOCH GUSTAVSBERG AB

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KASSAFLÖDESANALYS

	Not	2017-01-01 2017-12-31	2016-01-01 2016-12-31
Den löpande verksamheten			
Rörelseresultat	2	85 907	72 573
Justeringar för poster som inte ingår i kassaflödet	31	10 534	771
Erhållen ränta m.m.		597	156
Erlagd ränta		-8 043	-13 000
Betald inkomstskatt		-3 757	-13 114
Kassaflöde från den löpande verksamheten före förändringar av rörelsekapital		85 238	47 385
Kassaflöde från förändringar av rörelsekapital			
Minskning(+)/ökning(-) av varulager/pågående arbete		-3 275	-627
Minskning(+)/ökning(-) av kundfordringar		-11 546	-33
Minskning(+)/ökning(-) av fordringar		4 499	-20 113
Minskning(-)/ökning(+) av leverantörsskulder		19 422	-18 898
Minskning(-)/ökning(+) av kortfristiga skulder		10 890	-17 835
Kassaflöde från den löpande verksamheten		105 228	-10 121
Investeringsverksamheten			
Förvärv av materiella anläggningstillgångar		-14 425	-8 572
Försäljning av materiella anläggningstillgångar		23 282	19 599
Förvärv av koncernföretag		-3 990	0
Utbetalda lån		0	-852
Kassaflöde från investeringsverksamheten		4 867	10 175
Finansieringsverksamheten			
Kassaflöde från finansieringsverksamheten		0	0
Förändring av likvida medel		110 095	55
Likvida medel vid årets början		105	50
Likvida medel vid årets slut		**110 200**	**105**

VILLEROY & BOCH GUSTAVSBERG AB

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NOTER

2018080813685

Not 1 Redovisnings- och värderingsprinciper

Företagets årsredovisning har upprättats i enlighet med Årsredovisningslagen (1995:1554) och BFNAR 2012:1 (K3).

Tillämpade principer är oförändrade jämfört med föregående år.
De viktigaste redovisnings- och värderingsprinciperna som har använts vid upprättande av de finansiella rapporterna sammanfattas nedan.

Intäktsredovisning
Intäkter redovisas till det verkliga värdet av den ersättning som erhållits eller kommer att erhållas, med avdrag för mervärdeskatt, rabatter, returer och liknande avdrag.

Varuförsäljning
Intäkter från försäljning av varor redovisas när varorna levererats och äganderätten har överförts till kunden, varmed samtliga villkor nedan är uppfyllda:
- Företaget har överfört de väsentliga risker och fördelar som är förknippade med varornas ägande,
- företaget inte längre har något sådant engagemang i den löpande förvaltningen som vanligtvis förknippas med ägande och utövar inte heller någon reell kontroll över de sålda varorna,
- inkomsten kan beräknas på ett tillförlitligt sätt,
- de ekonomiska fördelar som är förknippade med transaktionen sannolikt kommer att tillfalla företaget, och
- de utgifter som uppkommit eller som förväntas uppkomma till följd av transaktionen kan beräknas på ett tillförlitligt sätt.

Försäkringsersättningar
Vid driftsstopp, skador och liknande som helt eller delvis täcks av Företagets försäkringsskydd redovisas en beräknad försäkringsersättning när denna kan beräknas på ett tillförlitligt sätt. Försäkringsersättningar redovisas i posten Övriga rörelseintäkter.

Utdelning och ränteintäkter
Utdelningsintäkter redovisas när ägarens rätt att erhålla betalning har fastställts.

Ränteintäkter redovisas fördelat över löptiden med tillämpning av effektivräntemetoden. Effektivräntan är den ränta som gör att nuvärdet av alla framtida in- och utbetalningar under räntebindningstiden blir lika med det redovisade värdet av fordran.

Leasing
Samtliga leasingavtal redovisas enligt reglerna för operationell leasing vilket innebär att de kostnadsförs linjärt över leasingperioden.

Låneutgifter
Samtliga låneutgifter kostnadsförs i den period som de hänförs till och redovisas i posten *Räntekostnader* och liknande.

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NOTER

Materiella anläggningstillgångar
Materiella anläggningstillgångar redovisas initialt till anskaffningsvärde inklusive utgifter för att få tillgången på plats och i skick för att kunna användas enligt intentionerna med investeringen. I anskaffningsvärdet ingår inköpspriset och andra direkt hänförliga utgifter såsom utgifter för leverans, hantering, installation, montering, lagfarter och konsulttjänster. Korttidsinventarier och inventarier av mindre värde kostnadsförs löpande. Materiella anläggningstillgångar värderas därefter till anskaffningsvärdet minskat med ackumulerade av- och nedskrivningar.

Avskrivning
Avskrivning av materiella anläggningstillgångar görs av tillgångens/komponentens avskrivningsbara belopp över dess nyttjandeperiod och påbörjas när tillgången/komponenten tas i bruk. Avskrivning görs linjärt. Följande nyttjandeperioder tillämpas:

- Byggnader: 30-33 år
- Maskiner och andra tekniska anläggningar: 3-20 år
- Inventarier, verktyg och installationer: 3-20 år

Borttagande från balansräkningen
Materiell anläggningstillgång tas bort från balansräkningen vid utrangering eller avyttring eller när inte framtida ekonomiska fördelar väntas från användning, utrangering eller avyttring av tillgången. När materiella anläggningstillgångar avyttras bestäms realisationsresultatet som skillnaden mellan försäljningspriset och tillgångens redovisade värde och redovisas i resultaträkningen i någon av posterna *Övriga rörelseintäkter* eller *Övriga rörelsekostnader*.

Prövning av nedskrivningsbehov av materiella anläggningstillgångar
Per varje balansdag görs en bedömning av om det föreligger någon indikation på att en tillgångs värde är lägre än dess redovisade värde. Finns det en sådan indikation beräknas tillgångens återvinningsvärde. Om återvinningsvärdet understiger redovisat värde görs en nedskrivning som kostnadsförs.

Fordringar och skulder i utländsk valuta
Monetära poster i utländsk valuta räknas om till balansdagens kurs och de valutakursdifferenser som uppkommer redovisas i resultaträkningen. Valutakursvinster och -förluster avseende rörelserelaterade fordringar och skulder i utländsk valuta redovisas i posterna *Övriga rörelseintäkter* och *Övriga rörelsekostnader*. Övriga valutakursvinster och -förluster redovisas under rubriken *Resultat från finansiella poster.*

Finansiella instrument
Finansiella instrument värderas i enlighet med ÅRL 4.14 a-e och kapitel 12. Finansiella instrument redovisas som en finansiell tillgång eller finansiell skuld i balansräkningen när bolaget blir part av instrumentets avtalsmässiga villkor. En finansiell tillgång tas bort från balansräkningen när den avtalsenliga rätten till kassaflödet från tillgången har upphört eller reglerats.

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VILLEROY & BOCH GUSTAVSBERG AB

Org. nr 556441-9918

NOTER

Värdering av finansiella tillgångar och skulder
Finansiella tillgångar och skulder har vid första redovisningstillfället värderats till verkligt värde. De finansiella instrumenten har klassificerats i någon av nedanstående värderingskategorier. Klassificeringen av instrumenten i olika kategorier ligger till grund för hur de finansiella instrumenten ska värderas och hur värdeförändringar ska redovisas. Efterföljande värdering av finansiella instrument sker antingen till verkligt värde eller upplupet anskaffningsvärde. Derivat värderas till verkligt värde baserat på en diskonteringsmodell där observerbara indata används.

• Lånefordringar och kundfordringar är finansiella tillgångar som har fastställda eller fastställbara betalningar men inte är derivatinstrument. Finansiella tillgångar i denna kategori värderas till upplupet anskaffningsvärde.

• Övriga finansiella skulder är finansiella skulder som företaget inte har klassificerat i värderingskategorin 'Finansiella tillgångar och skulder som innehas för handel'. Finansiella skulder i denna kategori värderas till upplupet anskaffningsvärde.

Nedskrivning av finansiella tillgångar
Bedömning görs vid varje balansdag om det finns någon indikation på att de finansiella tillgångar som tillhör värderingskategorin 'Lånefordringar och kundfordringar' har minskat i värde. Nedskrivningsbehovet bedöms individuellt, och om det kan antas att värdenedgången är bestående justeras värdet på tillgången.

Säkringsredovisning
När det finns en ekonomisk relation mellan säkringsinstrumentet och den säkrade posten som överensstämmer med företagets mål för riskhantering tillämpas säkringsredovisning om kraven för detta är uppfyllda. Säkringsförhållandet är dokumenterat senast när säkringen ingås, där dokumentationen innefattar företagets mål för riskhantering, identifiering av den säkrade posten, säkringsinstrumentet och den säkrade risken samt metod för bedömning av effektivitet. Säkringsförhållandet förväntas vara mycket effektivt för den period som säkringen har identifierats.

Kassaflödessäkringar av prognosticerade transaktioner
För säkring av valutarisk i förväntade kassaflöden används valutaterminer.

För säkring av prisrisk för förändring i mässingpriser hänförlig till prognosticerade inköp av mässing används mässingderivat.

Den del av värdeförändringen på säkringsinstrumentet som bestämts vara en mycket effektiv säkring av ett kassaflöde redovisas i 'Fond för verkligt värde'. Resterande del av värdeförändringen redovisas i resultaträkningen. Värdeförändringar som redovisats i 'Fond för verkligt värde' påverkar resultatet samtidigt som den prognosticerade transaktionen påverkar resultaträkningen alternativt när den inte längre förväntas inträffa.

Andelar i dotterföretag
Andelar i dotterföretag redovisas till anskaffningsvärde. Utdelning från dotterföretag redovisas som intäkt när rätten att få utdelning bedöms som säker och kan beräknas på ett tillförlitligt sätt.

NOTER

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Varulager

Varulager värderas enligt lägsta värdets princip, dvs. till det lägsta av anskaffningsvärdet och nettoförsäljningsvärdet. Anskaffningsvärdet inkluderar alla utgifter som är hänförliga till tillverkningsprocessen samt lämplig andel av tillhörande tillverkningsomkostnader, baserat på normal kapacitet. Anskaffningsvärdet beräknas enligt först in, först ut-principen. Nettoförsäljningsvärdet är det uppskattade pris, som varan kan säljas för, enligt villkor som är normala i verksamheten, minskat med eventuella tillämpliga försäljningskostnader, som direkt kan hänföras till försäljningstransaktionen.

Inkomstskatter

Inkomstskatt utgörs av aktuell skatt och uppskjuten skatt. Inkomstskatt redovisas i resultaträkningen utom då den underliggande transaktionen redovisas i eget kapital varvid även tillhörande skatteeffekt redovisas i eget kapital. Aktuella skattefordringar och skatteskulder respektive uppskjutna skattefordringar och skatteskulder kvittas i de fall det finns en legal kvittningsrätt.

Aktuell skatt

Aktuell skatt är skattekostnaden för innevarande räkenskapsår som avser årets skattepliktiga resultat och den del av tidigare räkenskapsårs inkomstskatt som ännu inte redovisats. Aktuell skatt värderas till det sannolika beloppet enligt de skattesatser och skatteregler som gäller på balansdagen.

Uppskjuten skatt

Uppskjuten skatt redovisas på temporära skillnader mellan det redovisade värdet på tillgångar och skulder i de finansiella rapporterna och det skattemässiga värdet som används vid beräkning av skattepliktigt resultat. Uppskjuten skatt redovisas enligt den s k balansräkningsmetoden. Uppskjutna skatteskulder redovisas för i princip alla skattepliktiga temporära skillnader, och uppskjutna skattefordringar redovisas i princip för alla avdragsgilla temporära skillnader i den omfattning det är sannolikt att beloppen kan utnyttjas mot framtida skattepliktiga överskott. Obeskattade reserver redovisas inklusive uppskjuten skatteskuld.

Det redovisade värdet på uppskjutna skattefordringar omprövas varje balansdag och reduceras till den del det inte längre är sannolikt att tillräckliga skattepliktiga resultat kommer att finnas tillgängliga för att utnyttjas, helt eller delvis, mot den uppskjutna skattefordran.

Värderingen av uppskjuten skatt baseras på hur företaget, per balansdagen, förväntar sig att återvinna det redovisade värdet för motsvarande tillgång eller reglera det redovisade värdet för motsvarande skuld. Uppskjuten skatt beräknas baserat på de skattesatser och skatteregler som har beslutats före balansdagen.

Likvida medel

Likvida medel består av kassamedel och disponibla tillgodohavanden hos banker och andra kreditinstitut och andra kortfristiga, likvida placeringar som lätt kan omvandlas till känt belopp och som är utsatta för obetydlig risk för värdefluktuationer. Sådana placeringar har en löptid på maximalt tre månader.

I likvida medel i kassaflödesanalysen ingår företagets tillgodohavanden på koncernens koncernkonto.

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NOTER

Ersättningar till anställda

Kortfristiga ersättningar

Kortfristiga ersättningar till anställda, exempelvis löner, semesterersättningar och bonus, är ersättningar till anställda som förfaller inom 12 månader från balansdagen det år som den anställde tjänat in ersättningen. Kortfristiga ersättningar värderas till det odiskonterade beloppet som Företaget förväntas betala till följd av den outnyttjade rättigheten.

Ersättningar efter avslutad anställning

Företaget tillhandahåller ersättningar efter avslutad anställning i form av pensioner genom olika avgiftsbestämda planer.

Avgiftsbestämda pensionsplaner

Företaget betalar fastställda avgifter till andra juridiska personer avseende flera statliga planer och försäkringar för enskilda anställda. Företaget har inga legala eller informella förpliktelser att betala ytterligare avgifter utöver betalningar av den fastställda avgiften som redovisas som en kostnad i den period där den relevanta tjänsten utförs.

Förmånsbestämda pensionsplaner

Andra pensionsplaner än avgiftsbestämda planer utgör förmånsbestämda pensionsplaner. Företaget behåller här den legala förpliktelsen för eventuella förmåner, även om förvaltningstillgångar har reserverats för finansiering av den förmånsbestämda planen. Förvaltningstillgångar kan innefatta särskilt identifierade tillgångar i en pensionsstiftelse och försäkringsbrev som är förvaltningstillgångar.

Företaget har förmånsbestämda planer i egen regi hos Försäkringsbolaget PRI Pensionsgaranti och värderar därmed denna i enlighet med den erhållna uppgiften. Förpliktelsen värderas till det belopp som PRI beräknar årligen.

Ersättning vid uppsägning

Avsättning för avgångsvederlag redovisas när Företaget har en legal eller informell förpliktelse att avsluta anställning före dess upphörande eller att lämna ersättning vid uppsägning genom erbjudande för att uppmuntra frivillig avgång. Avsättning görs för den delen av uppsägningslönen som den anställde får utan arbetsplikt med tillägg för sociala avgifter vilket representerar den bästa uppskattningen av den ersättning som förväntas krävas för att reglera förpliktelsen.

Avsättningar

Avsättningar för legala processer, förlustkontrakt eller andra krav redovisas när företaget har en legal eller informell förpliktelse till följd av en inträffad händelse, det är sannolikt att ett utflöde av resurser kommer att krävas för att reglera förpliktelsen och beloppet kan uppskattas på ett tillförlitligt sätt. Tidpunkten eller beloppet för utflödet kan fortfarande vara oviss.

Omstruktureringsreserv

En avsättning för omstrukturering av verksamhet redovisas då företaget måste fullfölja omstruktureringen till följd av en legal eller informell förpliktelse. En informell förpliktelse föreligger när företaget har en fastställd och utförlig omstruktureringsplan och de som berörs har en välgrundad uppfattning om att omstruktureringen kommer att genomföras.

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NOTER

Eventualförpliktelse
Som eventualförpliktelse redovisas en befintlig förpliktelse till följd av inträffade händelser, men som inte redovisas som skuld eller avsättning eftersom det inte är sannolikt att ett utflöde av resurser kommer att krävas för att reglera förpliktelsen eller förpliktelsens storlek inte kan beräknas med tillräcklig tillförlitlighet.

Obeskattade reserver
Till följd av kopplingen mellan redovisning och beskattning redovisas obeskattade reserver i företaget. Dessa består till 22% av uppskjuten skatt.

Kassaflödesanalys
Kassaflödesanalysen visar företagets förändringar av företagets likvida medel under räkenskapsåret. Kassaflödesanalysen har upprättats enligt den indirekta metoden. Det redovisade kassaflödet omfattar endast transaktioner som medfört in- och utbetalningar.

UPPLYSNINGAR TILL ENSKILDA POSTER

Not 2 Nettoomsättning	**2017**	**2016**
Nettoomsättningen fördelas på följande geografiska marknader		
Norden	866 271	796 084
Europa, exkl Norden	14 156	14 006
Övriga marknader	13 922	11 922
	894 349	**822 012**

Not 3 Inköp och försäljning mellan koncernföretag	**2017**	**2016**
Andel av försäljningen som avser koncernföretag	28,4%	26,6%
Andel av inköpen som avser koncernföretag	29,7%	27,9%

Not 4 Övriga rörelseintäkter	**2017**	**2016**
Provisionsintäkter	7 220	7 920
Realisationsresultat anläggningstillgångar	0	50
Valutakursvinster på fordringar och skulder av	163	2 956
Återbetalning försäkringspremie	8 073	0
Övrigt	61	26
	15 517	**10 952**

Not 5 Övriga rörelsekostnader	**2017**	**2016**
Övriga poster	-5	-177
	-5	**-177**

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NOTER

Not 6	Leasingavtal - Operationell leasing leasetagare	2017	2016
	Under året har företagets leasingavgifter uppgått till	14 195	11 128
	Framtida minimileasingavgifter för icke uppsägningsbara leasingavtal, förfaller till betalning enligt följande:		
	Inom ett år	9 854	9 545
	Senare än ett år men inom fem år	7 382	12 197
	Senare än fem år	0	0
		17 236	**21 742**

Företaget är leasetagare genom operationella leasingavtal avseende framför allt butiks- och lagerlokaler, bilar och truckar. Summan av årets kostnadsförda leasingavgifter avseende operationella leasingavtal uppgår till 14 195 tkr (11 128 tkr). I beloppet ingår hyra för lokaler med 6 594 tkr (7 708 tkr).

Not 7	Ersättning till revisorer	2017	2016
	Ernst & Young		
	Revisionsuppdrag	535	489
	Revisionsverksamhet utöver revisionsuppdrag	0	0
	Skatterådgivning	0	111
		535	**600**

Med revisionsuppdrag avses revisors arbete för den lagstadgade revisionen och med revisionsverksamhet olika typer av kvalitetssäkringstjänster.

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NOTER

Not 8 Personal		2017	2016
Medelantal anställda			
Medelantalet anställda bygger på av bolaget betalda närvarotimmar relaterade till en normal arbetstid.			
Medelantal anställda har varit		307	310
varav kvinnor		90	89
varav män		217	221
Löner, ersättningar m.m.			
Löner, ersättningar, sociala kostnader och pensionskostnader har utgått med följande belopp:			
Styrelsen och VD:			
	Löner och ersättningar	0	1 026
	Tantiem	0	171
	Pensionskostnader	0	297
		0	**1 494**
VD uppbär inte lön från det svenska bolaget.			
Övriga anställda:			
	Löner och ersättningar	130 427	131 173
	Pensionskostnader	9 698	10 328
		140 125	**141 501**
Sociala kostnader		44 159	44 319
Summa styrelse och övriga anställda		**184 284**	**187 314**
Könsfördelning i styrelse och företagsledning			
Styrelsen		5	5
varav kvinnor		3	3
varav män		2	2
Antal företagsledningen inkl. VD		7	7
varav kvinnor		3	3
varav män		4	4

Not 9 Bokslutsdispositioner	2017	2016
Skillnad mellan bokförda avskrivningar och avskrivningar enligt plan	-394	-2 400
Avsättning periodiseringsfonder	-17 487	-14 710
	-17 881	**-17 110**

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NOTER

Not 10 Avskrivningar på materiella anläggningstillgångar

	2017	2016
Avskrivningar per tillångsslag:		
Byggnader och mark	-3 242	-3 308
Maskiner och andra tekniska anläggningstillgångar	-9 717	-9 636
Inventarier, verktyg och installationer	-2 386	-2 179
	-15 345	**-15 123**
Avskrivningar per funktion:		
Kostnad för sålda varor	-8 100	-7 946
Försäljningskostnader	-1 758	-1 832
Administrationskostnader	-5 487	-5 345
	-15 345	**-15 123**

Not 11 Ränteintäkter och liknande

	2017	2016
Ränteintäkter från koncernföretag	230	129
Ränteintäkter från övriga företag	367	27
	597	**156**

Not 12 Räntekostnader och liknande

	2017	2016
Räntekostnader från koncernföretag	-7 550	-7 544
Räntekostnader från övriga företag	-493	-456
Valutakursdifferenser	-4 012	-5 000
	-12 055	**-13 000**

Not 13 Skatt på årets resultat

	2017	2016
Aktuell skatt	-11 580	-7 452
Uppskjuten skatt	25	-82
	-11 555	**-7 534**
Avstämning av effektiv skatt		
Resultat före skatt	56 568	42 618
Skattekostnad 22,00% (22,00%)	-12 445	-9 376
Skatteeffekt av:		
Ej avdragsgilla kostnader	-233	-1 141
Ej skattepliktiga intäkter	72	842
Andra skattemässiga justeringar av resultatet	323	-33
Justering av tidigare års skatt	703	2 256
Förändring uppskjuten skatt på temporära skillnader	25	-82
Summa	**-11 555**	**-7 534**

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NOTER

Not 14 Byggnader och mark	2017-12-31	2016-12-31
Ingående anskaffningsvärde	117 154	119 381
Inköp	736	0
Försäljningar/utrangeringar	-1 722	-6 927
Omklassificeringar	-265	4 700
Utgående ackumulerade anskaffningsvärden	**115 903**	**117 154**
Ingående avskrivningar	-17 080	-18 609
Försäljningar/utrangeringar	1 502	4 837
Omklassificeringar	265	0
Årets avskrivningar	-3 242	-3 308
Utgående ackumulerade avskrivningar	**-18 555**	**-17 080**
Redovisat värde	**97 348**	**100 074**

Not 15 Maskiner och andra tekniska anläggningar	2017-12-31	2016-12-31
Ingående anskaffningsvärde	295 670	287 580
Inköp	6 074	4 446
Försäljningar/utrangeringar	-607	-4 895
Omklassificeringar	787	8 539
Utgående ackumulerade anskaffningsvärden	**301 924**	**295 670**
Ingående avskrivningar	-254 703	-249 935
Försäljningar/utrangeringar	546	4 868
Omklassificeringar	-53	0
Årets avskrivningar	-9 717	-9 636
Utgående ackumulerade avskrivningar	**-263 927**	**-254 703**
Utgående redovisat värde	**37 997**	**40 967**

Not 16 Inventarier, verktyg och installationer	2017-12-31	2016-12-31
Ingående anskaffningsvärde	25 114	23 166
Inköp	1 302	3 398
Försäljningar/utrangeringar	-391	-2 807
Omklassificeringar	565	1 357
Utgående ackumulerade anskaffningsvärden	**26 590**	**25 114**
Ingående avskrivningar	-12 725	-13 353
Försäljningar/utrangeringar	391	2 807
Omklassificeringar	-213	0
Årets avskrivningar	-2 386	-2 179
Utgående ackumulerade avskrivningar	**-14 933**	**-12 725**
Utgående redovisat värde	**11 657**	**12 389**

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NOTER

Not 17 **Pågående nyanläggningar och förskott avseende materiella anläggningstillgångar**	**2017-12-31**	**2016-12-31**
Ingående anskaffningsvärde	1 087	14 956
Inköp/utbetalningar under året	6 313	728
Omklassificeringar	-1 087	-14 597
Utgående ackumulerade anskaffningsvärden	6 313	**1 087**
Utgående redovisat värde	6 313	**1 087**

Not 18 **Andelar i koncernföretag**			**2017-12-31**	**2016-12-31**
Företag		**Antal/Kap.**	**Redovisat**	**Redovisat**
Organisationsnummer	**Säte**	**andel %**	**värde**	**värde**
Villeroy & Boch Gustavsberg OY		5 300	4 534	4 534
0369392-2	Helsingfors	100,00%		
Villeroy & Boch Danmark A/S		511	8 940	8 940
10049032	Rödovre	100,00%		
Villeroy & Boch Norge AS		1 800	20 577	20 577
983367828	Lörenskog	100,00%		
Villeroy & Boch Tableware OY		100	3 990	0
0919652-1	Helsingfors	100,00%		
			38 041	**34 051**

Uppgifter om eget kapital och resultat	**Eget kapital**	**Resultat**
Villeroy & Boch Gustavsberg OY	26 522	7 796
Villeroy & Boch Danmark A/S	16 726	3 147
Villeroy & Boch Norge AS	47 722	8 999
Villeroy & Boch Tableware OY	5 107	1 265

Not 19 **Andra långfristiga värdepappersinnehav**	**2017-12-31**	**2016-12-31**
Ingående anskaffningsvärde	14	14
Utgående ackumulerade anskaffningsvärden	**14**	**14**
Redovisat värde	**14**	**14**

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NOTER

Not 20 Uppskjutna skattefordringar och skatteskulder

2017-12-31	Uppskjuten skattefordran	Uppskjuten skatteskuld
Materiella anläggningstillgångar	521	0
Derivat	244	2 574
	765	**2 574**

2016-12-31	Uppskjuten skattefordran	Uppskjuten skatteskuld
Materiella anläggningstillgångar	496	0
Derivat	624	3 980
Skattesatsen för beräkning av uppskjuten skatt uppgår till 22%(22%)	**1 120**	**3 980**

Not 21 Andra långfristiga fordringar

	2017-12-31	2016-12-31
Ingående fordran	43 467	42 614
Erhållen köpeskilling	-23 282	0
Aktuariell vinst/-förlust	869	853
Utgående fordran	**21 054**	**43 467**
Redovisat värde	**21 054**	**43 467**

Fordran avser kvarstående diskonterad köpeskilling från fastighetsaffärer som genomförts under 2013 och 2014.

Not 22 Förutbetalda kostnader och upplupna intäkter

	2017-12-31	2016-12-31
Förutbetalda hyror och leasing	1 589	1 529
Förutbetalda försäkringar	158	48
Övriga personalrelaterade fordringar	278	274
Övriga poster	732	492
	2 757	**2 343**

Not 23 Upplysningar om aktiekapital

	2017-12-31	2016-12-31
Antal aktier vid årets ingång	20 000	20 000
Antal aktier vid årets utgång	**20 000**	**20 000**

Aktiekapitalet i företaget består enbart av till fullo betalda stamaktier med ett nominellt värde om 1 tkr. Alla aktier har samma rätt till utdelning och återbetalning av insatt kapital samt motsvarar en röst på företagets bolagsstämma.

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NOTER

Not 24 Obeskattade reserver

	2017-12-31	2016-12-31
Avskrivningar utöver plan	20 494	20 100
Periodiseringsfonder	64 742	47 255
	85 236	67 355
Uppskjuten skatt i obeskattade reserver	18 752	14 818

Not 25 Avsättningar för pensioner och liknande förpliktelser

	2017-12-31	2016-12-31
Ingående balans	5 913	6 260
Värdeförändring	-281	-347
Redovisat värde	5 632	5 913

Avsättningen avser förmånsbestämda planer i egen regi hos Försäkringsbolaget PRI Pensionsgarant. Förpliktelsen värderas till det belopp som PRI beräknar årligen. Hela avsättningen omfattas av tryggandelagen.

Not 26 Övriga avsättningar

	Omstrukt-urering	Deponi	Garantier	Övrig avsättning	Summa
Vid årets början 2017-01-01	1 480	3 536	12 668	150	17 834
Tillkommande avsättningar	1 430			74	1 504
Belopp som tagits i anspråk	-2 167	-336			-2 503
Återföring av outnyttjade belopp	-271				-271
Redovisat värde vid årets slut 2017-12-31	**472**	**3 200**	**12 668**	**224**	**16 564**

	Omstrukt-urering	Deponi	Garantier	Övrig avsättning	Summa
Vid årets början 2016-01-01	689	1 788	14 668	91	17 236
Tillkommande avsättningar	791	2 800		59	3 650
Belopp som tagits i anspråk		-1 052	-2 000		-3 052
Återföring av outnyttjade belopp					0
Redovisat värde vid årets slut 2016-12-31	**1 480**	**3 536**	**12 668**	**150**	**17 834**

Avsättning för omstrukturering avser kvarvarande utbetalningar för arbetsbefriad personal. Avsättning deponi avser en förpliktelse att avsluta en av bolaget ägd deponi enligt Länsstyrelsens krav. Deponin är nu täckt enligt avslutningsplanen. Bolaget har en avsättning för garantiåtaganden för att täcka framtida krav i enlighet med de allmänna villkoren i branschen.

Not 27 Långfristiga skulder

	2017-12-31	2016-12-31
Skulder till koncernföretag		
Amortering efter 5 år	25 763	131 578
	25 763	**131 578**

Not 28 Säkringsredovisning

Säkringsredovisning tillämpas för de valutaterminer som ingåtts för att säkra bolagets valutarisk. Den säkrade posten utgörs av prognosticerade kassaflöden i EUR hänförliga till förväntade inköp av råvaror i utländsk valuta. Nedan presenteras omfattningen och verkliga värdena på de valutaderivat som innehas per respektive balansdag som ingår i en säkringsrelation. Nominella belopp med positiva belopp avser derivat där valutan köps, och negativa nominella belopp avser att valutan säljs i derivatet.

2017-12-31	Nominellt belopp (valuta, TCCY) återstående löptid				Redovisat värde (verkligt värde) TKR
	-1 år	1-5 år	5- år	Totalt	
Finansiella tillgångar (derivat) som ingår i en säkringsrelation					
Valutaderivat (SEK/ AUD)	-200			-200	5
Valutaderivat (SEK/ NOK)	-56 500	0		-56 500	638
Valutaderivat (CNY/SEK)	3 700	0		3 700	87
Finansiella skulder (derivat) som ingår i en säkringsrelation					
Valutaderivat (USD/SEK)	3 000	0		3 000	-896
Valutaderivat (SEK/ DKK)	-23 400	0		-23 400	-213

2016	Nominellt belopp (valuta, TCCY) återstående löptid				Redovisat värde (verkligt värde) TKR
	-1 år	1-5 år	5- år	Totalt	
Finansiella tillgångar (derivat) som ingår i en säkringsrelation					
Valutaderivat (EUR/ SEK)	13 500			13 500	3 411
Valutaderivat (USD/SEK)	2 800			2 800	2 114
Finansiella skulder (derivat) som ingår i en säkringsrelation					
Valutaderivat (SEK/ AUD)	-760			-760	-347
Valutaderivat (SEK/ NOK)	-53 300			-53 300	-1 921
Valutaderivat (SEK/ DKK)	-23 600			-23 600	-569

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NOTER

Säkringsredovisning tillämpas även för de mässingderivat som ingåtts för att säkra bolaget mässingsrisk. Den säkrade posten utgörs av prognostiserade inköp av mässing. Nedan presenteras omfattningen och verkliga värdena på de mässingderivat som innehas per respektive balansdag som ingår i en säkringsrelation.

2017-12-31	Ton, återstående löptid				Redovisat värde (verkligt värde) TKR
	-1 år	1-5 år	5- år	Totalt	
Finansiella tillgångar (derivat) som ingår i en säkringsrelation					
Mässingderivat	672	0		672	10 969
Finansiella skulder (derivat) som ingår i en säkringsrelation					
Mässingderivat					

2016-12-31	Ton, återstående löptid				Redovisat värde (verkligt värde) TKR
	-1 år	1-5 år	5- år	Totalt	
Finansiella tillgångar (derivat) som ingår i en säkringsrelation					
Mässingderivat	960	672		1 632	12 565
Finansiella skulder (derivat) som ingår i en säkringsrelation					
Mässingderivat					

Not 29 Upplupna kostnader och förutbetalda intäkter

	2017-12-31	2016-12-31
Upplupna semesterlöner inkl soc avgifter	19 710	19 521
Upplupen kostnad avseende kundbonus	83 992	78 256
Förpliktelser på realiserade fastighetsförsäljningsavtal	2 853	1 821
Övriga interimsskulder	20 688	20 296
	127 243	**119 894**

Not 30 Likvida medel

	2017-12-31	2016-12-31
Likvida medel	110 200	105

Likvida medel består av kassamedel och disponibla tillgodohavanden hos banker och andra kreditinstitut och andra kortfristiga, likvida placeringar som lätt kan omvandlas till känt belopp och som är utsatta för obetydlig risk för värdefluktuationer. Sådana placeringar har en löptid på maximalt tre månader.

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NOTER

Not 31	Justering för poster som inte ingår i kassaflödet	2017-12-31	2016-12-31
	Avskrivningar	15 345	15 123
	Orealiserade kursvinster-/förluster	-3 637	4 512
	Förändring av övriga avsättningar	-1 551	251
	Realisationsresultat anläggningtillgångar	-587	-18 900
	Övriga justeringsposter	964	-215
		10 534	**771**

Not 32 Till årsstämmans förfogande står följande vinstmedel

Följande balanserad vinst ska disponeras av årsstämman (tkr):

balanserad vinst	137 406
fond för verkligt värde	9 187
Årets vinst	45 013
	191 606
Styrelsen föreslår att i ny räkning överföres	191 606

Not 33	Ställda säkerheter och eventualförpliktelser	2017-12-31	2016-12-31
	Eventualförpliktelser, FPG/PRI	350	350
		350	**350**

Inga ställda säkerheter

Not 34 Händelser efter balansdagen

Inga betydande händelser som leder till justeringar har inträffat mellan balansdagen och datumet för utfärdande.

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Not 35 Koncernförhållanden och koncernrapportering

Bolaget är moderbolag, men med stöd av ÅRL 7 kap 2 § upprättas inte någon koncernredovisning. Bolaget är ett helägt dotterbolag till Villeroy & Boch AG (020/100/00087) med säte i Mettlach, Tyskland, som upprättar koncernredovisning.
Det utländska moderföretagets koncernredovisning finns att tillgå hos Villeroy & Boch AG på adress:

Villeroy & Boch AG Sanitärfabrik
Box 1120
D-66688 Mettlach
Germany

Bolaget upprättar enligt 7 kap 31 a§ inte någon lagstadgad hållbarhetsrapport. Hållbarhetsrapport för koncernen där bolaget ingår upprättas av moderföretaget Villeroy & Boch AG (020/100/00087) med säte i Mettlach och går att finna på följande adress:
https://www.villeroyboch-group.com/en/investor-relations/publications/sustainability-reports/

Not 36 Definition av nyckeltal

Soliditet
Justerat eget kapital i relation till balansomslutning

Avkastning på sysselsatt kapital
Resultat efter finansiella poster med tillägg för räntekostnader i relation till sysselsatt kapital.

Sysselsatt kapital
Genomsnittlig balansomslutning minskad med icke räntebärande skulder.

Avkastning på eget kapital
Resultat efter finansiella poster i relation till genomsnittligt eget kapital.

VILLEROY & BOCH GUSTAVSBERG AB

Org. nr 556441-9918

NOTER

201808081 3702

Värmdö 2018-06-27

Andreas Pfeiffer
Ordförande, Verkställande direktör

Katharina Klotz
Vice verkställande direktör

Marianne Jarnhed
Vice verkställande direktör

Monica Leandersson
Arbetstagarrepresentant

Björn Fredblad
Arbetstagarrepresentant

Vår revisionsberättelse har lämnats den 27/6 2018

Ernst & Young AB

Annika Engström

20180813703

Revisionsberättelse

Till bolagsstämman i Villeroy & Boch Gustavsberg AB, org.nr 556441-9918

Rapport om årsredovisningen

Uttalanden

Vi har utfört en revision av årsredovisningen för Villeroy & Boch Gustavsberg AB för räkenskapsåret 2017.

Enligt vår uppfattning har årsredovisningen upprättats i enlighet med årsredovisningslagen och ger en i alla väsentliga avseenden rättvisande bild av Villeroy & Boch Gustavsberg ABs finansiella ställning per den 31 december 2017 och av dess finansiella resultat och kassaflöde för året enligt årsredovisningslagen. Förvaltningsberättelsen är förenlig med årsredovisningens övriga delar.

Vi tillstyrker därför att bolagsstämman fastställer resultaträkningen och balansräkningen.

Grund för uttalanden

Vi har utfört revisionen enligt International Standards on Auditing (ISA) och god revisionssed i Sverige. Vårt ansvar enligt dessa standarder beskrivs närmare i avsnittet *Revisorns ansvar*. Vi är oberoende i förhållande till Villeroy & Boch Gustavsberg AB enligt god revisorssed i Sverige och har i övrigt fullgjort vårt yrkesetiska ansvar enligt dessa krav.

Vi anser att de revisionsbevis vi har inhämtat är tillräckliga och ändamålsenliga som grund för våra uttalanden.

Styrelsens och verkställande direktörens ansvar

Det är styrelsen och verkställande direktören som har ansvaret för att årsredovisningen upprättas och att den ger en rättvisande bild enligt årsredovisningslagen. Styrelsen och verkställande direktören ansvarar även för den interna kontroll som de bedömer är nödvändig för att upprätta en årsredovisning som inte innehåller några väsentliga felaktigheter, vare sig dessa beror på oegentligheter eller på fel.

Vid upprättandet av årsredovisningen ansvarar styrelsen och verkställande direktören för bedömningen av bolagets förmåga att fortsätta verksamheten. De upplyser, när så är tillämpligt, om förhållanden som kan påverka förmågan att fortsätta verksamheten och att använda antagandet om fortsatt drift. Antagandet om fortsatt drift tillämpas dock inte om styrelsen och verkställande direktören avser att likvidera bolaget, upphöra med verksamheten eller inte har något realistiskt alternativ till att göra något av detta.

Revisorns ansvar

Våra mål är att uppnå en rimlig grad av säkerhet om att årsredovisningen som helhet inte innehåller några väsentliga felaktigheter, vare sig dessa beror på oegentligheter eller på fel, och att lämna en revisionsberättelse som innehåller våra uttalanden. Rimlig säkerhet är en hög grad av säkerhet, men är ingen garanti för att en revision som utförs enligt ISA och god revisionssed i Sverige alltid kommer att upptäcka en väsentlig felaktighet om en sådan finns. Felaktigheter kan uppstå på grund av oegentligheter eller fel och anses vara väsentliga om de enskilt eller tillsammans rimligen kan förväntas påverka de ekonomiska beslut som användare fattar med grund i årsredovisningen.

Som del av en revision enligt ISA använder vi professionellt omdöme och har en professionellt skeptisk inställning under hela revisionen. Dessutom:

- identifierar och bedömer vi riskerna för väsentliga felaktigheter i årsredovisningen, vare sig dessa beror på oegentligheter eller på fel, utformar och utför granskningsåtgärder bland annat utifrån dessa risker och inhämtar revisionsbevis som är tillräckliga och ändamålsenliga för att utgöra en grund för våra uttalanden. Risken för att inte upptäcka en väsentlig felaktighet till följd av oegentligheter är högre än för en väsentlig felaktighet som beror på fel, eftersom oegentligheter kan innefatta agerande i maskopi, förfalskning, avsiktliga utelämnanden, felaktig information eller åsidosättande av intern kontroll.
- skaffar vi oss en förståelse av den del av bolagets interna kontroll som har betydelse för vår revision för att utforma granskningsåtgärder som är lämpliga med hänsyn till omständigheterna, men inte för att uttala oss om effektiviteten i den interna kontrollen.
- utvärderar vi lämpligheten i de redovisningsprinciper som används och rimligheten i styrelsens och verkställande direktörens uppskattningar i redovisningen och tillhörande upplysningar.
- drar vi en slutsats om lämpligheten i att styrelsen och verkställande direktören använder antagandet om fortsatt drift vid upprättandet av årsredovisningen. Vi drar också en slutsats, med grund i de inhämtade revisionsbevisen, om det finns någon väsentlig osäkerhetsfaktor som avser sådana händelser eller förhållanden som kan leda till betydande tvivel om bolagets förmåga att fortsätta verksamheten. Om vi drar slutsatsen att det finns en väsentlig osäkerhetsfaktor, måste vi i revisionsberättelsen fästa uppmärksamheten på upplysningarna i årsredovisningen om den väsentliga osäkerhetsfaktorn eller, om sådana upplysningar är otillräckliga, modifiera uttalandet om årsredovisningen. Våra slutsatser baseras på de revisionsbevis som inhämtas fram till datumet för revisionsberättelsen. Dock kan framtida händelser eller förhållanden göra att ett bolag inte längre kan fortsätta verksamheten.
- utvärderar vi den övergripande presentationen, strukturen och innehållet i årsredovisningen, däribland upplysningarna, och om årsredovisningen återger de underliggande transaktionerna och händelserna på ett sätt som ger en rättvisande bild.

Vi måste informera styrelsen om bland annat revisionens planerade omfattning och inriktning samt tidpunkten för den. Vi måste också informera om betydelsefulla iakttagelser under revisionen, däribland de eventuella betydande brister i den interna kontrollen som vi identifierat.

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Rapport om andra krav enligt lagar och andra författningar

Uttalanden

Utöver vår revision av årsredovisningen har vi även utfört en revision av styrelsens och verkställande direktörens förvaltning för Villeroy & Boch Gustavsberg AB för räkenskapsåret 2017 samt av förslaget till dispositioner beträffande bolagets vinst eller förlust.

Vi tillstyrker att bolagsstämman disponerar vinsten enligt förslaget i förvaltningsberättelsen och beviljar styrelsens ledamöter och verkställande direktören ansvarsfrihet för räkenskapsåret.

Grund för uttalanden

Vi har utfört revisionen enligt god revisionssed i Sverige. Vårt ansvar enligt denna beskrivs närmare i avsnittet *Revisorns ansvar*. Vi är oberoende i förhållande till Villeroy & Boch Gustavsberg AB enligt god revisorssed i Sverige och har i övrigt fullgjort vårt yrkesetiska ansvar enligt dessa krav.

Vi anser att de revisionsbevis vi har inhämtat är tillräckliga och ändamålsenliga som grund för våra uttalanden.

Styrelsens och verkställande direktörens ansvar

Det är styrelsen som har ansvaret för förslaget till dispositioner beträffande bolagets vinst eller förlust. Vid förslag till utdelning innefattar detta bland annat en bedömning av om utdelningen är försvarlig med hänsyn till de krav som bolagets verksamhetsart, omfattning och risker ställer på storleken av bolagets egna kapital, konsolideringsbehov, likviditet och ställning i övrigt.

Styrelsen ansvarar för bolagets organisation och förvaltningen av bolagets angelägenheter. Detta innefattar bland annat att fortlöpande bedöma bolagets ekonomiska situation och att tillse att bolagets organisation är utformad så att bokföringen, medelsförvaltningen och bolagets ekonomiska angelägenheter i övrigt kontrolleras på ett betryggande sätt. Den verkställande direktören ska sköta den löpande förvaltningen enligt styrelsens riktlinjer och anvisningar och bland annat vidta de åtgärder som är nödvändiga för att bolagets bokföring ska fullgöras i överensstämmelse med lag och för att medelsförvaltningen ska skötas på ett betryggande sätt.

Revisorns ansvar

Vårt mål beträffande revisionen av förvaltningen, och därmed vårt uttalande om ansvarsfrihet, är att inhämta revisionsbevis för att med en rimlig grad av säkerhet kunna bedöma om någon styrelseledamot eller verkställande direktören i något väsentligt avseende:

- företagit någon åtgärd eller gjort sig skyldig till någon försummelse som kan föranleda ersättningsskyldighet mot bolaget, eller
- på något annat sätt handlat i strid med aktiebolagslagen, årsredovisningslagen eller bolagsordningen.

Vårt mål beträffande revisionen av förslaget till dispositioner av bolagets vinst eller förlust, och därmed vårt uttalande om detta, är att med rimlig grad av säkerhet bedöma om förslaget är förenligt med aktiebolagslagen.

Rimlig säkerhet är en hög grad av säkerhet, men ingen garanti för att en revision som utförs enligt god revisionssed i Sverige alltid kommer att upptäcka åtgärder eller försummelser som kan föranleda ersättningsskyldighet mot bolaget, eller att ett förslag till dispositioner av bolagets vinst eller förlust inte är förenligt med aktiebolagslagen.

Som en del av en revision enligt god revisionssed i Sverige använder vi professionellt omdöme och har en professionellt skeptisk inställning under hela revisionen. Granskningen av förvaltningen och förslaget till dispositioner av bolagets vinst eller förlust grundar sig främst på revisionen av räkenskaperna. Vilka tillkommande granskningsåtgärder som utförs baseras på vår professionella bedömning med utgångspunkt i risk och väsentlighet. Det innebär att vi fokuserar granskningen på sådana åtgärder, områden och förhållanden som är väsentliga för verksamheten och där avsteg och överträdelser skulle ha särskild betydelse för bolagets situation. Vi går igenom och prövar fattade beslut, beslutsunderlag, vidtagna åtgärder och andra förhållanden som är relevanta för vårt uttalande om ansvarsfrihet. Som underlag för vårt uttalande om styrelsens förslag till dispositioner beträffande bolagets vinst eller förlust har vi granskat om förslaget är förenligt med aktiebolagslagen.

Stockholm den 27/6 2018

Ernst & Young AB

Annika Engström
Auktoriserad revisor

GROUP MANAGEMENT REPORT

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GROUP MANAGEMENT REPORT

- **Consolidated revenue up 2.0 % to € 836.5 million or 2.7 % on a constant currency basis.**
- **Operating EBIT increases by 8.5 % to € 49.8 million.**
- **Operating margin improves from 5.6 % to 6.0 %.**
- **EBT up 9.1 % year-on-year to € 45.4 million.**
- **Return on net operating assets rises from 15.7 % to 17.7 %.**

BASIC INFORMATION ON THE GROUP

BUSINESS MODEL OF THE GROUP

Organisational structure of the Group

Villeroy & Boch is a leading international ceramic manufacturer. As a full-service provider for the bathroom and the [illegible] table", our operating business is divided into two divisions: Bathroom and Wellness, and Tableware. Group-wide tasks and functions are performed by our central functions.

Villeroy & Boch AG is the Group parent for a total of 53 (previous year: 52) fully consolidated direct or indirect subsidiaries. Comprehensive information on the basis of consolidation and the investment structure of the Villeroy & Boch Group can be found in notes 2 and 61 of the notes to the consolidated financial statements.

Divisions and sales markets

Our products are sold in 125 countries. Our product range in the Bathroom and Wellness Division includes ceramic bathroom collections in various styles, bathroom furniture, shower, tub and whirlpool systems, ceramic kitchen sinks, and fittings and accessories. We typically address end consumers through a two- or three-tier sales channel. Our key target groups are dealers, craftsmen, architects, interior designers and planners. Our products in this division are displayed in more than 10,500 showrooms worldwide. We [illegible] using different forms [illegible] professional section on our website for architects, planners and tradespeople. [illegible] information on new products, [illegible] including technical product specifications. With the Bathroom Inspirator, the Bathroom [illegible] end consumers also [illegible] applications allowing them to individually plan and design complete bathrooms in a virtual environment.

Our product range in the Tableware Division includes high-quality tableware, glasses, cutlery and corresponding accessories, kitchen and tableware textiles and gift items. We supply specialist retailers – from small porcelain retailers to large department store chains and specialist e-commerce providers – and reach end customers through our own retail activities, which include more than 100 Villeroy & Boch stores and around 510 points of sale operated by our own staff at high-profile department stores. We are also continuously working to expand our global online presence as part of our own retail activities. We now sell our Tableware products in more than 20 countries via our online shops. All in all, our products are available at around 4,750 points of sale worldwide.

Our product range is also supplemented by licence-based products for house and home, particularly lighting, bathroom accessories, garden furniture and flooring.

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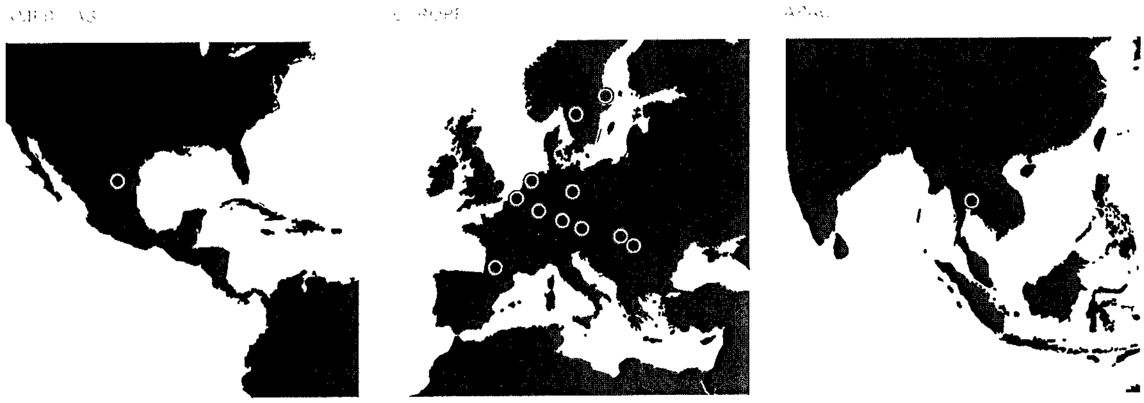
PRODUCTION SITES BY REGION



In the project business of both divisions, we reach our customers via specialised sales units. The main target group for sanitary projects consists of architects, interior designers and planners of public institutions, office buildings, hotels and high-quality residential complexes. Tableware projects are mainly aimed at the investors and operators of hotels and restaurants.

Locations

Villeroy & Boch AG is based in Mettlach in the Saarland region.

We currently have 14 production sites in Europe, Asia and the Americas. Our products for the Tableware Division are produced at the Merzig and Torgau plants in Germany. The other twelve plants manufacture products for the Bathroom and Wellness Division. Ceramic sanitary ware is produced at our locations in Mettlach (Germany), Valence d'Agen (France), Hodmezovasarhely (Hungary), Lugoj (Romania), Gustavsberg (Sweden), Ramos (Mexico) and Saraburi (Thailand). We also manufacture bathroom furniture in Treuchtlingen (Germany) and Mondsee (Austria), bathtubs, shower tubs and whirlpools in Roden (Netherlands) and Roeselare (Belgium), and fittings in Vargarda (Sweden).

CONTROLLING SYSTEM

The Management Board of Villeroy & Boch AG manages the Group as a whole using a strictly defined management structure and operational targets whose achievement is monitored by way of prescribed key figures. This focuses on key financial indicators.

The performance of the Group as a whole, and the two divisions individually, is measured using the following key financial indicators: net revenue, earnings before interest and taxes (EBIT) and the rolling operating return on net assets. The latter is calculated as the rolling operating result divided by the average operating net assets for the last twelve months. Operating net assets are calculated as the total of intangible assets, property, plant and equipment, inventories, trade receivables and other operating assets less total liabilities to suppliers, provisions and other operating liabilities.

Comprehensive information on the development of the key financial indicators can be found in the economic report.

Although Group-wide controlling is not currently performed on the basis of non-financial performance indicators, these play an important role at an operating level in areas such as the environment, employees, the supply chain, product responsibility and compliance. Extensive information on our

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non-financial performance can be found in the Villeroy & Boch Group's sustainability report. This separate non-financial Group report for the 2017 financial year prepared in accord[ance with] section 315b (3) of the German Commercial Code [illegible]. For further details, please refer to the "Sustainability" section of the [illegible].

RESEARCH AND DEVELOPMENT

Our activities in the areas of research, development and innovation serve to strengthen our competitiveness and hence form the basis for our long-term, sustainable economic [illegible].

[illegible] development, the Villeroy & Boch Group invested € 15.9 million in research and development in the 2017 financial year (previous year: € 15.2 million). Of this figure, € 12.2 million (previous year: € 11.7 million) was attributable to the Bathroom and Wellness Division and € 3.7 million (previous year: € 3.5 million) was attributable [illegible] Division.

Our research and development activities in the 2017 financial [illegible] concentrated on the continuous enhancement of our ceramic materials, products and production technologies.

Research partnerships for innovative solutions

Villeroy & Boch maintains a network of external partners in the field of applied research and industrial development. This allows us to pursue the objective of generating innovative solutions in order to create products with concrete value added for our customers, enable efficient production technologies and press ahead with process digitalisation. To this end, we continued our partnership with the Luxembourg Institute of Science and Technology (LIST) that has been in place since 2016, which involves conducting various feasibility studies on the topics of surface finishing and energy-efficient processing techniques.

Another important partnership is the collaborative "HYFLY" project as part of the "InfectControl 2020" research initiative of the German Federal Ministry of Education and Research (BMBF). Together with partners from university institutions, we continued the development work that began in the previous year on new types of easy-care antibacterial surfaces.

[illegible] technology, which concerns the thermal treatment of all kinds of products and hence represents one of the most [illegible] production process, particularly in the ceramic industry. We are using [illegible] process optimisation in order to enable the more efficient use of raw [illegible] output levels.

Digitalisation in occupational health and safety

[illegible] intensified our efforts in terms of process digitalisation in 2017 with a view [illegible] requirements in these [illegible] information and communi[illegible] important role in this re[illegible] German industry. [illegible] Federal Government with the launch of the BMBF funding programme "ICT 2020 – Research for Innovation", which forms part of its high-tech strategy 2020 and in which Villeroy & Boch is actively participating. In the year under review, we worked [illegible] Research Centre for Artificial Intelligence [illegible] the aim of largely [illegible] processes in occupational hazardous substance [illegible], particularly in the [illegible] substitution.

Internal enhancement of production techniques

As part of the internal enhancement of our production techniques, projects were initiated with the aim of creating robust processes and achieving material and resource efficiency and standardisation, thereby improving output levels. This was supported by the use of new management methods and statistical data analysis techniques and the design of new production facilities.

We are also working continuously to optimise our technologies under the umbrella of "Industry 4.0". Newly available technologies are evaluated in terms of their potential and the options for integrating them into existing manufacturing facilities at our production sites.

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Bathroom and Wellness product development

[illegible] Wellness Division focused on the expansion of premium [illegible] delicate product designs with extremely thin walls. The limited number of washbasin collections available in this material since its launch in 2015 became a thing of the past in 2017, as we successively expanded our product range to include [illegible].

In the 2017 financial year, our development work also con- tinued to focus on the [illegible] shower toilets, which are particularly popular in the Asia region and are now also [illegible] in demand in [illegible]. We worked intensively on the continuous improvement of [illegible] models in terms of design and user comfort in order to [illegible] aesthetic and functional [illegible] of our customers. We also concentrated on [illegible] friendly [illegible] installation [illegible] ISH 2017 trade fair, we presented our new model platform ViClean I 100, which sets new design standards for shower toilets. [illegible] technology is integrated [illegible] rather than [illegible] there are no visual differences [illegible] pared with a conventional toilet. In addition to [illegible] the shower toilets in the new ViClean I 100 series boast an intuitive operating concept and comfortable [illegible] functions.

Digitalisation in the area of domestic technology [illegible] substantial innovation potential for the Bathroom and Wellness Division, which is why our product development work also takes the integration of smart home features into account. Examples include wireless smartphone charging stations and intelligent light and music functions integrated into bathroom furniture.

Tableware product development

[illegible] Division focused [illegible] collections [illegible] to include addi- [illegible] development work concentrated [illegible] Passion" is a new collection that allows customers to enjoy barista-style coffee in the [illegible] with product features specifi- cally designed to enhance the natural coffee aroma. The [illegible] product development and design for [illegible] different shapes and sizes [illegible] and healthy eating [illegible] product trends, we [illegible] people who no longer purchase [illegible] when it comes to food and drink, but [illegible] items tailored to the specific [illegible] and locations.

In addition to [illegible] product designs, our development focus [illegible] design [illegible] for ceramic surfaces – such as visuals with a metallic appearance – and their implementation in terms of process technology. In late 2017, a digital printing system was also implemented in production. The inkjet [illegible] enables a wide range of eye-catching [illegible].

We [illegible] development activities in the area of additive production techniques, also called 3D printing, and the resulting [illegible] design for materials such as metal and plastic. Feasibility studies with external knowledge part- ners were used to test various techniques with the primary aim of optimising printing speed and size as well as the qual- ity and performance characteristics of the printed ceramic products. The options for combining our conventional ceramic products with other materials were also evaluated in numerous studies with the aim of enabling innovative designs and a unique feel for our products.

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PROCUREMENT

[illegible] duction facilities as well as finished and semi-finished goods. The Group also purchases capital goods, packaging materials, [illegible] All in all, the value of our procurement volume including investments corresponds to over 60 % of our revenue. The aim of our procurement organisation and procurement [illegible]

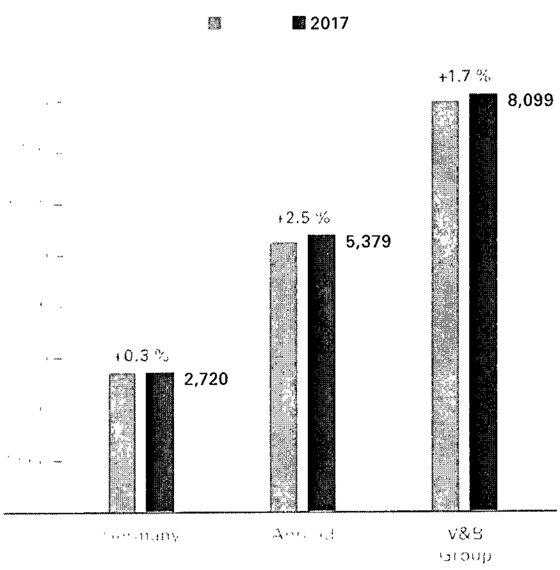
[illegible] market in the 2017 financial year. The sustained robust [illegible] many raw materials increased in 2017 in response to demand. This meant we were forced to accept higher prices for [illegible] procurement management. Exchange rate developments also [illegible]

[illegible] use a standardised catalogue of criteria to continuously [illegible] ties, service, technology and environment with a view to furthering our cooperation on this basis. We also aim to structure our supplier relationships so that all risks are [illegible] ment is practised. In particular, our "Supplier Code of [illegible] ards as our company with regard to integrity, business ethics, [illegible]

EMPLOYEES

Workforce *

NUMBER OF EMPLOYEES (AT END OF PERIOD)



* Prior year figures adjusted

The Villeroy & Boch Group had a total of 8,099 employees as at 31 December 2017, an increase of 138 compared with the end of the previous year (7,961). 33.6 % of the workforce was employed in Germany (previous year: 34.1 %). The Bathroom and Wellness Division accounted for 5,241 [illegible] (previous year: 4,995), while a total of 2,302 people were employed in the Tableware Division (previous year: 2,405) and 556 in central functions (previous year: 561). [illegible] year as a whole [illegible] increased from 7,804 in the previous year to 8,090. [illegible] strategic focus [illegible] Human Resources (HR) is presented in [illegible] rate sustainability report for the 2017 financial year, which is available online at www.villeroyboch-group.com/en/investor-[illegible].

ECONOMIC REPORT

GENERAL ECONOMIC CONDITIONS

The world economy enjoyed a sustained upturn in 2017 with [illegible] growth [illegible] in the previous year. The [illegible] expansion in the German economy increased, thanks in particular to strong export performance and a higher [illegible] of corporate investment. Construction activity also continued to be stimulated by low interest rates and increased demand for housing. The euro zone economy also saw an [illegible] trend on all fronts, driven by impetus from domestic and external demand as well as positive development on the employment market. However, the British economy weakened significantly more than a year after the Brexit referendum. Outside Europe, overall economic momentum in the United States picked up substantially following a weak start to the year. The Chinese economy also enjoyed sustained strong growth on the back of expansive lending and a high level of public investment.

Business development in the Bathroom and Wellness Division is largely dependent on the performance of the European residential construction industry. All in all, the key indicator of residential construction declined slightly compared with [illegible] our important domestic market of Germany also slowed because of a shortage of craftsmen and plumbers. At the same time, residential construction enjoyed considerably more dynamic development in other key markets such as [illegible].

A key factor for business performance in the Tableware Division is the [illegible] climate among private households. At 1.8 %, private consumer spending in Europe saw less pronounced growth than in the previous year (+2.1 %). In [illegible] under review. In [illegible] important domestic market of Germany, visitor frequency fell by 3.5 % year-on-year.

COURSE OF BUSINESS AND POSITION OF THE GROUP

[illegible] Management Board of Villeroy & Boch AG considers [illegible] Group to be positive.

[illegible] targets we set ourselves for the 2017 financial year. We also achieved the revised revenue target [illegible] end of the first half of the year 2017 in response to changes in market conditions.

The table below shows a comparison of the key figures forecast in the 2017 Group management report with the actual figures as well as the forecasts for 2018:

GROUP TARGETS

	Forecast 2017	Actual 2017	Forecast 2018
Revenue growth[1]	3–5 %[2]	2.0 % (2.7 %)	3–5 %
EBIT growth	5–10 %	8.5 %	5–10 %
Return on net operating assets	> 15.7 %	17.7 %	17–18 %
Investments	> € 35 million	€ 35.9 million	> € 40 million

1) Figures for revenue growth shown as nominal values; in brackets: on a constant currency basis
2) Updated to 2–3 % during the year

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All in all, we increased our consolidated revenue by 2.0 % to € 836.5 [illegible] unchanged exchange rates against the previous year, we generated revenue growth of 2.7 %. Negative exchange rate [illegible]

[illegible] between 5 % and 10 %. Operating EBIT increased by a total of 8.5 % to € 49.8 million (previous year: € 45.9 [illegible] our EBIT margin improved from 5.6 % to 6.0 % on the back [illegible] margin in both divisions.

The Group's return on net operating assets increased by 2.0 percentage points year-on-year to 17.7 %. This improved profitability was attributable primarily to our strong earnings performance accompanied by a reduction in rolling net operating assets.

[illegible] assets in the 2017 financial year were in line with our forecast at € 35.9 [illegible]

[illegible] Division can be found in the following discussion of the [illegible] "Net assets" and "Other financial performance indicators" sections of [illegible]

RESULTS OF OPERATIONS

The following information provides an overview of our results of operations in the 2017 financial year.

STRUCTURE OF THE CONSOLIDATED INCOME STATEMENT (IFRS)

In € million

	2017	% of revenue	2016	% of revenue
Revenue	836.5	100.0	820.1	100.0
Cost of sales	−466.4	−55.8	−456.1	−55.6
Selling, marketing and development costs	−275.3	−32.9	−270.0	−32.9
General administrative expenses	−47.2	−5.6	−45.6	−5.6
Other expenses/income	1.7	0.2	−2.6	−0.3
Result on financial investments accounted according to the equity method	0.5	0.1	0.1	0.0
Operating EBIT (before non-recurring income Gustavsberg)	**49.8**	**6.0**	**45.9**	**5.6**
Real estate income from Gustavsberg property	0.0	0.0	1.7	0.2
Earnings before interest and taxes (EBIT)	**49.8**	**6.0**	**47.6**	**5.8**
Financial result	−4.4	−0.6	−6.0	−0.7
Earnings before taxes (EBT)	**45.4**	**5.4**	**41.6**	**5.1**
Income taxes	−15.6	−1.8	−12.5	−1.5
Group result	**29.8**	**3.6**	**29.1**	**3.6**

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Consolidated Revenue 2017

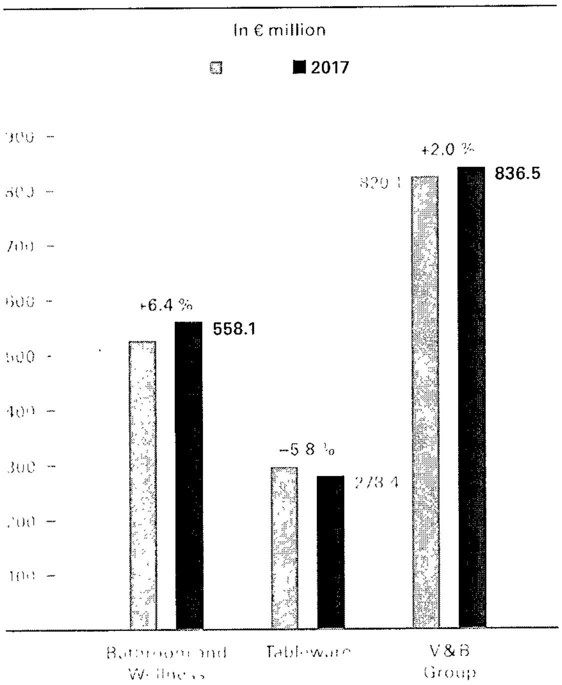
Consolidated revenue up 2.0 %

The Villeroy & Boch Group generated revenue of € 836.5 million in the 2017 financial year (previous year: € 820.1 [illegible]). This represents a year-on-year improvement of 2.0 % in nominal terms or 2.7 % on a constant currency basis.

Revenue development was characterised by extremely [illegible] in the [illegible] division [illegible] declined by [illegible] % (on a constant currency basis: −0.5 %). This was due primarily to lower [illegible] Division [illegible] Americas region, where revenue declined by 8.8 % in nominal terms and 6.4 % on a constant currency basis. At the same time, however, [illegible] above-average [illegible] the growth regions of the Middle East/Africa (+17.9 % to € 30.3 million) and especially Asia-Pacific (+30.5 % to € 99.0 million). [illegible] positive performance [illegible] expanding our market position outside [illegible] regions in order to [illegible] our dependence on [illegible] market of Europe.

Revenue by division

CONSOLIDATED REVENUE BY DIVISION



In the 2017 financial year, revenue in the [illegible] increased substantially by 6.4 % to € 558.1 million (previous year: € 524.4 [illegible]). On a constant currency basis, this revenue growth amounted to 7.0 %. While we enjoyed [illegible] sanitary ware, wellness, tap fittings and bathroom furniture – our [illegible] from region to region.

[illegible] was driven in particular by the high level of demand for our rimless [illegible] washbasins. [illegible] in recent [illegible] existing ceramic product ranges more quickly than anticipated. Although we have already massively expanded our production capacities for these products and [illegible] investment [illegible] we were [illegible] in the past financial year. This [illegible] within the division as a whole, which increased by € 32.8 million to € 96.2 million.

[illegible] markets including Germany [illegible] growth [illegible] shortage of fitting capacity. Compared with the high level recorded in the previous year, we increased [illegible] by 1.7 % to € 157.9 million. [illegible] 1.5 % to € 452.1 million in [illegible] 1.8 % on a constant currency basis.

Revenue outside Europe increased by 34.0 % to € 106.0 million. [illegible] business helped us to record revenue growth in the Middle East/Africa region of 25.6 % to € 21.0 million. [illegible] driven primarily by the Gulf States (+40.7 %), where construction activity developed extremely [illegible] in preparation for major international events.

We recorded [illegible] stronger performance in the Asia-Pacific region. Our most important growth market, China, was the standout with revenue growth of 45.0 %. In 2017, we generated revenue of € 75.1 million in the region as a whole. This includes € 5.4 million from Argent Australia Pty Ltd., which was acquired during the year with a view to sustainably increasing our business volume in Australia. Adjusted for this acquisition, growth in the Asia-Pacific region amounted to 31.0 %.

The *Tableware Division* contributed € 278.4 million to consolidated revenue for the 2017 financial year, down 5.8 % (on a constant currency basis: −4.9 %) on the previous year. [illegible] retail stores and the growing substitution of traditional sales channels by [illegible] also characterised by key strategic decisions. Firstly, we syste- [illegible] focus on higher-margin trade channels while pursuing a more [illegible] aimed at supporting the premium status of the Villeroy & Boch brand and, in particular, [illegible] to substantially improve our operating margin by 0.7 percentage points to 58.7 %.

These market factors and strategic decisions resulted in [illegible] in the period under review (−6.2 %). In the United States, revenue development of −0.9 % was due among other things to site closures by a major distribution partner. At the same time, however, we recorded notable positive performance in the markets of South Korea (+20.5 %) and – thanks to strong project business – the Gulf States (+18.9 %).

Orders on hand

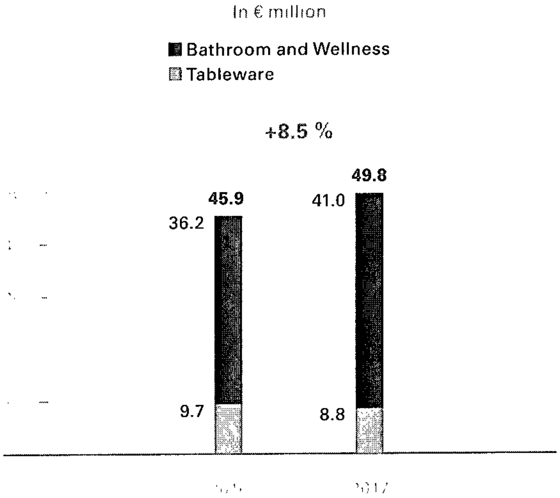
Orders on hand in the Group increased significantly year on year to € 107.0 million as at 31 December 2017 (previous year: € 73.9 million). After repeatedly hitting record levels during the course of the year, orders on hand in the Bathroom and Wellness Division amounted to € 96.2 million at the reporting date (previous year: € 63.4 million). The Tableware Division accounted for orders on hand of € 10.8 million (previous year: € 10.5 million).

Consolidated EBIT

Operating EBIT up 8.5 % year-on-year to € 49.8 million

In the 2017 financial year, we increased our operating EBIT by 8.5 % or € 3.9 million to € 49.8 million. [illegible] generated from our real estate project in Gustavsberg [illegible] By contrast, consolidated EBIT in the previous year (€ 47.6 million) [illegible] from this project in the amount of € 1.7 [illegible]

OPERATING EBIT
BY DIVISION



Selling, marketing and development costs increased by € 5.3 million year-on-year to € 275.3 million. General and administrative expenses also rose by € 1.6 million to € 47.2 million. This was attributable primarily to increased personnel expenses due to collective wage agreements and appointments to vacant positions. We also invested in the global expansion of our sales structures, particularly in our growth markets outside Europe.

Net other operating expenses and income amounted to € 1.7 million. This represents a year-on-year improvement of € 2.6 million, as the prior-year figure was impacted in particular by non-recurring expenses for reorganisation measures.

Operating result (EBIT) by division

Bathroom and Wellness division

[illegible] result (EBIT) of € 41.0 million in the 2017 financial year, an [illegible] 13.3 % on the previous year (€ 36.2 [illegible] the optimisation of our revenue quality and the resulting [illegible] margins. This was [illegible] Villeroy & Boch [illegible]

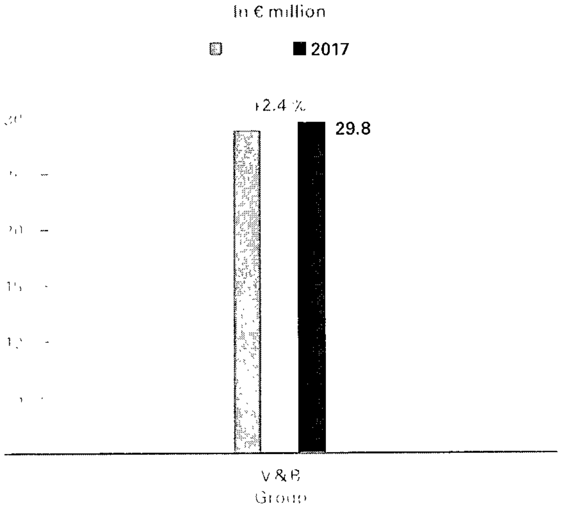
Tableware division

The Tableware Division closed the 2017 financial year with an operating result of € 8.8 million (previous year: € 9.7 [illegible] Thanks to a [illegible] discount [illegible] improving our operating margin by 0.7 percentage points. We continued to relieve the division's cost structures by [illegible]

Group result

CONSOLIDATED GROUP RESULT

In € million



The Group result rose by € 0.7 million or 2.4 % year-on-year to € 29.8 million, thereby only reflecting the substantial [illegible] This was due to the increase in tax expenses to € 15.6 million (previous year: € 12.5 [illegible] tax reform that came into force on 22 December 2017. One of the main elements of the reform is a reduction in the federal corporate income tax from 35 % to 21 % from the start of 2018. The extended utilisation interval for loss carryfor[illegible] tax expense. The [illegible] response to this new [illegible] tax rate [illegible] from its usual level of around 30 % to 34.4 %. This tax effect was at [illegible] improvement in net finance expense to € -4.4 million (previous year: € -6.0 mi[illegible] reduction in interest [illegible] following the adjustment [illegible] the low interest rate in 2016.

Dividend proposal

At the General Meeting of Shareholders on 23 March 2018, [illegible] Management Board will pro[illegible] Villeroy & Boch AG [illegible]

€ 0.52 [illegible]

€ 0.57 [illegible]

This represents a total dividend distribution of € 15.3 mil[illegible] Based on the number of preference shares held by the [illegible] the total cash outflow will be € 14.3 million.

FINANCIAL POSITION

Principles and objectives of financial management

[illegible] management system encom[illegible] global liquidity management, cash management and [illegible] management of market price risks.

[illegible] Central Group Treasury department performs uniform financial management for the entire Group. The framework is provided by external statutory and regulatory requirements as well as internal guidelines and limits.

Our liquidity management ensures that we are able to meet our payment obligations at all times. Cash inflows and out[illegible] from our operating business form the basis for daily [illegible] management and short-term and medium-term liquidity planning.

[illegible] With the proviso that our financial trading partners have a good credit standing, expressed in the form of an investment grade rating, we pursue the aim of ensuring an optimal [illegible]

Our [illegible] management is [illegible] organised and managed centrally. In order to ensure economic efficiency, priority is [illegible] cash pooling. An [illegible] cash flows [illegible] where this is possible for legal and tax purposes. Internal offsetting [illegible] the number of [illegible] bank transactions to a minimum. Standardised processes and transmission [illegible] been established [illegible] transactions.

The management of market price risks encompasses exchange rate risks, interest rate risks and other price risks. [illegible] impact of fluctuations on [illegible] divisions and [illegible] Group-wide risk [illegible] basis and corresponding [illegible]

[illegible] information on risk management can be found in the "Report on Risks and Opportunities" section of the Group management report.

Capital structure

Our financing structure as shown in the table below changed as follows in the 2017 financial year:

CAPITAL STRUCTURE

In € million

	31/12/2017	31/12/2016
Equity	194.6	172.6
Non-current liabilities	273.7	294.5
Current liabilities	218.8	209.2
Total equity and liabilities	**687.1**	**676.3**

Equity increased by € 22.0 million year-on-year to € 194.6 million in the period under review. Retained earnings rose by € 10.6 million, with the Group profit of € 29.8 million generated in the 2017 financial year offset by the dividend distribution in spring 2017 (€ -13.3 [illegible] acquisition of the subsidiary Argent Australia Pty. Ltd. served to increase non controlling interests in equity by € 5.3 [illegible] non controlling interests) improved to 28.3 % at the reporting date (previous year: 25.5 %). 85.6 % of the Group's non-current assets in the amount of € 227.3 [illegible] equity.

Non current liabilities in the amount of € 273.7 million [illegible] provisions for [illegible] liabilities. Non current liabilities declined by € 20.8 [illegible] compared with the previous year. € 16.0 [illegible] related to the [illegible] obligations [illegible] was partially attributable to the increase in the underlying interest rate from 1.25 % to 1.75 %. In addition, a portion (€ 4.1 million) of the dismantling and renovation obligation recognised in the [illegible] estate development project in Luxembourg was reclassified to current [illegible]

Current liabilities in the amount of € 218.8 million comprised [illegible] liabilities, trade payables, other provisions, [illegible] tax liabilities and financial liabilities. Current liabilities rose by € 9.6 million compared with the previous year, with the main changes relating to the increase in advance payments received on account of orders (€ 6.0 million) and the aforementioned reclassification from non current liabilities (€ 4.1 million).

Investments

Investments in property, plant and equipment and intangible assets

Our investments in property, plant and equipment and intangible assets totalled € 35.9 million in the 2017 financial year (previous year: € 20.2 million). 54 % of this figure was attributable to Germany (previous year: 56 %). At 31 December 2017, the Group had obligations to acquire property, plant and equipment and intangible assets in the amount of € 2.2 million. Our investments are financed from operating cash flow.

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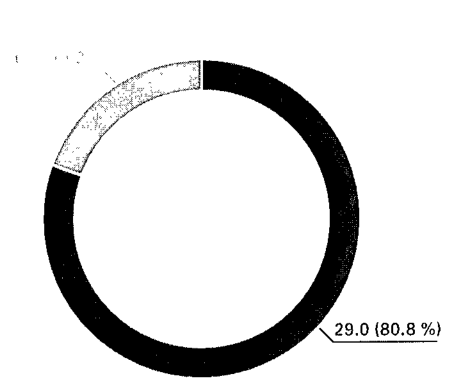
BREAKDOWN OF INVESTMENTS BY DIVISION

In € million



At € 29.0 million or 81 %, our investments were concentrated [illegible] was on the establishment of new production facilities for [illegible] particularly in Mettlach, Hódmezővásárhely (Hungary), Ramos (Mexico) and Valence d'Agen (France). € 14.0 million of the investment volume related to our locations outside Germany, with 40 % of this figure attributable to Western Europe, 36 % to Eastern Europe and 24 % to plants in the [illegible]

We invested € 6.9 [illegible] 19 % of the total investment volume. € 5.5 million [illegible] We acquired new machin[illegible] at our Merzig and Torgau plants. Moreover, we invested in the further optimisation of our retail network [illegible] renovating and opening stores [illegible] Switzerland

Financing

CONDENSED CASH FLOW STATEMENT

In € million

	2017	2016
Group result	29.8	29.1
Current depreciation and amortisation of non-current assets incl. reversals	26.2	27.8
Change in non-current provisions	–10.2	–7.7
Profit from disposal of fixed assets	–0.4	0.8
Changes in inventories, receivables, liabilities, current provisions and other assets and liabilities	–13.4	18.1
Other non-cash income/expenses	9.0	9.8
Net cash flow from operating activities	**41.0**	**77.9**
Net cash flow from investing activities	**–27.3**	**–19.9**
Net cash flow from financing activities	**–14.1**	**–12.3**
Total cash flows	**–0.4**	**45.7**
Balance of cash and cash equivalents on 1 Jan.	**111.2**	**65.6**
Change based on total cash flows	–0.4	45.7
Change due to exchange rate effects	–2.1	–0.1
Balance of cash and cash equivalents on 31 Dec.	**108.7**	**111.2**

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Net cash from operating activities amounted to € 41.0 million (previous year: € 77.9 [illegible] was due among other things to the € 9.8 [illegible] assets, as well as net tax payments of € –10.2 [illegible]

Net cash used in investing activities in the amount of € –27.3 million (previous year: € –19.9 million) included payments totalling € 47.4 [illegible] investments in property, plant and equipment, intangible assets and non-current financial [illegible] cash receipts from disposals of fixed assets in the amount of € 20.1 million.

Net cash used in financing activities amounted to € –14.1 million (previous year: € –12.3 [illegible] related primarily to the dividend payment in spring 2017 (€ 13.3 million).

Liquidity

Net liquidity

Our net liquidity amounted to € 57.6 million at the reporting date. This corresponds to a year-on-year decrease of € 3.1 million, which is due to the fact that we used some of our liquidity (€ 7.2 million) [illegible] marketable investment for return purposes during the course of the 2017 financial year.

Cash and cash equivalents, current financial assets and current and non-current financial liabilities were combined in calculating net liquidity.

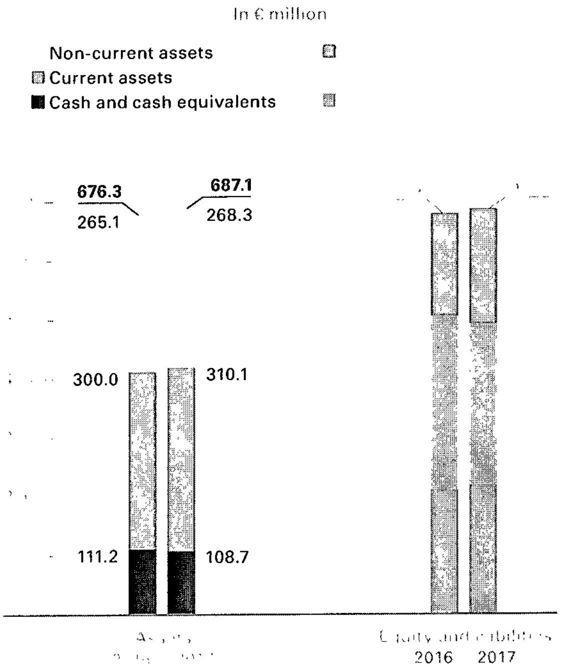
At 31 December 2017, we had unutilised credit facilities totalling € 245 million (31 December 2016: € 203 million) that were not subject to any restrictions.

NET ASSETS

Balance Sheet

The Villeroy & Boch Group had total assets of 687.1 € million at 31 December 2016 compared with € 676.3 million at the end of the previous year. The balance sheet structure is shown in the graphic below.

Year-on-year comparison of the structure of the balance sheet



Non current assets in the amount of € 208.3 million (previous year: € 265.1 million) comprised non-current fixed assets, deferred tax assets and other non-current assets. The share of total assets attributable to non-current assets increased to 33.1 % (previous year: 31.7 %).

Current assets were composed primarily of inventories, trade receivables, cash and cash equivalents and other current assets. Current assets (including non-current assets held for sale) increased by € 7.6 million year-on-year to € 418.8 million. Inventories and trade receivables rose by € 13.2 million and € 11.2 million respectively, largely as a result of acquisitions. The first-time inclusion of Argent Australia Pty. Ltd. in our consolidated financial statements served to increase inventories by € 11.2 million and trade receivables by € 4.0 million. The biggest opposite change within current assets was the € –14.1 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.

The items of the equity and liabilities side of the balance sheet are discussed in the "Capital structure" section of the management report.

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OTHER FINANCIAL PERFORMANCE INDICATORS

In addition to the key performance indicators of revenue and earnings before interest and taxes (EBIT), whose development in the past financial year is discussed under [illegible]

[illegible]

RETURN ON NET OPERATING ASSETS

Return on net operating assets = Operating result EBIT / Net operating assets (12 months)

As of 31 December 2017, the rolling net operating assets of the Villeroy & Boch Group were composed as follows:

COMPOSITION OF THE ROLLING RETURN ON NET OPERATING ASSETS (GROUP)

In € million

V&B Group	2017	2016
Net operating assets	**280.4**	**292.5**
Property, plant and equipment	173.3	176.5
Inventories	150.1	152.6
Receivables (from third parties)	114.8	111.8
Liabilities	−67.2	−66.1
Other assets	−90.6	−82.3
Operating result (EBIT)	**49.8**	**45.9**
Return on net operating assets	**17.7 %**	**15.7 %**

In the 2017 financial year, we succeeded in improving our return on net operating assets by 2.0 percentage points to 17.7 %. This was due to the improvement in the operating result compared with the previous year as well as the reduction in rolling net operating assets to € 280.4 million (previous year: € 292.5 million). The latter development was

[illegible]

The rolling net operating assets of the Bathroom and Wellness Division were composed as follows:

COMPOSITION OF THE ROLLING RETURN ON NET OPERATING ASSETS (BATHROOM AND WELLNESS)

In € million

Bathroom and Wellness	2017	2016
Net operating assets	**202.1**	**208.6**
Property, plant and equipment	149.2	149.3
Inventories	86.4	87.8
Receivables (from third parties)	86.6	82.0
Liabilities	−51.1	−49.6
Other assets	−69.0	−60.9
Operating result (EBIT)*	**47.5**	**42.9**
Return on net operating assets	**23.5 %**	**20.6 %**

* Central function earnings components that cannot be influenced by the division are not taken into account in calculating the return on net operating assets.

The rolling net operating assets of the Tableware Division were composed as follows:

COMPOSITION OF THE ROLLING RETURN ON NET OPERATING ASSETS (TABLEWARE)

In € million

Tableware	2017	2016
Net operating assets	**78.3**	**83.9**
Property, plant and equipment	24.1	27.2
Inventories	63.7	64.8
Receivables (from third parties)	28.2	29.8
Liabilities	−16.1	−16.5
Other assets	−21.6	−21.4
Operating result (EBIT)*	**9.3**	**11.4**
Return on net operating assets	**11.9 %**	**13.6 %**

* Central function earnings components that cannot be influenced by the division are not taken into account in calculating the return on net operating assets.

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SUSTAINABILITY

[illegible] pliers, employees, shareholders and lenders - and a responsible approach to the environment play a particularly important [illegible]

[illegible] which is required to be observed by all employees – is ensured [illegible] dedication of creative, motivated employees. our human [illegible] ment environment with healthy and safe working conditions. [illegible]

[illegible] with technically superior products and sustainable value [illegible] side compliance with the law and labour and environmental standards, our aim is to achieve our outstanding product [illegible]

[illegible] 11 April 2017, Villeroy & Boch [illegible] 315b of the German Commercial Code (HGB) starting from the 2017 financial [illegible] section 315c in conjunction with section 289c HGB include company-related disclosures on environmental, employee and social [illegible] bribery and corruption – meaning they relate directly to our sustainability- [illegible] section 315b (3) HGB to [illegible] from the Group management report. This is published online at www.villeroyboch-group.com/en/investor-relations/publications/ [illegible]. This [illegible] contains the first sustainability report of the Villeroy & Boch Group for the financial year from 1 January to 31 December 2017, in which we report [illegible]

REPORT ON RISKS AND OPPORTUNITIES

RISK STRATEGY

[illegible] performance and earnings strength of our company, and [illegible] shareholders and other stakeholders. To this end, the Villeroy & Boch Group's business activities open up a wide range of oppor[illegible] risks.

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[illegible] of their size, as well as having a low probability of occurrence. [illegible] continued existence of the Group and ensure the achievement [illegible]

RISK MANAGEMENT

Risk management system and internal control system

[illegible] opportunities. In contrast to risk reduction measures, [illegible]

[illegible] Group and allocates clear responsibilities and duties to all [illegible] and ensures that they are implemented. The Code of Conduct [illegible]

Various coordinated planning, reporting and control pro[illegible]

[illegible] dling of (residual) risks and, together with the necessary [illegible] management, i.e. decentrally at divisional level. Risk [illegible] procedures and measures introduced by management in [illegible]

- [illegible] of the Group's business activities,
- [illegible]
- [illegible]

[illegible] and regulations as well as voluntarily adopted company standards and are adjusted at regular intervals to reflect [illegible]

Monitoring of the risk management processes

[illegible] any resulting risks and the derivation of adequate recom[illegible] Group Internal Audit Team is responsible for identifying [illegible]

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[illegible] ation function) and presenting recommendations for im- [illegible]

[illegible] tors the effectiveness of the risk management, internal control and internal audit system and, in particular, the financial [illegible]

INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM FOR GROUP FINANCIAL REPORTING

[illegible] the meaning of section 264d of the German Commercial Code (HGB), it is required to describe the key characteristics of its internal control and risk management system with regard to the Group financial reporting process in accordance with section 315 (4) HGB. The purpose of this system is to [illegible] consolidated financial reporting process is reliable and that it complies with the generally accepted principles of proper accounting.

The internal control and risk management system relating to financial reporting is integrated into our Group-wide risk management system. It encompasses the organisational, control and monitoring structures that we use to ensure that business transactions and events are identified, processed and recognised in financial reporting correctly, promptly and in full. The central basis for a proper, uniform and continuous financial reporting process is formed by the relevant laws and standards and internal provisions, which are set out in a Group-wide accounting policy that is continuously updated. In addition, clearly defined procedures are specified in the form of a uniform chart of accounts for financial [illegible] financial statements and various manuals. Furthermore, [illegible] and consolidation process (e.g. Group reporting, controlling, [illegible] and Group treasury) are [illegible] specific areas of [illegible]

[illegible] reporting provides [illegible] controls. For example, [illegible] IT-based [illegible] reconciliation in the form [illegible] checks, various risk-, process- and content-related controls in the divisions, the establishment of functional separations and predefined approval processes, the systematic implementation of the [illegible] processes relating [illegible] IT-based access controls [illegible] system.

[illegible] compliance with the control systems and accounting provisions, regular analytical examinations are performed by the local managing directors and [illegible] the central Group reporting department, the Audit Committee of the Supervisory Board, Group Internal Auditing and the external auditor of the consolidated financial statements. This monitoring includes identifying weaknesses, initiating improvement measures and examining whether weaknesses have been rectified.

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INDIVIDUAL RISKS

[illegible] whose potential occurrence could have a relevant adverse effect on the Group's net assets, financial position and [illegible]

The overview below provides a general summary of the individual risks. Applying a one-year forecast period, it shows [illegible] probability of occurrence and potential financial impact [illegible] ity of less than 30 % is classified as "low", while a probability of more than 60 % is classified as "high". The assessment of [illegible] € [illegible], "moderate" [illegible] between € [illegible] million and € 5 [illegible] and "significant" [illegible] € 5 [illegible]

[illegible]

RISK PROFILE OF THE VILLEROY&BOCH GROUP

	Probability of occurrence			Potential financial impact		
Risk type	**low**	**medium**	**high**	**insigni-ficant**	**moderate**	**significant**
General and industry-specific market risks		X				X
Economic performance risks						
▌ Procurement risks	X					X
▌ Product development risks	X					X
▌ Production risks		X			X	
▌ Environmental protection risks		X			X	
Financial and economic risks						
▌ Inventory risks	X			X		
▌ Default and credit risks	X			X		
▌ Liquidity risks	X			X		
▌ Exchange rate risks		X			X	
▌ Interest rate risks	X			X		
▌ Other price risks	X			X		
Tax risks		X			X	
Personnel risks		X			X	
Legal risks		X			X	
IT risks	X			X		

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General and industry-specific market risks

[illegible] ucts in 125 countries. All international business activities [illegible] Kingdom during 2017, with consumer sentiment suffering [illegible] pound sterling [illegible] the price of imported goods. In terms of our sales performance on the British market in the 2017 finan[illegible] exchange rate [illegible] but increased on a constant currency basis.

In addition, consumer spending and consumer confidence [illegible] sociopolitical [illegible] military conflicts [illegible] unrest. In the same [illegible] companies, the Group's business development is also subject to potential risks in the form of terrorist activities, although these are hard to [illegible] cases in the recent past have shown that terrorist attacks and the resulting debate about public safety and security can have a negative impact on business development and demand on a supra-regional basis.

Sales forecasts in the Bathroom and Wellness Division are subject not only to the aforementioned general market risks, but also depend in particular on the performance of the construction industry. All in all, the robust growth in European residential construction slowed slightly in 2017 when compared directly with 2016 but remained above-average in terms of a multi-year comparison. The positive trend that is also forecast for 2018 suggests that there are no specific acute risks at present. Meanwhile, the sustained consolidation within the sanitary ware industry could strengthen the competition and lead to a change in our relative market position. At the same time concentration is increasing in the sanitary ware wholesale market, leading to rising price pressure on us as a manufacturer. We are also seeing a growing trend among German wholesalers to offer private label products instead of branded products.

As well as general economic sales risks, the Tableware Division [illegible] change in our customers' consumer behaviour. Falling visitor numbers [illegible] represent a not inconsiderable sales risk that we are counteracting in [illegible] and online sales channels in order to ensure that our product [illegible] customers [illegible] consolidation within the retail sector is increasing the market power of major [illegible] growing [illegible]

[illegible] and industrial [illegible] to our business on a continuous basis. Based on these observations, our [illegible] and then implement the [illegible] necessary both in order to avert potential risks and, more importantly, to exploit [illegible]

Economic performance risks

Procurement risks

[illegible] in particular, gen[illegible] risks in [illegible] that raw materials [illegible] quality, as well as the risk of supplier [illegible] other supply interruptions. Suitable [illegible] have been defined as part of risk management, e.g. the permanent monitoring of [illegible] and the financial stability of key suppliers and the definition and implementation of procurement strategies. This also includes preventing single sourcing scenarios to the greatest possible extent. However, in some exceptional cases [illegible] the important area of raw materials – the current [illegible] such that there are very few alternative sources available on the market.

Furthermore, the increasing volatility of market prices for many raw materials could embody corresponding risks for our procurement prices. Phases of rapidly rising market prices could lead to a deterioration in our cost position, while we would be unable to benefit in full from phases of falling market prices on account of having locked in prices for the medium or long term.

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Product development risks

[illegible] products and production tech-nologies, we invest significant resources in research and [illegible] and are subject to [illegible] logical challenges and regulatory requirements. However, [illegible] products in our present [illegible] the planned market [illegible]

[illegible] our research and development activities can be found in the section of the same name under "Basic Information on the Group".

Production risks

Production risks result from potential interruptions to operations [illegible] machine or furnace failures [illegible] significant [illegible] consequences and adverse [illegible] our business performance. Accordingly, we provide [illegible] maintenance [illegible] to ensure the regular [illegible] our production facilities and the necessary replacement investments. Furthermore, our on-site technicians [illegible] maintenance agreements with our spare parts [illegible] mean that a rapid response is guaranteed in the event of operational problems. If operations are interrupted in spite of these extensive preventative measures, insurance policies have been concluded to cover any financial losses where it is economically viable to do so.

Environmental protection risks

The environmental impact of production cannot be avoided altogether. In order to prevent the resulting environmental risks, especially in light of increasingly stringent legislation, environmental and occupational safety laws are analysed at regular intervals and organisational measures are subsequently initiated where relevant. We also continuously monitor emission levels at all our locations. As well as analysing the specific environmental impact, this includes taking account of the related occupational safety aspects [illegible] posure at the respective workplaces). The central basis for continuous monitoring is a dedicated reporting system in which location-related information is bundled and presented for the Group as a whole. We respond by making corresponding investments in environmental and occupational [illegible]

[illegible] current [illegible]

Employees are included in various operational projects in their respective area in order to leverage potential and [illegible]

More extensive information on the environmental performance [illegible] measures taken in the [illegible] and safety can be found in the Villeroy & Boch sustainability report (the edition for the 2017 [illegible]

Financial risks

[illegible] we are exposed to financial and [illegible] risks [illegible] these are:

- [illegible] credit risks
- [illegible]
- [illegible] price risks.

Financial risk is managed globally by our central Group [illegible] There are detailed guidelines and provisions [illegible] dealing with financial risk, including the separation of front-office and back-office functions. Group-wide principles regulate all relevant issues, such as banking policy, financing agreements and global liquidity management.

Management of inventory risks: For property, plant and equipment and inventories, the necessary insurance cover is in place to protect against the various risks of their actual loss. A detailed reporting system exists for the size, structure, range of coverage and changes to individual items, countering the risk of loss in value due to limited usability of inventories. Further information can be found in notes 6 and [illegible] of the notes to the consolidated financial statements. There is no significant concentration of inventory risks within the Group. There were no changes in the nature or extent of these risks or the risk management and measurement methods in 2017.

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Management of default and credit risks: Default and credit risks [illegible] risks, our guidelines state that business relationships are only entered into with creditworthy business partners and, if [illegible] receivables from customers are protected by trade credit [illegible] uninsured re- [illegible] system and reporting [illegible] limits is [illegible] We counteract potential default risks through the collateral deposited by [illegible] guarantees and mortgages, and through prompt collection measures. Specific valuation allowances [illegible] for default risks that occur despite this, and [illegible] in the event of significant financial difficulties [illegible] of the debtor and impending bankruptcy (see section 12 of the notes to the consolidated financial statements). For banks, too, minimum requirements with respect to creditworthiness and individual limits for the exposures [illegible] are established based on the ratings issued by international rating agencies and the prices of hedging instruments for credit default swaps, as well as internal examinations of creditworthiness. Compliance with limits is [illegible] on an ongoing basis. Default risk for investments and derivative financial instruments are negligible as the [illegible] only with contract partners with an investment grade rating from an international rating agency. External security is also ensured for the respective instrument, for example through deposit guarantee systems. There is no significant concentration of default risks within the Group. There were no changes in the nature or extent of these risks or the risk management and measurement methods in 2017.

[illegible] adequate coverage of financial requirements for the Group's business operations [illegible] internal cash pooling systems in order to reduce external finance volumes and [illegible] provided for [illegible] to the extent that legal [illegible] internal lending [illegible] significant concentration [illegible] There were no changes [illegible] risk management and measurement methods in 2017. Further information on [illegible] can be found in note 53 [illegible] statements.

[illegible] course of our global business activities, we are exposed to exchange rate risks arising from transactions in foreign currencies. Currency [illegible] with banks with good credit ratings are [illegible] hedging transactions. We generally hedge exchange rate risk over a period of twelve months, though [illegible] horizon in exceptional cases. The [illegible] hedging volume is first determined by netting receivables and liabilities throughout the Group for each currency. As a matter of principle, the remaining exchange rate risk is initially hedged at a level of 70 % on the basis of past experience. From the conclusion of the contract, it is demonstrated periodically that possible currency fluctuations in the planned hedged item are offset by the opposing effects of the hedge throughout the term of the

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contract. The volume identity of planned and recognised [illegible] ment methods in 2017. As in the previous years, however, [illegible] due to the volatility [illegible]. Both currencies [illegible] exchange rate risk [illegible] 2018. We use a dynamic hedging approach to address these risks. Further [illegible] on the management [illegible] rate risks can be found in note 53 of the notes to the consolidated financial statements.

Management of [illegible] risks: Interest rate risks [illegible] fluctuations on the market [illegible] invested or borrowed at fixed and variable interest [illegible] earnings [illegible] interest rate changes [illegible] on the basis of sensitivity analyses and [illegible] Group Treasury [illegible] maintains an appropriate [illegible] variable interest borrowings [illegible] volatile interest markets is limited by way of fixed-interest loan agreements. There were no changes in interest risk positions or the risk management and measurement [illegible] in 2017. In 2017, a few banks discussed the possibility of passing on the negative deposit rates imposed by central banks to business customers. However, the Villeroy & Boch Group has a sufficient number of alternative banking partners and investment options, meaning it is not subject to negative deposit rates at present. Further information on the management of interest rate risks can be found in section 53 of the notes to the consolidated financial statements.

Management of other price risks: Other financial risks result from changes in the price of purchased commodities used [illegible] and supplies. As part of our risk management activities, we identify the volume [illegible] this purpose. The commodity of brass is currently hedged using [illegible] production planning are generally hedged at a level of 70 % for the coming year and 30 % for the subsequent year on the basis of past experience. [illegible] management of brass price risks in 2017. In 2017, the volume of hedges was covered by corresponding hedged items on a monthly basis. There is no significant concentration of other price risks within the [illegible] in the nature or extent of [illegible] and measurement methods in 2017. Further information on the management of commodity price risks can be found in section 53 of the notes to the consolidated financial statements.

Tax risks

[illegible] the Villeroy & Boch Group [illegible] country-specific tax laws [illegible] applicable tax law situation [illegible] on the taxation of the Group [illegible]

[illegible] domiciled in Germany and abroad [illegible] audit of their tax declarations [illegible] responsible local fiscal authorities. As a matter of principle, the resulting risks relate to all outstanding assessment periods and arise primarily in connection with differing or more restrictive interpretations of existing provisions by the fiscal authorities, which can result in additional financial burdens. The OECD's Base Erosion and Profit Shifting (BEPS) [illegible], an internationally coordinated package of measures aimed at preventing international corporations from engaging in base erosion and profit shifting as a means of tax avoidance, is expected to result in greater audit intensity.

Local tax legislation and case law may also change to the detriment of the Group.

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[illegible]

Personnel risks

The long-term success of the Villeroy & Boch Group depends [illegible] lead to a shift in terms of supply and demand on the employment market. Finding the necessary replacements [illegible] processes that can be lengthy. This can result in capacity [illegible]

[illegible] rate sustainability report for the 2017 financial year, which is available online at www.villeroyboch-group.com/en/investor- [illegible]

We have pension and pension-related obligations for the [illegible] in the relevant measurement parameters, such as interest rates, mortality rates and the rate of salary growth, constitute [illegible] our earnings. Provisions for pensions are described in [illegible] 26 of the notes to the consolidated financial statements.

Legal risks

[illegible] plexity of the statutory provisions we are required to observe. [illegible] nection with guarantee obligations and material defects. [illegible] ant behaviour is ensured by the compliance organisation [illegible] on the structure and content of our compliance management system can be found in the "Corporate Governance and Compliance" section of the Villeroy & Boch sustainability report, which is available online at www.villeroyboch-group.com/ [illegible]

On 26 January 2017, the European Court in the last instance [illegible] ceedings known as the bathroom case. The fines in the amount of € [illegible] 2010. After obtaining legal advice, the Supervisory Board has come to the conclusion that claims for recourse could be [illegible]

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IT risks

[illegible] can be made [illegible]

[illegible]

- [illegible] and applications
- Missing [illegible] of data
- Loss [illegible] data
- [illegible]
- [illegible] protection [illegible]
  [illegible]
- Disclosure [illegible] information

[illegible] guidelines and provision [illegible] risks are regularly [illegible] external auditors and Group Internal Audit to [illegible] compliance and effectiveness. Our central IT organisational structure and the use of standardised, Group-wide systems and processes [illegible] measures aimed at [illegible] the probability of risks occurring.

As part of the [illegible] digitalisation of our business and production processes, the topic of cyber security has become significantly more important in recent years. To provide effective protection against potential threats, we employ standardised, [illegible] firewall technology at [illegible] locations and [illegible] established a central point of contact for this area in the form of the Security Officer position, which was newly created in 2017. The Group has concluded cyber crime insurance to protect it financially against loss.

Overall risk position

The Management Board of Villeroy & Boch AG regularly examines the risk situation of the Group and has satisfied itself as to the effectiveness of the risk management system. In the 2017 financial year, the risk profile did not change materially compared with the previous year. In the opinion of the Management Board, based on the probability of occurrence and potential impact of the risks described above, they do not represent a risk to the continued existence of the Group either in isolation or cumulatively. The individual risks are controlled using the risk management system and sufficient risk cover is available. The Management Board does not expect this to have a material influence on the Group's net assets, financial position and results of operation.

REPORT ON OPPORTUNITIES

The Villeroy & Boch Group has a wide range of opportunities to secure its long-term future business success. The following [illegible] opportunities [illegible] potential:

Opportunities through ceramic expertise

Expertise with ceramic materials is in Villeroy & Boch's DNA and a key factor in our successful 270-year history as a company. [illegible] product design and [illegible] with product [illegible] products like the [illegible] materials like [illegible] materials such as feldspar, quartz, [illegible] for particularly delicate [illegible] stable [illegible] basins [illegible] our claim to be the market leader for ceramic sanitary ware. We are working on the ceramics [illegible] our own development centre and [illegible] research partners, and we are [illegible] allows us to continue [illegible] in future.

Opportunities through addressing current trends in society

One key opportunity in the Tableware Division involves identifying trends [illegible] with regard to how people enjoy food and drinks at [illegible] stage so that we can benefit by offering corresponding product range. In order to improve our response [illegible] increase the importance of this area within the organisation, we have supplemented our traditional tableware business by introducing a product segment to develop and market specific ranges for current food trends, such as BBQ, pasta, soup, salad, coffee and tea. We also have a separate product segment for gift items to be given on big or small occasions. This product range includes vases, decorative [illegible] and various glass sets.

Opportunities through growth markets

[illegible] primarily focused on expanding our market share, our [illegible] continued difficult economic conditions in 2017. [illegible] and upper class of keen consumers with, in particular, a [illegible] continuing to grow. We also believe that both growth markets will provide Villeroy & Boch with good opportunities for above-average growth in the coming years, particularly in [illegible] establishing independent organisations, including local logis- [illegible] in both markets in the 2017 financial year.

Opportunities through project business

We believe that there remains good potential for increasing the sales volume in our global project business in the Bathroom and Wellness Division. We have a specialist sales team and an extensive range of products and services that is precisely tailored to the needs of our professional partners. In cooperating with our customers, we also benefit from the continuous development of our customer relationship management, where the majority of projects are recorded early in the planning phase and which is used for acquisition across the divisions. Thanks to the adjustments to our industrial network and the optimisation of our cost structures in recent years, we believe that we are well equipped to expand our competitive position in the price-sensitive project business in future. In the 2017 financial year, we increased our revenue from project business in the Bathroom and Wellness Division by 21.7 %, thereby recording above-average growth. Incoming orders increased by as much as 37.4 % in the same period. The expansion of project business also represents an opportunity in the Tableware Division, where our sales activities are focused on cruise ships and care homes in addition to hotels and restaurants.

Opportunities through licence partnerships

Granting brand licences is another instrument we use to [illegible] Villeroy & Boch brand.

Opportunities through digitalisation

Opportunities of digitalisation for marketing

Since 2013, we have massively expanded our structures and investments in the area of digitalisation. Our marketing [illegible] customers with innovative, modern concepts that meet their needs, both [illegible] presence [illegible] with consistent information and shopping experience. To ensure that we [illegible] consumers and business partners in terms of information, inspiration, entertainment, service and dialogue in full and in a targeted manner, we have significantly expanded our online presence. This [illegible] our website, intensifying our social media activities, increasing the use of online marketing channels and optimising our web content for search engines. [illegible] continued to optimise the content of the Villeroy & Boch website in 2017, including [illegible] professional portal, we [illegible] offering for professionals, adapting the functions provided to reflect the changed information behaviour of customers as a result of growing digitalisation in order to ensure that we offer an optimal user experience. Online marketing measures are also increasingly being used to advertise new product ranges to the appropriate target groups using state-of-the-art targeting. We also [illegible] the activation of existing customers using [illegible] e-mail marketing.

For the Tableware Division, e-commerce is a strategically important sales channel encompassing our own online shops [illegible] 2017 and created the necessary processes to make us fit for the future and to further intensify our cooperation with [illegible] platforms.

[illegible] Bathroom and Wellness [illegible] digital [illegible] tools play a primary role. With tools like our Bathroom [illegible] and Bathroom [illegible] augmented [illegible] app we launched in 2015, consumers can plan their ideal bathroom and project [illegible] selected products into [illegible] room using a smartphone or tablet [illegible] lifelike 3D view. We also allow customers to plan their bath[illegible] [illegible] This allows us to generate valuable leads with additional revenue potential that we pass on to our dealers with the customer's permission. [illegible]

Opportunities of digitalisation for production

Digitalisation is opening up new opportunities and vast potential for our production sites. Our task is to evaluate the wide range of potential applications of digitalisation for our production sites and successively implement them following a successful pilot phase. The current roll-out of standardised, consistent online IT systems and the networking of machines within the production process at our sanitary ware factories will form the basis for further uses of digitalisation.

We are continuing to leverage the available potential for [illegible] the manufacturing process. At sanitary ware factories, all products are initially identified at measurement stations using [illegible] product is then stored [illegible] conditions, tools used and process parameters applied in the production [illegible] data recorded in order [illegible] ranges and interde[illegible] process parameters in the first instance, thereby allowing predictions about the risk of a faulty product [illegible] to be made as reliably [illegible] processes controlled using [illegible] predefined level. This [illegible] process. We expect the successive roll-out and continuous improvement of these analysis systems at all our plants to [illegible] improvements in earnings [illegible] being examined, such as the use of collaborative robots for largely manual and [illegible] demanding steps within the production process. [illegible] working in close cooperation with robot manufacturers and research institutions such as the German Research Centre for Artificial Intelligence.

Opportunities of digitalisation for administration

[illegible] digitalisation is having a positive effect in [illegible] efficiency in our administrative areas. The use of [illegible] IT systems, the performance enhancement of these systems and the minimisation of media discontinuities are making a significant contribution to continuous efficiency improvement. The optimisation potential lies in the Group-wide harmonisation and standardisation of repetitive

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[illegible] business [illegible]

[illegible] digital [illegible]

Non-operating earnings potential

[illegible] operating business [illegible] believe that there is [illegible] in the development [illegible] for operating purposes [illegible] the sale of the plant property in Gustavsberg in June 2013. By the end of the 2017 financial year, non-recurring income totalling € 14.0 million had been [illegible] tranches, with only negligible net income relating to the 2017 financial year. [illegible] total income from the disposal of the plant properties is expected to be up to € 17 [illegible]

We [illegible] development [illegible] property in Luxembourg to continue to offer additional earnings potential. [illegible] cooperation with the City of Luxembourg, the entire plant site was converted into a mixed-use commercial and residential area in 2017. At the same time, we [illegible] development [illegible] together with the City of Luxembourg. Numerous studies and plans have been [illegible] with a view to the traffic concept and [illegible]. A reliable estimate of the likely completion date and the earnings potential is not possible at the moment due to the extensive amount of work still required in connection with the development plan.

REPORT ON EXPECTED DEVELOPMENTS

We expect global economic expansion to remain robust in 2018. Dynamic economic development in the euro zone is likely to continue in the coming year on the back of a sustained upturn on the employment market and a financial environment that will remain favourable at least for the time being. This applies in particular to the German economy [illegible] The growth [illegible] marked by the uncertainty concerning future economic conditions as a result of Brexit. The solid growth in the US economy is [illegible] consumption [illegible] period ahead. [illegible] by the US tax reform that was adopted in late 2017, which includes sub[illegible] households. Our largest growth market, China, is expected to see above-average [illegible]

[illegible] indicator [illegible] Bathroom and Wellness Division, has enjoyed sustained positive perfor[illegible] transnational growth rate to be a little slower but still robust in 2018. [illegible] ware industry [illegible] in terms of private [illegible] table[illegible] at slight [illegible] retail stores [illegible] no signs of a [illegible] traditional retail [illegible] commerce.

[illegible] development [illegible] economic and [illegible] conditions [illegible] based on the [illegible] research institutions.

Revenue, earnings and investments at the Group

Based on [illegible] fundamentally positive assessment of the market and [illegible] supporting factors, we are aiming to increase consolidated revenue by between 3 % and 5 % in the 2018 financial year.

We are [illegible] an improvement in our operating result (EBIT) of between 5 % and 10 % in 2018.

Our return on net operating assets is expected to amount to between 17 % and 18 % in the coming year.

Our operating investments in property, plant and equipment and intangible assets are forecast to amount to more than € 40 million in the 2018 financial year, thereby exceeding

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the investment volume recorded in 2017 (€ 35.0 million). Around 80 % of the investments will be made in the Bath [illegible] accounting for the remaining 20 %. One focal point of our [illegible] on replacement investments and the continued improvement [illegible] and Torgau production sites in the 2018 financial year.

The investment plan for the 2018 financial year also includes additional investments of almost € 4 million [illegible] 2.0", a site development project that pertains mainly to the redevelopment of Villeroy & Boch's headquarters, the Alte [illegible] [illegible] agement Board of Villeroy & Boch AG to the best of its [illegible]

OTHER DISCLOSURES

Disclosures on the acquisition of treasury shares

[illegible] 160 (1) [illegible] 2 of the German Stock Corpo[illegible] 19 of the notes to [illegible]

Group declaration on corporate governance

[illegible] ance required by section 315d in conjunction with section 289f [illegible] made [illegible] Corporate Governance Report contained in the 2017 Annual Report, which is available online at www.villeroyboch-group.com/en/investor-relations/corporate-[illegible]

REMUNERATION REPORT

Remuneration System

[illegible] remuneration system for the Management Board with respect [illegible] remuneration, which came into force on 31 July 2009, and the recommendations of the German Corporate Governance [illegible]

[illegible] Board continues to regularly review the remuneration system [illegible]

[illegible] ation and the variable remuneration components. The [illegible] tion is broken down into a short-term annual component

ment period of three years. This long-term remuneration

ing assets, earnings before interest and taxes, earnings before

upon by the Human Resources Committee of the Super-

this was also the case in the 2017 financial year. Performance

and achievements of the respective Management Board mem-

a variable component. The variable performance-related

COMBINED RESPONSIBILITY STATEMENT

position of the Group, together with a description of the

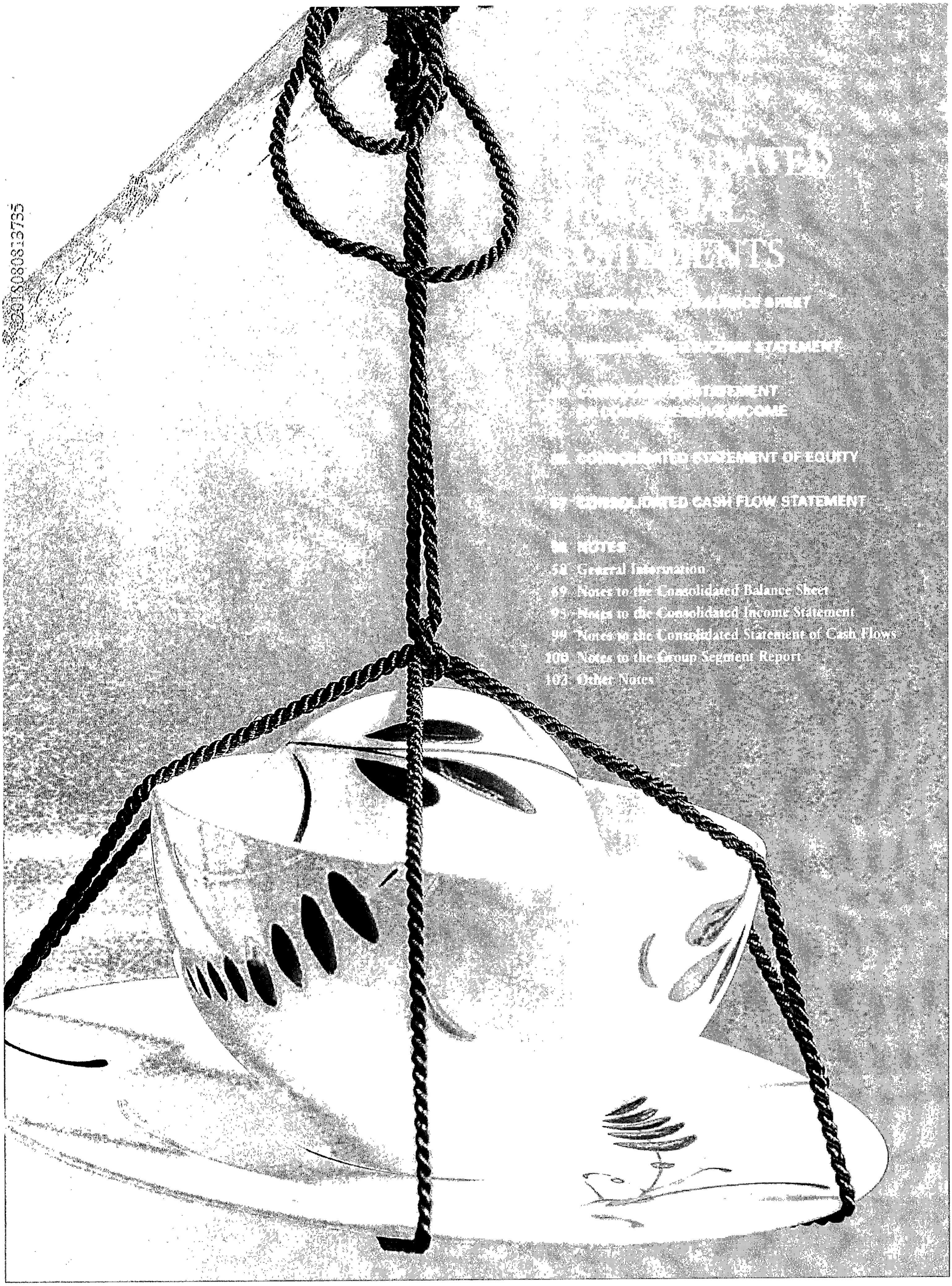
Mettlach, 30 January 2018

Frank Göring

Nicolas Luc Villeroy

Andreas Pfeiffer

Dr Markus Warncke



2018080813736

CONSOLIDATED BALANCE SHEET

as of 31 Dec. 2017

In € million

Assets	Notes	31/12/2017	31/12/2016
Non-current assets			
Intangible assets	5	37.5	36.7
Property, plant and equipment	6	165.3	157.2
Investment property	7	8.2	8.9
Investments accounted for using the equity method	8	1.5	1.5
Other financial assets	9	14.8	10.1
		227.3	**214.4**
Other non-current assets	13	3.7	3.3
Deferred tax assets	10	37.3	47.4
		268.3	**265.1**
Current assets			
Inventories	11	154.6	141.4
Trade receivables	12	127.2	116.0
Other current assets	13	25.3	39.4
Income tax receivables	14	2.5	2.7
Cash and cash equivalents	15	108.7	111.2
		418.3	**410.7**
Non-current assets held for sale	16	**0.5**	**0.5**
Total assets		**687.1**	**676.3**

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as of 31 Dec. 2017

In € million

Equity and Liabilities	Notes	31/12/2017	31/12/2016
Equity attributable to Villeroy&Boch AG shareholders			
Issued capital	17	71.9	71.9
Capital surplus	18	193.6	193.6
Treasury shares	19	–15.0	–15.0
Retained earnings	20	12.7	–3.9
Revaluation surplus	21	–74.0	–74.1
		189.2	**172.5**
Equity attributable to minority interests	22	**5.4**	**0.1**
Total equity		**194.6**	**172.6**
Non-current liabilities			
Provisions for pensions	26	185.1	201.1
Non-current provisions for personnel	27	19.0	18.8
Other non-current provisions	28	11.3	16.2
Non-current financial liabilities	29	50.2	50.0
Other non-current liabilities	30	4.7	4.1
Deferred tax liabilities	10	3.4	4.3
		273.7	**294.5**
Current liabilities			
Current provisions for personnel	27	15.4	17.8
Other current provisions	28	20.0	19.8
Current financial liabilities	29	0.9	0.5
Other current liabilities	30	92.5	82.7
Trade payables	31	83.5	77.2
Income tax liabilities		6.5	11.2
		218.8	**209.2**
Total liabilities		**492.5**	**503.7**
Total equity and liabilities		**687.1**	**676.3**

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CONSOLIDATED INCOME STATEMENT

for the period 1 Jan. to 31 Dec. 2017

In € million

	Notes	01/01/2017 –31/12/2017	01/01/2016 –31/12/2016
Revenue	32	**836.5**	**820.1**
Costs of sales	33	–466.4	–456.1
Gross profit		**370.1**	**364.0**
Selling, marketing and development costs	34	–275.3	–270.0
General administrative expenses	35	–47.2	–45.6
Other operating income	36	17.0	20.4
Other operating expenses	37	–15.3	–21.3
Result of associates accounted for using the equity method	38	0.5	0.1
Operating result (EBIT)		**49.8**	**47.6**
Interest income and other finance income	39	1.3	1.4
Interest expenses and other finance expenses	40	–5.7	–7.4
Financial result		**–4.4**	**–6.0**
Earnings before taxes		**45.4**	**41.6**
Income taxes	41	–15.6	–12.5
Group result		**29.8**	**29.1**
Thereof attributable to:			
▌Villeroy & Boch AG shareholders		29.9	29.1
▌Minority interests	42	–0.1	0.0
Group result		**29.8**	**29.1**
Earnings per share		**in €**	**in €**
▌Earnings per ordinary share	43	1.11	1.08
▌Earnings per preference share	43	1.16	1.13

During the reporting period there were no dilution effects.

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the period 1 Jan. to 31 Dec. 2017

In € million

	01/01/2017 –31/12/2017	01/01/2016 –31/12/2016
Group result	**29.8**	**29.1**
Other comprehensive income		
Items to be reclassified to profit or loss:		
ǀ Gains or losses on cash flow hedges	0.4	2.6
ǀ Gains or losses on translations of exchange differences	–6.1	–1.2
ǀ Gains or losses on value changes of securities	0.1	0.0
ǀ Deferred income tax effect on items to be reclassified to profit or loss	–0.6	–0.9
Items not to be reclassified to profit or loss:		
ǀ Actuarial gains or losses on defined benefit plans	9.0	–14.3
ǀ Deferred income tax effect on items not to be reclassified to profit or loss	–3.0	4.2
Total other comprehensive income	**–0.2**	**–9.6**
Total comprehensive income net of tax	**29.6**	**19.5**
Thereof attributable to:		
ǀ Villeroy & Boch AG shareholders	30.0	19.5
ǀ Minority interests	–0.4	0.0
Total comprehensive income net of tax	**29.6**	**19.5**

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CONSOLIDATED STATEMENT OF EQUITY

for the period 1 Jan. to 31 Dec. 2017

In € million

	Equity attributable to Villeroy & Boch AG shareholders						Equity attributable to minority interests	Total equity
	Issued capital	Capital surplus	Treasury shares	Retained earnings	Revaluation surplus	Total		
Notes	17	18	19	20	21		22	
As of 01/01/2016	**71.9**	**193.6**	**–15.0**	**–20.8**	**–64.5**	**165.2**	**0.1**	**165.3**
Group result				29.1		29.1	0.0	29.1
Other comprehensive income					–9.6	–9.6		–9.6
Total comprehensive income net of tax				**29.1**	**–9.6**	**19.5**	**0.0**	**19.5**
Dividend payments				–12.2		–12.2		–12.2
As of 31/12/2016	**71.9**	**193.6**	**–15.0**	**–3.9**	**–74.1**	**172.5**	**0.1**	**172.6**
As of 01/01/2017	**71.9**	**193.6**	**–15.0**	**–3.9**	**–74.1**	**172.5**	**0.1**	**172.6**
Group result				29.9		29.9	–0.1	29.8
Other comprehensive income					0.1	0.1	–0.3	–0.2
Total comprehensive income net of tax				**29.9**	**0.1**	**30.0**	**–0.4**	**29.6**
Dividend payments				–13.3		–13.3		–13.3
Acquisition of non-controlling interests				0.0		0.0	5.7	5.7
As of 31/12/2017	**71.9**	**193.6**	**–15.0**	**12.7**	**–74.0**	**189.2**	**5.4**	**194.6**

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CONSOLIDATED CASH FLOW STATEMENT

for the period 1 Jan. to 31 Dec. 2017

In € million

	Notes	01/01/2017 –31/12/2017	01/01/2016 –31/12/2016
Group result		29.8	29.1
Depreciation of non-current assets	44	26.2	27.8
Change in non-current provisions		–10.2	–7.7
Profit from disposal of fixed assets		–0.4	0.8
Change in inventories, receivables and other assets		–9.8	12.5
Change in liabilities, current provisions and other liabilities		8.8	12.4
Taxes paid/received in the financial year		–10.2	–4.8
Interest paid in the financial year		–3.1	–2.9
Interest received in the financial year		0.9	0.9
Other non-cash income/expenses	48	9.0	9.8
Cash flow from operating activities	48	**41.0**	**77.9**
Purchase of intangible assets, property, plant and equipment		–35.9	–26.2
Investment in non-current financial assets and cash payments		–8.2	–0.5
Payments for the acquisition of consolidated companies	2	–3.3	–
Cash receipts from disposals of Gustavsberg's assets		2.5	2.1
Cash receipts from disposals of fixed assets		17.6	4.7
Cash flow from investing activities	49	**–27.3**	**–19.9**
Cash proceeds from long-term borrowing	29	13.3	0.0
Cash repayments of amounts borrowed	29	–13.0	–0.1
Dividends paid to minority shareholders	22	–1.1	–
Dividends paid to shareholders of Villeroy & Boch AG	23	–13.3	–12.2
Cash flow from financing activities	50	**–14.1**	**–12.3**
Sum of cash flows		**–0.4**	**45.7**
Balance of cash and cash equivalents as of 1 Jan.		**111.2**	**65.6**
Change based on total cash flows		–0.4	45.7
Changes due to exchange rates		–2.1	–0.1
Net increase in cash and cash equivalents		**–2.5**	**45.6**
Balance of cash and cash equivalents as of 31 Dec.	15+51	**108.7**	**111.2**

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NOTES

GENERAL INFORMATION

[illegible] 1–3, is a listed stock corporation under German law. It is the parent company of the Villeroy & Boch [illegible] and Wellness and Tableware. Villeroy & Boch AG is listed in the Prime [illegible]

In [illegible] section 315e of the HGB (German Commercial Code), the consolidated financial statements as at 31 December 2017 were prepared in accordance with the Internation[illegible] with HGB 315e HGB.

The financial year is the calendar year. The consolidated financial statements were prepared in euro. Unless stated otherwise, all amounts are disclosed in millions of euro [illegible]

[illegible] and the consolidated financial statements of Villeroy & Boch Aktiengesellschaft have been published in the Bundes[illegible] Gazette).

The Management Board of Villeroy & Boch AG approved [illegible] Supervisory Board on 30 January 2018. The Supervisory Board is responsible for examining the consolidated financial [illegible]

[illegible]

1. ACCOUNTING POLICIES

Intangible assets

Acquired intangible assets are capitalised at the cost necessary to bring the asset to its working condition. Internally generated intangible assets are only capitalised in the year of their creation if they meet the requirements of IAS 38.

[illegible] straight-line [illegible] begins [illegible] goodwill, are only written down if there is evidence of impairment. To determine whether this is the case, the historical cost is compared with the recoverable amount. The recoverable [illegible] net selling price and [illegible] net selling price [illegible] generated in an arm's [illegible] disposal costs incurred. The value in use is calculated by discounting the [illegible] using the discounted [illegible] long-term inter[illegible] and earnings [illegible] underlying calcu[illegible] derived from [illegible] in the years [illegible] the situation in [illegible] premises are [illegible] assumptions on [illegible] developments are also [illegible]

[illegible] recognised in profit or loss. [illegible] an impairment loss ceases to exist in a future period, the impairment loss is [illegible] impairment losses on [illegible] prohibited.

[illegible] goodwill is per[illegible]

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Property, plant and equipment

[illegible] net costs necessary to bring the asset to its working condition. [illegible]

[illegible]

[illegible]

ASSET CLASS	
	Useful life in years
Buildings (predominantly 20 years)	20–50
Operating facilities	10–20
Kilns	5–10
Technical equipment and machinery	5–12
Vehicles	4–8
IT equipment	3–6
Other operating and office equipment	3–10

The estimated useful lives are reviewed regularly.

In addition to ordinary depreciation, impairment losses are recognised on property, plant and equipment if the value in use or the net realisable value of the respective asset concerned has fallen below the depreciated cost. If the reasons for the recognition of an impairment loss cease to exist in a future period, the impairment loss is reversed accordingly.

Property, plant and equipment under construction is carried at cost. Finance costs that arise directly during the creation of a qualifying asset are capitalised. Depreciation on assets under construction only begins when the assets are completed and used in operations.

Leases

[illegible] and rewards incident to ownership (operating lease), the lease instalments or rental expenses are recognised using the [illegible]

If beneficial ownership remains with the Villeroy & Boch [illegible]

Government grants

[illegible] associated conditions with reasonable assurance and the [illegible] Grants and subsidies received for the acquisition or construction of property, plant and [illegible] their cost [illegible] are recognised as deferred income and subsequently reversed [illegible]

Investment property

[illegible] operations. Market values are calculated by independent [illegible] determination of market values are mainly the official [illegible] mittees, supplemented by property-specific fair values for the respective [illegible]

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Investments accounted for using the equity method

[illegible] in associates are accounted for using the equity method. [illegible] sociate. Changes in equity are reported in the operating [illegible]

Financial instruments

[illegible] Under IAS 39, each financial instrument is allo [illegible] 53 and, depending on the category chosen, measured either at amortised cost or fair value. [illegible]

Inventories

[illegible] tory items to their present location and condition. Value [illegible] ventory risks arising from the storage period and/or impaired realisability. Net realisable value is defined as the [illegible] net realisable value of inventories written down in prior [illegible]

Receivables

[illegible]

Cash and cash equivalents

Cash and short-term investments (cash equivalents) are [illegible] its with an original term of up to three months. Cash is carried at its nominal amount. In the case of cash equi- [illegible]

Pension obligations

[illegible] ries and pensions are also taken into account. If pension [illegible] rates, are recognised in the revaluation surplus. Of the annual pension costs, the service cost is reported in staff [illegible]

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Other provisions

Provisions are recognised for legal or constructive obliga- [illegible] tion and the amount of this outflow can be reliably estimated. Provisions are carried at the future settlement [illegible]

Liabilities

Financial liabilities and other non-current liabilities are recognised at fair value. Current liabilities are carried at their [illegible]

Contingent liabilities

[illegible] liabilities are not recognised in the statement of financial [illegible]

Revenue recognition

[illegible]

Research and development costs

Research costs arise as a result of original and planned [illegible] 38, they are expensed as incurred. Development costs [illegible] incurred during development are capitalised if the conditions [illegible]

Taxes

[illegible] ble income for the financial year. Taxable income differs from the result for the year reported in the statement of comprehensive income, as it excludes those income and expense items that are only taxable or tax-deductible in prior/subsequent periods or not at all. The current tax [illegible] tion in force or substantially enacted as at the end of the reporting period.

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SUMMARY OF SELECTED VALUATION METHODS

Item	Measurement methods
ASSETS	
Intangible assets	
Goodwill	(Amortised) cost (Subsequent measurement: Impairment test)
Other acquired intangible assets	(Amortised) cost
Internally generated intangible assets	Cost (direct costs and directly attributable overheads)
Property, plant and equipment	(Amortised) cost
Investment property	(Amortised) cost
Financial assets	
Category: Loans and receivables	(Amortised) cost using the effective interest method
Category: Held to maturity	(Amortised) cost using the effective interest method
Category: Available for sale	At fair value in OCI; if no fair value: at cost through profit or loss
Category: Hedging instruments	At fair value in OCI (Ineffective parts: at fair value through profit or loss)
Inventories	Lower of cost or net realisable value
Trade receivables	(Amortised) cost using the effective interest method
Cash and cash equivalents	Nominal value
Non-current assets held for sale	Lower of carrying amount and fair value less costs to sell
EQUITY AND LIABILITIES	
Provisions	
Provisions for pensions	Projected unit credit method
Provisions for personnel	
❙ Termination benefits	Discounted settlement amount (most likely)
❙ Other long-term employee benefits	Projected unit credit method
Other provisions	Discounted settlement amount (most likely)
Financial liabilities	
Category: Other liabilities	At amortised cost through profit or loss
Category: Hedging instruments	At fair value in OCI (Ineffective parts: at fair value through profit or loss)
Trade payables	(Amortised) cost using the effective interest method

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Management estimates and assumptions

[illegible] basis of consolidation [illegible] [illegible] assumptions [illegible] performance and assumptions on the risk situation [illegible] [illegible] end of the year under review, there were no assumptions [illegible] amounts of assets and liabilities within the next financial year. [illegible] jected amounts. Changes are recognised as soon as better [illegible] affected items are presented separately in the respective notes.

Modifications due to the adoption of accounting principles

With the exception of the IFRS regulations requiring mandatory application for the first time in the financial year, the accounting policies applied are essentially the same as those applied in the previous year. The changes to the IFRS regulations requiring mandatory application for the first time in the 2017 financial year had no material effect on the accounting policies of the Villeroy & Boch Group.

Information on developments within the IFRS Framework can be found in note 62.

2. BASIS OF CONSOLIDATION

In addition to Villeroy & Boch AG, the consolidated [illegible] 13 (previous year: 13) German and 41 (previous year: 40) foreign subsidiaries that [illegible] controls and has included in consolidation. The change in the basis of [illegible] as follows:

[illegible] & Boch AG and consolidated companies

	Germany	Abroad	Total
As at 1 January 2017	13	40	53
Additions due to acquisition	–	1	1
As at 31 December 2017	13	41	54

Addition due to business acquisition:

Villeroy & Boch AG acquired 45.36 % of shares in Argent Australia Pty. Ltd., Brisbane, Australia, on 23 June 2017. The company, which has 82 [illegible], primarily sells and dis [illegible] to specialist retailers and project customers. The Villeroy & Boch Group is a [illegible] products from the Bathroom and [illegible] [illegible] the acquisition were [illegible]. Furthermore, there [illegible] for the future acquisition of further shares [illegible] certain conditions. In particular, an option for the [illegible] 10 % of shares can be exercised at any time. The Villeroy & Boch Group could therefore quickly acquire a simple majority of votes that, according to the Articles of Association and the Shareholders' Agreement, would be sufficient to determine key business activities [illegible] Argent Australia Pty. Ltd. must therefore be included in the Villeroy & Boch consolidated financial statements.

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Costs of the acquisition

In € million	2017
Purchase price	5.6
Plus variable, future purchase price components (a)	1.2
Total purchase price (forecast)	**6.8**
Less dividend payment received (see note 22)	–1.1
Costs of the acquisition	**5.7**

(a) [illegible] additional remuneration for the [illegible] basis [illegible] generated. [illegible] remuneration is [illegible] AUD 1.8 million. This corresponds to a current forecast figure of € 1.2 [illegible] which was included in the total purchase price. A corresponding liability was recognised in the [illegible]

Assets and liabilities acquired

[illegible]

In € million	Note	23/06/2017
Intangible assets	5	0.5
Property, plant and equipment	6	0.9
Inventories	11	11.2
Trade receivables	12	5.1
Other non-current and current assets	13	1.0
Cash and cash equivalents	15	2.3
Assets acquired		**21.0**
Non-controlling interests	22	5.3
Provisions for pensions	26	–
Non-current and current provisions for personnel	27	0.8
Other non-current and current provisions	28	0.8
Financial liabilities	29	1.1
Miscellaneous liabilities	30	8.2
Liabilities assumed		**16.2**
Fair value of net assets		**4.8**
Goodwill	5	0.9
Costs of the acquisition		5.7

[illegible] acquired were recognised as an intangible asset of € 0.4 million (AUD 0.6 million) on initial measurement. This will be written down over the projected realisation period, i.e. by mid-2019 at the latest.

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Goodwill arising from acquisition

The acquisition gave rise to goodwill of € 0.9 [illegible] 5). The acquisition did not give rise to an [illegible]

Acquisition of non-controlling interests

Non-controlling interests (54.04 % shareholding in Argent Australia Pty. Ltd.) were recognised as at the acquisition date. They were measured at € 5.2 [illegible] (see note 22). Transactions with non-controlling interests that do not result in a loss of control, such as a dividend [illegible] 22).

Net cash outflow from acquisition

In € million	2017
Purchase price	5.6
Less cash assumed with the acquisition	−2.3
Net cash outflow from acquisition	**3.3**

Effect on 2017 consolidated financial statements

Since first-time consolidation, Argent Australia Pty. Ltd. generated revenue with external customers of € 10.1 million and a result of € −0.2 million. Other Group companies generated revenue of € 1.7 [illegible] company over the same period. The adjusted revenue of [illegible] amounts to € 8.4 [illegible] of € 24.6 million and a result of € 0.4 [illegible] 1 January 2017 to 31 December 2017.

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Other disclosures

[illegible]

	Germany	Abroad	2017	Germany	Abroad	2016
Shareholding: 100 %						
Division						
Bathroom and Wellness	3	28	31	3	28	31
Tableware	5	18	23	5	18	23
Other business purposes	6	3	9	6	3	9
Reconciliation	–1	–10	–11	–1	–10	–11
Total	**13**	**39**	**52**	**13**	**39**	**52**
Shareholding: 50 % to 99 %						
Bathroom and Wellness	–	2	2	–	1	1
Group total	**13**	**41**	**54**	**13**	**40**	**53**

Property and operator companies for restaurants in the Villeroy & Boch Group are shown in the "Other business purposes" category. Some companies, such as Villeroy & Boch AG, operate in both divisions. Multiple entries are eliminated in the "Reconciliation" line.

Details of the subsidiaries not wholly owned in which the Villeroy & Boch Group holds significant non-controlling interests can be found in note 22. Further information on the structure of the Villeroy & Boch Group can be found under "Business model of the Group" in the management report.

The list of shareholdings in accordance with section 313 (2) HGB is shown in note 61.

The Villeroy & Boch Group uses the following national options regarding the audit and disclosure of annual financial statement documents:

The Villeroy & Boch Group is exercising the exemption from the preparation, audit and disclosure of separate financial statements and possibly a separate management report provided for by section 264 (3) HGB for nearly all German subsidiaries in the 2017 financial year. The formal requirements have been satisfied by the respective Group company and by Villeroy & Boch AG. The companies in question are indicated accordingly in the list of shareholdings (see note 61). The consolidated financial statements of Villeroy & Boch AG are the exempting consolidated financial statements for these [illegible]

[illegible] in accordance with [illegible] 479A UK of the 2006 UK Companies Act for Villeroy & Boch (U.K.) Limited, London, entered in the commercial register of England and Wales under 00339567.

The two Dutch companies Ucosan B.V., Roden, und Villeroy & Boch Tableware B.V., Oosterhout, exercise the option [illegible] preparation, publication and auditing of annual financial statements in accordance with Part 9, section 403(1b), Book 2 of the Dutch Civil Code. The accounting data of both companies, as consolidated subsidiaries, are included in the consolidated financial statements of Villeroy & Boch AG, which have been filed with the Dutch commercial register.

In accordance with section 314 of the Luxembourg Commercial Code, no consolidated financial statements or Group management report are prepared for Villeroy & Boch S.à r.l., Faïencerie de Septfontaines lez Luxembourg. The accounting data of the company is included as a consolidated subsidiary in the consolidated financial statements of Villeroy & Boch AG, which have been filed with the Luxembourg commercial and companies register.

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3. CONSOLIDATION PRINCIPLES

[illegible] transactions of those companies that are considered subsidiaries and associated companies to the Villeroy & Boch AG [illegible]

Subsidiaries are those companies in which the Villeroy & [illegible] on the profitability of the company. Domination is given [illegible] voting rights. Potential voting rights are also taken into [illegible]

As part of capital consolidation, the acquisition costs of [illegible] subsidiaries at the acquisition date are offset against the remeasured equity interest attributable to them with any resulting differences recognised as goodwill. Differences resulting from increasing the ownership interest in subsidiaries that are already consolidated are offset directly against retained earnings (see note 1 Accounting policies: Intangible Assets). Any hidden reserves and liabilities identified as a result are carried at amortised cost in subsequent consolidation in the same way as the corresponding assets and liabilities.

Non-controlling interests in the acquired company are measured in the amount of the corresponding share of the identifiable net assets of the acquired company. They are reported in equity under non-controlling interests in the consolidated statement of financial position of Villeroy & Boch AG (see note 22). Transactions with non-controlling interests that do not result in a loss of control are recognised in equity as an equity transaction.

[illegible] included in consolidation are offset against each other. Revenue, income and expenses between the consolidated [illegible] included in the consolidated statement of comprehensive [illegible] tion are treated in accordance with the principles of full consolidation. Intercompany profits and losses for such [illegible] entity was examined regularly. The Villeroy & Boch AG [illegible]

4. CURRENCY TRANSLATION

On the basis of the single-entity financial statements, all [illegible] nised at the prevailing exchange rate at the date of their [illegible] end of the respective reporting period. The single-entity [illegible] prepared in foreign currencies are translated into euro in accordance with the functional currency concept. For all foreign Group companies, the functional currency is the respective national currency, as these companies perform their business activities independently from a financial, economic and organisational perspective. For practical reasons, assets and liabilities are translated at the middle rate at the end of the reporting period, while all statement of comprehensive income items are translated using average monthly rates. Differences resulting from the translation of the financial statements of foreign subsidiaries are recognised outside profit or loss (see note 21(a)). Currency effects arising from net investments in foreign Group companies are also reported in the revaluation surplus (see note 21(b)). They continue to be reported in this item of the statement of financial position

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[illegible]

The euro exchange rates of key currencies changed as follows

[illegible]

CURRENCY

€ 1 –

		Exchange rate at end of reporting period		Average exchange rate	
		2017	**2016**	**2017**	**2016**
Chinese Renminbi Yuan	CNY	7.80	7.32	7.63	7.31
Hungarian forint	HUF	310.33	309.83	309.18	312.32
Mexican peso	MXN	23.66	21.77	21.21	20.47
Norwegian krone	NOK	9.84	9.09	9.28	9.33
Romanian new leu	RON	4.65	4.54	4.56	4.49
Russian rouble	RUB	69.39	64.30	65.61	75.19
Swedish krona	SEK	9.84	9.55	9.63	9.42
Thai baht	THB	39.12	37.73	38.29	38.98
US dollar	USD	1.20	1.05	1.13	1.10

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NOTES TO THE CONSOLIDATED BALANCE SHEET

5. INTANGIBLE ASSETS

In € million

	Concessions, patents, licences and similar rights	Goodwill	Total
Accumulative cost			
As at 1 Jan. 2016	**19.8**	**39.8**	**59.6**
Currency adjustments	0.0	−0.1	−0.1
Additions	1.3	–	1.3
Disposals	−1.8	–	−1.8
As at 1 Jan. 2017	**19.3**	**39.7**	**59.0**
Currency adjustments	0.0	−0.1	−0.1
Additions	1.0	–	1.0
Additions from acquisitions	0.4	0.9	1.3
Disposals	−0.6	–	−0.6
As at 31 Dec. 2017	**20.1**	**40.5**	**60.6**
Accumulative amortisation and impairment			
As at 1 Jan. 2016	**13.7**	**8.8**	**22.5**
Currency adjustments	0.0	–	0.0
Amortisation	0.8	–	0.8
Impairment losses	0.1	–	0.1
Disposals	−1.1	–	−1.1
As at 1 Jan. 2017	**13.5**	**8.8**	**22.3**
Currency adjustments	0.0	–	0.0
Amortisation	1.0	–	1.0
Disposals	−0.2	–	−0.2
As at 31 Dec. 2017	**14.3**	**8.8**	**23.1**
Residual carrying amounts			
As at 31 Dec. 2017	**5.8**	**31.7**	**37.5**
As at 31 Dec. 2016	5.8	30.9	36.7

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[illegible] 2.

[illegible] iaries for rented retail space worth € 2.8 [illegible] year: € 2.9 million), capitalised software licences in the amount of € 1.8 million (previous year: € 2.0 [illegible] emission allowances of € 1.0 million (previous year: € 0.8 [illegible]

Goodwill in the amount of € 31.7 million (previous year: € 30.0 [illegible]

[illegible] 2) The key figures for the Bath [illegible] 52.

[illegible] flows until 2021 [illegible] income tax of 6.4 % p.a. (previous year: 6.4 % p.a.), while [illegible] before income tax of 5.8 % p.a. (previous year: 5.9 % p.a.). [illegible]

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6. PROPERTY, PLANT AND EQUIPMENT

[illegible]

In € million

	Land and buildings	Technical equipment and machinery	Other equipment, operating and office equipment	Property, plant and equipment under construction	Total
Accumulative cost					
As at 1 Jan. 2016	**198.9**	**323.4**	**97.9**	**13.5**	**633.7**
Currency adjustments	–0.5	–0.7	–0.3	–0.1	–1.6
Additions	1.8	5.2	5.5	12.4	24.9
Disposals	–3.9	–6.4	–7.0	–0.2	–17.5
Reclassifications	1.1	9.3	0.9	–11.3	0.0
Transfer to asset classified as held for sale	–4.0	–	–	–	–4.0
As at 1 Jan. 2017	**193.4**	**330.8**	**97.0**	**14.3**	**635.5**
Currency adjustments	–2.0	–3.0	–1.4	–0.4	–6.8
Additions from acquisitions	–	–	0.9	–	0.9
Additions	1.2	7.6	5.6	20.4	34.8
Disposals	–3.7	–8.4	–7.6	–	–19.7
Reclassifications	0.5	6.9	0.3	–7.7	0.0
As at 31 Dec. 2017	**189.4**	**333.9**	**94.8**	**26.6**	**644.7**
Accumulative depreciation and impairment					
As at 1 Jan. 2016	**129.1**	**264.5**	**78.9**	**–**	**472.5**
Currency adjustments	0.1	–0.4	–0.2	–	–0.5
Depreciation	4.1	14.9	6.7	–	25.7
Disposals	–2.9	–6.3	–6.6	–	–15.8
Reclassifications	–0.1	–	0.1	–	0.0
Transfer to asset classified as held for sale	–3.6	–	–	–	–3.6
As at 1 Jan. 2017	**126.7**	**272.7**	**78.9**	**–**	**478.3**
Currency adjustments	–1.0	–2.3	–1.2	–	–4.5
Depreciation	3.4	14.4	6.7	–	24.5
Disposals	–3.5	–8.2	–7.2	–	–18.9
Reclassifications	–	–	–	–	–
As at 31 Dec. 2017	**125.6**	**276.6**	**77.2**	**–**	**479.4**
Residual carrying amounts					
As at 31 Dec. 2017	**63.8**	**57.3**	**17.6**	**26.6**	**165.3**
As at 31 Dec. 2016	66.7	58.1	18.1	14.3	157.2

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[illegible] 2.

Property, plant and equipment amounting to € 34.8 [illegible] was acquired in the period under review (previous year: € 24.9 million). At € 24.1 million (previous year: € 15.3 [illegible] [illegible] room and Wellness Division. We mainly invested in the [illegible] ware production, mainly in Mettlach, Hódmezővásárhely [illegible] ucts in Roden (Netherlands) and a new metal lathe was [illegible]

We invested € 4.6 million (previous year: € 5.0 [illegible]) in [illegible] € 2.0 million (previous year: € 1.9 [illegible] required [illegible] Moreover, [illegible] network, for example renovating and opening stores in the UK. [illegible]

Property, plant and equipment amounting to € 6.1 [illegible] (previous year: € 4.0 million) was acquired for central functions. We invested € 4.1 [illegible] headquarters in Mettlach.

Facilities worth € 7.7 [illegible] completed and integrated into operational value added in the reporting period (previous year: € 11.3 million). € 3.3 million related to Germany, where – among other things – a CNC processing centre (€ 0.6 million) and two new toilet presses (€ 0.6 million) began operation at the Mettlach sanitary ware plant. The production site in Mondial used new facilities worth € 1.4 million. [illegible] the manufacture of DirectFlush WCs. In the previous year, [illegible] Germany (€ 3.7 million) and Hungary (€ 1.8 million).

The disposals in the financial year of € 10.7 [illegible] (previous year: € 17.5 million) and the cumulative depreciation of € 18.9 million (previous year: € 15.8 million) [illegible] in full that can no longer be used.

A part of the former production location in Selb with a residual carrying amount of € 0.4 million was reclassified to "Non-current assets held for sale" in the previous year (see note 16).

Leased property, plant and equipment with a carrying amount of € 0.4 million (first-time consolidation: € 0.5 million) were included in "Other equipment, operating and [illegible] integration of Argent Australia Pty Ltd. (see note 2). Argent [illegible] Write-downs of € 0. [illegible] period. Payment obligations from future lease instalments are [illegible] expense is not taken into account (see note 28). Apart from these finance leases, the Group had only leases that qualify as [illegible] substance.

Operating leases

In the 2017 financial year, rental expenses under operating leases amounted to € 34.2 million (previous year: € 37.9 million). [illegible] offices, office space and other facilities and movable assets. The leases have basic terms of between six months and 30 years. No purchase [illegible] conditions.

Income of € 0.6 million was generated from subletting unused properties with current leases (previous year: € 0.6 [illegible] property. [illegible]

In € million	Less than 1 year	1 to 5 years	More than 5 years
Future lease payments			
As at 31 Dec. 2017	18.3	27.6	6.3
As at 31 Dec. 2016	21.3	27.6	4.5
Future sublease income			
As at 31 Dec. 2017	0.6	0.8	–
As at 31 Dec. 2016	0.6	0.8	–

7. INVESTMENT PROPERTY

[illegible]

In € million

	Land	Buildings	Investment property 2017	Investment property 2016
Accumulative cost				
As at 1 Jan.	**0.6**	**73.9**	**74.5**	**86.4**
Disposals	−0.1	0.0	−0.1	−11.9
Additions	0.1	–	0.1	–
As at 31 Dec.	**0.6**	**73.9**	**74.5**	**74.5**
Accumulative depreciation and impairment				
As at 1 Jan.	**–**	**65.6**	**65.6**	**75.0**
Depreciation	–	0.7	0.7	0.8
Disposals	–	0.0	0.0	−10.2
As at 31 Dec.	**–**	**66.3**	**66.3**	**65.6**
Residual carrying amounts				
As at 31 Dec.	**0.6**	**7.6**	**8.2**	**8.9**

This item includes property in the Saarland, Luxembourg and France.

Three smaller plots of land were sold in Lübeck [illegible] on 12 May 2017. We sold a section of our former tableware plant in Luxembourg in the previous year.

Following the aforementioned sales transaction, the total market value of the properties reported in this item as at 31 December 2017 was € 42.2 million (previous year: € 43.2 million). A market value of € 28.5 million (previous year: € 28.5 million) is based on an independent valuation report. These market values are categorised in level 3 of the fair value hierarchy of IFRS 13.

The Group generated the following amounts from its investment property:

In € million

	31/12/2017	31/12/2016
Rental income	0.7	0.8
Property management and similar expenses	−0.3	−0.5

[illegible] as follows:

In € million

	Less than 1 year	1 to 5 years	More than 5 years
As at 31 Dec. 2017	0.5	1.8	5.5
As at 31 Dec. 2016	0.5	1.7	5.9

Future rents rise in line with the trend in the consumer price index [illegible] tenants [illegible] bear all maintenance expenses.

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8. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

[illegible] 28.

[illegible] 313 (3) HGB [illegible]

The carrying amounts of the investments developed as [illegible]

In € million	2017	2016
As at 1 Jan.	**1.5**	**1.5**
Pro rata results of associated companies	0.5	0.5
Distribution to the Villeroy & Boch Group	−0.5	−0.5
As at 31 Dec.	**1.5**	**1.5**

The Villeroy & Boch Group holds 50 % of the voting rights [illegible]

9. OTHER FINANCIAL ASSETS

Other financial assets include:

In € million	31/12/2017	31/12/2016
Equity investments (a)	2.1	2.1
Loans (b)	4.0	6.5
Securitites (c)	8.7	1.5
Total	**14.8**	**10.1**

(a) A 2.29 % holding in the share capital of V & B Fliesen GmbH, Merzig, with a carrying amount of € 2.1 million (previous year: € 2.1 million) is reported under equity investments. The carrying amount was impaired in the previous year.

[illegible] to Porslinsfabriksstaden AB, Gustavsberg, Sweden, a company of the IKANO Bostad Group, in 2013. The loan, [illegible] lent value of € 2.1 million (previous year: € 4.5 [illegible]) and a remaining term of four years. A repayment of € 2.4 million was made in December 2017. Further re[illegible] guarantee from Svenska Handelsbanken AB (publ), Stockholm, Sweden, and transferred ownership rights to material [illegible]

In addition, loans to third parties essentially include [illegible]

In € million	2017	2016
Gross carrying amount as at 31 Dec.	**4.0**	**6.5**
of which: Neither impaired nor past due as at end of reporting period	4.0	6.5
I Due within one year	0.1	2.6
I Due in two to five years	2.6	2.6
I Due in more than five years	1.3	1.3

[illegible] funds are recog[illegible] value in accord[illegible] 39, not affecting net income. Changes in [illegible] surplus [illegible] The investments break down as follows:

In € million	31/12/2017	31/12/2016
Special assets provided by the ordinary shareholders	1.5	1.5
Other free assets	7.2	–
Total	**8.7**	**1.5**

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[illegible] 100-year anniversary of the Mettlach mosaic factory on 17 January 1970, the ordinary shareholders provided a fund intended to pay for the [illegible] and Corporate Governance of the Villeroy & Boch Group. [illegible] IFRS 13.

10. DEFERRED TAX ASSETS AND LIABILITIES

[illegible]

In € million	31/12/2017	31/12/2016
Deferred tax assets from temporary differences	24.8	31.9
Deferred tax assets from tax loss carryforwards	12.5	15.5
Deferred tax assets	**37.3**	**47.4**
Deferred tax liabilities	**3.4**	**4.3**

Deferred taxes from temporary differences are due to different [illegible] following items.

In € million		Deferred tax assets		Deferred tax liabilities	
	Note	**31/12/2017**	**31/12/2016**	**31/12/2017**	**31/12/2016**
Intangible assets	5	0.1	0.3	1.2	1.2
Property, plant and equipment	6	5.0	4.7	2.5	2.3
Financial assets	9	0.1	0.0	0.1	0.3
Inventories	11	0.0	0.0	1.6	1.0
Other assets	13	0.1	0.1	0.4	0.9
Special tax items		0.0	0.1	4.2	4.3
Provisions for pensions	26	26.9	29.4	3.6	2.0
Other provisions	28	2.5	3.6	0.0	0.0
Other liabilities		1.7	1.8	1.4	0.4
Subtotal		**36.4**	**40.0**	**15.0**	**12.4**
Offsetting of deferred tax assets/liabilities		−11.6	−8.1	−11.6	−8.1
Deferred taxes from temporary differences		**24.8**	**31.9**	**3.4**	**4.3**

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The € 7.1 [illegible] porary differences to € 24.8 million is attributable to the reduction in deferred taxes on provisions for pensions, which [illegible] 26), as well as the increased offsetting against deferred [illegible]

D[illegible] to € 12.5 million (previous year: € 15.5 [illegible] [illegible] carryforwards whose utilisation due to future taxable income is not probable. As a result, deferred taxes of € 13.0 [illegible] loss carryforwards. Loss carryforwards of € 79.3 million (previous year: € 65.1 [illegible] offsetting (periods of between 5 and 20 years).

Based on impairment testing for the period from 2018 to 2022, deferred tax assets from tax loss carryforwards were written down in the amount of € 16.4 [illegible] € 20.0 [illegible]

11. INVENTORIES

Inventories [illegible] reporting period:

In € million	31/12/2017	31/12/2016
Raw materials and supplies	21.1	20.9
Work in progress	17.5	16.3
Finished goods and goods for resale	116.0	104.2
Carrying amount	**154.6**	**141.4**

The increase in inventories by € 13.2 million to € 154.6 million is due mainly to the first-time inclusion of the inventories of Argent Australia Pty. Ltd. in the amount of € 11.2 million (see note 2). These finished goods and merchandise are assigned to the Bathroom and Wellness Division.

[illegible]

In € million	31/12/2017	31/12/2016
Bathroom and Wellness	96.4	83.3
Tableware	58.2	58.1
Total	**154.6**	**141.4**

The write-downs on inventories decreased by € 0.7 million in the year under review, from € 16.1 million to € 15.4 million.

12. TRADE RECEIVABLES

[illegible] geographical allocation of these [illegible] as follows:

In € million	31/12/2017	31/12/2016
Germany	26.8	23.7
Rest of euro zone	29.0	29.4
Rest of world	74.5	66.0
Gross carrying amount	**130.3**	**119.1**
Write-downs	−3.1	−3.1
Carrying amount	**127.2**	**116.0**

€ 80.8 million (previous year: € 79.3 million) relate to the Bathroom and Wellness Division and € 37.4 million (previous year: € 36.7 million) to the Tableware Division.

The trade receivables of [illegible] Group company Argent Australia Pty. Ltd. (see note 2) of € 4.0 million as at 31 December 2017 are included in the "Rest of world" region and allocated to the "Bathroom and Wellness" division. None of the [illegible] receivables [illegible] impaired. They are expected to be recoverable.

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[illegible]

In € million	2017	2016
Items neither impaired nor past due	**101.6**	**90.4**
Not impaired but past due	**16.3**	**14.7**
Customer in default for 90 days or less	14.9	13.4
Customer in default between 91 and 360 days	1.3	1.2
Customer in default for 361 days or more	0.1	0.1
Impaired but not past due [1]	**9.0**	**11.0**
Impaired and past due	**3.4**	**3.0**
Total gross amount	**130.3**	**119.1**
Write-downs	–3.1	–3.1
Net carrying amount	**127.2**	**116.0**

1) Receivables not covered by credit insurance

With respect to receivables that are neither impaired nor [illegible] ognised for receivables from debtors who are more than 90 [illegible] number of customers.

The amount of receivables impaired but not past due decreased by € 2.0 million to € 9.0 million in the reporting [illegible] uninsured share for general risk [illegible]

As at 31 December 2017 a total of € 2.7 million (previous year: € 2.7 million) [illegible] impairment related to the "impaired and past due" category and € 0.4 million (previous year: € 0.4 million) [illegible] impaired but not past due" category [illegible]

13. OTHER NON-CURRENT AND CURRENT ASSETS

[illegible] as follows:

In € million	Carrying amount	Remaining term		Carrying amount	Remaining term	
	31/12/2017	Less than 1 year	More than 1 year	31/12/2016	Less than 1 year	More than 1 year
Fair values of hedging instruments	4.5	2.7	1.8	4.0	2.7	1.3
Advance payments and deposits	3.0	1.1	1.9	3.1	1.1	2.0
Miscellaneous other assets	10.0	10.0	–	22.8	22.8	-
Total financial instruments within meaning of IAS 39*	**17.5**	**13.8**	**3.7**	**29.9**	**26.6**	**3.3**
Other tax receivables	9.4	9.4	–	10.7	10.7	–
Prepaid expenses	2.1	2.1	–	2.1	2.1	–
Total other assets	**29.0**	**25.3**	**3.7**	**42.7**	**39.4**	**3.3**

* Financial instruments are described in note 53.

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As at the end of the reporting period, the Group's hedging instruments comprised currency futures (€ 3.4 million; previous year: € 2.7 million) and brass swaps (€ 1.1 million; previous year: € 1.3 [illegible]

[illegible] of € 2.0 million (previous year: € 2.1 million) that were [illegible] amounts.

[illegible] French government from the "credit d'impôt pour la [illegible] first half of 2017, the City of Luxembourg paid the purchase price of € 14.3 [illegible] 15 December 2016.

Other tax receivables in the amount of € 9.4 million (previous year: € 10.7 [illegible]) € 6.8 million (previous year: € 8.7 [illegible])

[illegible]

[illegible] due receivables in this item as at 31 December 2017. There [illegible] Group, as such risks are distributed across a large number of contracting partners.

14. INCOME TAX RECEIVABLES

The income tax receivables of € 2.5 million (previous year: € 2.7 million) primarily include outstanding corporate income tax assets. € 1.6 million (previous year: € 2.6 million) of this figure relates to foreign group companies.

15. CASH AND CASH EQUIVALENTS

[illegible]

In € million	31/12/2017	31/12/2016
Cash on hand incl. cheques	0.5	0.4
Current bank balances	48.6	41.2
Cash equivalents	59.6	69.6
Total cash and cash equivalents	**108.7**	**111.2**

[illegible] predominantly a part of a deposit protection system (see note 53).

16. NON-CURRENT ASSETS HELD FOR SALE

Non-current assets held for sale are carried at amortised cost. [illegible]

In € million	31/12/2017	31/12/2016
Property		
(a) in Sweden	–	0.1
(b) in Germany	0.5	0.4
Total non-current assets held for sale	**0.5**	**0.5**

[illegible]

(a) In May 2017, additional properties at the Gustavsberg site in Sweden with a carrying amount of € 0.1 [illegible] were sold to the IKANO Bostad Group. Therefore no [illegible] as at the end of the reporting period (previous year: € 0.1 [illegible]

Areas of our former plant site not required for production were gradually sold to third parties for residential development. Income of € 0.0 million (previous year: € 1.7 million) was generated in the 2017 financial year.

[illegible] nal project developer in July 2017. The sale option was [illegible] amount of the assets in question of € 0.4 [illegible] property, plant and equipment [illegible] (see note 6).

17. ISSUED CAPITAL

The issued capital of Villeroy & Boch AG as at the end of the reporting period was unchanged at € 71.9 million and is divided into 14,044,800 fully paid-up ordinary shares and 14,044,800 fully paid-up non-voting preference shares. Both share classes [illegible] equal interest in the share capital. The holders of non-voting preference shares receive a dividend from the annual unappropriated surplus that is € 0.05 per share higher than the dividend paid to holders of ordinary shares, or a minimum preferred dividend of € 0.13 per preference share. If the unappropriated surplus in a given financial year is insufficient to cover the payment of this preferred dividend, any amount still outstanding shall be paid from the unappropriated surplus of subsequent financial years, with priority given to the oldest amounts outstanding. The preference dividend for the current financial year is only paid when all amounts outstanding are satisfied. This right to subsequent payment forms part of the profit entitlement for the respective financial year from which the outstanding dividend on preference shares is granted.

Each ordinary share grants one vote.

[illegible]

[illegible]	2017	2016
Ordinary shares		
Ordinary shares outstanding – unchanged –	14,044,800	14,044,800
Preference shares		
Ordinary shares issued – unchanged –	14,044,800	14,044,800
Treasury shares, as at 31 December – unchanged –	1,683,029	1,683,029
Shares outstanding	12,361,771	12,361,771

A resolution of the General Meeting of Shareholders on 22 March 2013 authorised the Management Board of [illegible] treasury shares in [illegible]

(a) The Management Board is authorised to acquire treasury [illegible] up to a total notional amount of the share capital of € 7,190,937.60 until 21 March 2018 inclusively. The authorisation to acquire treasury shares granted to the company by the [illegible] on 16 May 2012 will be [illegible] the new authorisation takes effect, to the extent that it has not yet been utilised. The shares acquired on the basis of this authorisation together with other treasury shares already acquired by the company and still owned or attributable to it in accordance with sections 71a et seq. of the German Stock Corporation [illegible] account for more than 10 % of the share capital. The acquisition can be restricted to the [illegible] class.

At the discretion of the Management Board, preference shares can be acquired either on the stock exchange (1) or on the basis of a public offer to all preference share holders or on the basis of an invitation to all preference shareholders to submit offers to sell in accordance with the principle of equal treatment (2). At the discretion of the Management Board, ordinary shares can be acquired [illegible] the principle of equal treatment (2) or from individual [illegible] the other ordinary shareholders (3).

(1) [illegible] cluding additional costs of acquisition) must be [illegible] 10 % of the average closing prices for the com[illegible] Xetra trading system (or a sim-ilar successor system) on the Frankfurt stock exchange for the last five trading days before the [illegible]

(2) If preference/ordinary shares are acquired on the basis of a public purchase offer to all shareholders [illegible] public invitation to submit offers to sell

- [illegible] public purchase offer to all preference/ordinary shareholders, the purchase price [illegible] per share (not including additional costs of acquisition), or
- in the event of a public invitation to all preference/ordinary shareholders to submit offers to sell, the thresholds of the price range stipulated by the company (not including additional costs of acquisition)

must be within 20 % of the average closing prices for the company's preference shares on the Xetra trading system (or a similar successor system) on the Frankfurt stock exchange for the last five trading days before the day on which the public purchase offer or the public invitation to submit offers to sell is publicly announced.

If the relevant share price deviates substantially [illegible] the public invitation to all preference/ordinary shareholders to submit offers to sell, the purchase offer or the [illegible] adjusted. In [illegible] prices for the [illegible] stock exchange on the third, fourth and fifth trading day [illegible] adjust[illegible]

[illegible] invitation [illegible] in the case [illegible] a public invitation to [illegible] preference [illegible] planned buy [illegible] conducted in the ratio of the issued or offered preference/ordinary [illegible] shareholders to tender their preference/ordinary shares in pro-[illegible] excluded in [illegible]

[illegible] small amounts of up to 100 preference/ordinary shares per preference/ordinary shareholder and commercial rounding to [illegible] fractions of shares can be provided [illegible] put options of preference/ordinary shareholders are therefore precluded.

The public offer to all preference/ordinary shareholders or the invitation to all preference/ordinary shareholders to submit offers to sell can provide for further conditions.

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(3) If ordinary shares are acquired from individual [illegible] other ordinary shareholders, the purchase price must not be more than 5 % higher than the closing [illegible] the acquisition offer. Acquisition at a price below [illegible]

[illegible] a) or one or more prior authorisations for all legally [illegible]

(1) The preference shares can be sold in a way other [illegible] ed on the stock market with essentially the same features. The price is not significantly less if the purchase price is not more than 5 % less than the [illegible] shares on the Xetra trading system (or a similar successor system) for the last five trading days before [illegible] sold or issued from authorised capital during the [illegible] sentence 4 AktG, and the number of shares that can [illegible] rights or fulfilling the conversion obligations of [illegible] AktG must not exceed 10 % of the share capital, [illegible]

(2) [illegible] in connection with the acquisition of companies, shares in companies or interests in them and mergers [illegible]

(3) [illegible] a further resolution of the General Meeting of Share- [illegible] plified procedure without a capital reduction by adjusting the notional pro rata amount of share capital of the company attributable to the other [illegible] number of shares in the Articles of Association. Ordinary treasury shares can only be redeemed [illegible] corresponding number of preference treasury shares [illegible]

(4) [illegible]

[illegible] or collectively, on one or several occasions, in full or in [illegible] poses of trading in treasury shares (section 71 (1) no. 8 [illegible]

[illegible] risations under a) to c) only with the approval of the [illegible]

(e) The pre-emption rights of shareholders to treasury shares [illegible] disapplied if they are utilised in accordance with the [illegible] and (2). Share[illegible] the Management Board is authorised to disapply the [illegible] offer price is not more than 5 % less than the average [illegible] with b) (4), the Management Board is authorised to [illegible]

18. CAPITAL RESERVES

The capital reserves are unchanged at € 193.6 million.

19. TREASURY SHARES

[illegible] 1,683,029 preference treasury shares was € 15.0 million. Under IAS 32.33, the total cost of these shares reduces equity. All transactions were performed on the stock market on the basis of the applicable resolutions of the General Meeting of Shareholders and with the approval of the Supervisory Board. [illegible] the preference shares held is restricted by the resolutions [illegible]

20. RETAINED EARNINGS

[illegible] amount of € 12.7 million (previous year: € –3.9 million) [illegible] and the proportionate results generated by consolidated sub[illegible]

In € million	2017	2016
As at 1 Jan.	–3.9	–20.8
Consolidated earnings attributable to Villeroy & Boch AG shareholders	29.9	29.1
Dividend distribution	–13.3	–12.2
As at 31 Dec.	**12.7**	**–3.9**

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21. REVALUATION SURPLUS

[illegible]

In € million	2017	2016	Change
Items to be reclassified to profit or loss:			
Currency translation of financial statements of foreign group companies (a)	−3.3	−1.6	−1.7
Currency translation of long-term loans classified as net investments in foreign group companies (b)	−7.5	−3.5	−4.0
Cash flow hedges (c)	3.5	3.1	0.4
Valuation results on securities (d)	0.1	0.0	0.1
Deferred tax effect on items to be reclassified to profit or loss (e)	−5.2	−4.5	−0.7
Items not to be reclassified to profit or loss:			
Actuarial gains and losses on defined benefit obligations (f)	−86.8	−95.8	9.0
Deferred tax effect on items not to be reclassified to profit or loss (g)	25.2	28.2	−3.0
As at 31 December	**−74.0**	**−74.1**	**0.1**

(a) Reserve for currency translation of financial statements of foreign group companies

Results of group companies that report in foreign currency are translated into euro in accordance with the functional currency concept (see note 4). The translation of these financial statements resulted in a net effect of € −1.7 million in the 2017 financial year (previous year: € 0.7 million).

(b) Reserve for currency translation of long-term loans classified as net investments in foreign group companies

Within the Villeroy & Boch Group there are loans that finance a net investment in a foreign operation. Loans in foreign currency are measured using the respective closing rate at the end of the reporting period. Currency effects from a loan classified as a net investment are therefore reported in this revaluation surplus. This net change in equity in the period under review amounted to € −4.0 million (previous year: € −1.9 million).

(c) Reserve for cash flow hedges

The Villeroy & Boch Group uses financial derivatives to reduce the risks of planned operating currency and brass transactions (see note 53). These hedges are reported at fair value in the statement of financial position as other assets (see note 13) or other liabilities (see note 30). Changes in fair value amounted to € 2.1 million in the period under review (previous year: € 3.4 million). Cumulative prior-period changes in value in the amount of € −1.7 million (previous year: € −0.8 million) were reclassified to profit or loss in the year under review as the hedged item was also recognised in profit or loss at the same time. The net change in equity in the period under review amounted to € 0.4 million (previous year: € 2.6 million).

(d) Reserve for valuation results on securities

The Villeroy & Boch Group recognises listed securities as part of a fund (see note 9 c), which are classified as "available-for-sale financial assets" in accordance with IAS 39 (see note 53).

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(e) Reserve for deferred tax effect on items to be reclassified to profit or loss

As at the end of the reporting period this reserve mainly [illegible]

In € million	2017	2016
As at 1 Jan.	**−4.5**	**−3.6**
Additions	−1.3	−0.4
Disposals	0.6	−0.5
As at 31 Dec.	**−5.2**	**−4.5**

On settlement of the respective hedging instrument the [illegible]

(f) Reserve for actuarial gains and losses on defined benefit plans

[illegible] 26) arises on the remeasurement of benefit [illegible] reporting period of actuarial parameters, such as the dis- [illegible] In the reporting period, this item changed by € 9.0 million from € −95.8 million to € −86.8 million (see note 26).

(g) Reserve for deferred tax effect on items not to be reclassified to profit or loss

As at the end of the reporting period, this reserve exclusively contained the deferred tax on the reserve for actuarial gains and losses on defined benefit plans. This resulted in a change in net equity in the financial year of € −3.0 million (previous year: € 4.2 million).

22. EQUITY ATTRIBUTABLE TO MINORITY INTERESTS

Non-controlling interests in equity amounted to € 5.4 million (previous year: € 0.1 [illegible] of the subsidiary Argent Australia Pty. Ltd. increased non-controlling interests in equity by € 5.3 million on 31 December 2017 (see note 2). Non-controlling interests in Argent Australia Pty. Ltd. therefore amount to 54.64 %. The new subsidiary distributed a dividend of € 2.2 [illegible] Our share of the dividend of € 1.1 [illegible] 2).

[illegible] 61).

23. DISTRIBUTABLE AMOUNTS AND DIVIDENDS

[illegible] the appropriation [illegible] calculated in [illegible]

[illegible] AG for 2017 amounted to € 20.8 [illegible] carried forward of € 5.6 million, the unappropriated surplus amounts to € 26.4 [illegible]

At the next General Meeting of Shareholders on 23 March 2018, the Supervisory Board and the Management Board of Villeroy & Boch AG will propose that the unappropriated [illegible] as follows:

€ 0.52 [illegible]
€ 0.57 [illegible]

The proposal for the appropriation of profits is for a dividend of:

[illegible]	*€ 7.3 million*
[illegible]	*€ 8.0 million*
	€ 15.3 million

If the company still holds treasury shares at the time of the resolution on the appropriation of profits, the dividend payment for the preferred capital will be reduced by the amount attributable to the treasury shares. The amount attributable to treasury shares is to be carried forward to new account.

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[illegible]

	29/03/2017		04/04/2016	
Eligible share class	**Dividend per unit in €**	**Total dividend in € million**	**Dividend per unit in €**	**Total dividend in € million**
Ordinary share:	0.48	6.7	0.44	6.2
Preference share:	0.53	6.6	0.49	6.0
		13.3		**12.2**

24. CAPITAL MANAGEMENT

The primary goals of central capital management in the Villeroy & Boch Group are ensuring liquidity and [illegible] the capital markets at all times. This provides the Group with freedom of action and sustainably increases [illegible] value.

The Villeroy & Boch [illegible] non-current sources of [illegible] consist of:

In € million	31/12/2017	31/12/2016
Equity	194.6	172.6
Provisions for pensions (note 26)	185.1	201.1
Financial liabilities (note 29)	51.1	50.5
Non-current sources of finance	**430.8**	**424.2**

25. VOTING RIGHT NOTIFICATIONS

In accordance with section 160 (1) no. 8 of the German Stock Corporation Act (AktG), the published content of disclosures on holdings in Villeroy & Boch AG reported in accordance with section 20 (1) or (4) AktG or in accordance with section 33 (1) or (2) of the German Securities Trading Act (WpHG) (sections 21 et seq. WpHG of the version applicable prior to 3 January 2018) must be disclosed.

The content of disclosures in accordance with sections 33 et seq. WpHG (sections 21 et seq. WpHG of the version applicable prior to 3 January 2018) as at the time of going to press is shown below.

(1) On 11 November 2016, *Ms Thalea von Boch-Reichel*, [illegible] in accordance with section 21 (1) WpHG that her share of the voting rights in Villeroy & Boch AG exceeded the threshold of 3 % on 9 November 2016 and amounted to 3.16 % (444.020 voting [illegible]

(2) On 11 November 2016, *Ms [illegible]*, [illegible] in accordance with section 21 (1) WpHG that her share of the voting rights in Villeroy & Boch AG exceeded the threshold of 3 % on 9 November 2016 and amounted to 3.16 % (444.020 voting rights) [illegible]

(3) *Villeroy and Boch Saarufer GmbH, Mettlach, Germany*, informed us in accordance with section 41 (4)f. WpHG on 15 January 2016:

Since 26 November 2015, Villeroy & Boch Saarufer GmbH, Mettlach, Germany, has held instruments in accordance with section 25a(1) no. 2 WpHG that could theoretically enable it to purchase voting shares of Villeroy & Boch AG under certain conditions (purchase option). This relates to a share of the voting rights of 98.73 % or 13.866.852 voting rights, meaning that the thresholds of 5 %, 10 %, 15 %, 20 %, 25 %, 30 %, 50 % and 75 % could theoretically be exceeded. There are not currently any voting rights due to instruments in accordance with section 25 WpHG or any voting rights in accordance with sections 21, 22 WpHG.

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(4) [illegible] 13 June 2014, [illegible] section 21 [illegible] [illegible] exceeded the thresholds of 3 % and 5 % on 27 [illegible] 2014 as a result of inheritance (testator: Baron Antoine de Schorlemer) and amounted to 5.92 % (831,575 voting [illegible] 13 June 2014, Baroness Ghislaine [illegible] informed us in [illegible] section 21 [illegible] [illegible] the thresholds of 3 % and 5 % on 28 March 2014 and has amounted to 0 % since this date.

(5) On 13 June 2014, *Mr Christophe de Schorlemer, Luxembourg,* [illegible] section 21 (1) WpHG that [illegible] exceeded the threshold of 3 % on 28 March 2014 and amounted to 3.16 % (444,307 voting rights) at this date.

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

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

(8) Since 20 February 2013, *Villeroy and Boch Saarulet GmbH, Mettlach, Germany,* has held financial instruments or other instruments in accordance with section 25a WpHG that could theoretically enable it to purchase voting shares of Villeroy & Boch AG under certain conditions (purchase option). This relates to a share of the voting rights of 98.73 % or 13,860,852 voting rights, meaning that the thresholds of 5 %, 10 %, 15 %, 20 %, 25 %, 30 %, 50 % and 75 % could theoretically be exceeded. There are not currently any voting rights due to financial or other instruments in accordance with section 25 WpHG or any voting rights in accordance with sections 21, 22 WpHG.

(9) On 14 February 2011, *Mr Luitwin-Gisbert von Boch-Galhau,* [illegible] section 21 (2) [illegible] rights in Villeroy & [illegible] 15 % on 17 November 2010 and amounted to 17.74 % (2,491 132 voting rights) as at this date. 13.94 % of this (1,957,696 voting rights) is [illegible] section 22 (1) sentence 1 no. 4 WpHG, 1.10 % of which (154,000 voting [illegible] section 22 (1) sentence 1 [illegible] 6 WpHG. A further 3.37 % (4[illegible]2,726 voting rights) is [illegible] section 22 (1) sen[illegible] 6 WpHG. Of the following shareholders, 3 % [illegible] attributable to him as [illegible]

- [illegible]
- [illegible]

(10) On 20 May 2010, [illegible] section 21 (1) WpHG [illegible] Villeroy & Boch AG fell below the threshold of 5 % on 18 May 2010 and has amounted to 4.13 % (580,250 voting rights) since this [illegible] 1.42 % of this (200,000 voting rights) is attributable [illegible] section 22 (1) sentence 1 no. 4 [illegible]

[illegible] notified us in accordance with section 127 (2) WpHG (section 41 (2) WpHG of the version applicable prior to 3 January 2018) that their shares of the voting [illegible] as follows as at the dates stated [illegible]

(1) 18.42 % of voting rights are attributable to *Mr Luitwin Michel von Boch-Galhau, Germany,* as at 1 April 2002; 1.55 % of shares with voting rights are attributable to him in accordance with section 22 (1) sentence 1 no. 1 WpHG.

(2) 7.41 % of voting rights are attributable to *Mr Wendelin von Boch-Galhau, Germany,* as at 1 April 2002; 6.80 % of shares with voting rights are attributable to him in accordance with section 22 (1) sentence 1 no. 4 WpHG.

(3) 7.14 % of voting rights are attributable to *Mr Franziskus von Boch-Galhau, Germany,* as at 1 April 2002; 0.34 % of shares with voting rights are attributable to him in accordance with section 22 (1) sentence 1 no. 1 WpHG.

26. PROVISIONS FOR PENSIONS

[illegible]

In € million	31/12/2017	31/12/2016
Germany	167.0	182.0
Rest of euro zone	9.9	11.8
Rest of world	8.2	7.3
Provisions for pensions	**185.1**	**201.1**

[illegible]

In the Villeroy & Boch Group, 8,644 people (previous year: 8,765) have a defined benefit pension plan. Their regional distribution is as follows:

Headcount	31/12/2017	31/12/2016
Germany		
I Members	2,213	2,280
I Vested former members	1,252	1,243
I Pensioners	2,697	2,714
Total	**6,162**	**6,237**
Rest of euro zone		
I Members	445	445
I Vested former members	21	17
I Pensioners	65	68
Total	**531**	**530**
Rest of world		
I Members	1,528	1,459
I Vested former members	160	265
I Pensioners	263	274
Total	**1,951**	**1,998**
Persons with a commitment	**8,644**	**8,765**

[illegible]

	2017		2016	
	Ø	**Range**	**Ø**	**Range**
Discount rate	1.8	0.7–7.5	1.3	0.3–7.5
Expected long-term wage and salary trend	2.5	1.0–5.6	2.5	1.3–5.7
Expected long-term pension trend	1.3	0.0–2.0	1.3	0.0–1.3

[illegible] weighted mean on the [illegible]. The discount rate is determined on the basis of senior fixed-interest corporate bonds. The country-specific discount rates range from 0.7 % in Switzerland to 7.5 % in Mexico. In the previous year, the country-specific discount rates ranged from 0.3 % in Japan to 7.5 % in Mexico. [illegible] 1.75 % (previous year: 1.25 %) is used in [illegible] salary and pension trends, the length of service with the company and other labour market factors are taken into consideration. The pension obligations for the German companies in the Group are measured using the biometric data of the Heubeck 2005 G [illegible] country-specific mortality tables were used [illegible] companies.

[illegible] presented below in summary because [illegible] the majority of these provisions relate [illegible] companies.

[illegible] defined benefit obligations can be rec- [illegible] provision reported in the statement of financial [illegible]

In € million	31/12/2017	31/12/2016
Present value of defined benefit obligations	209.3	225.7
Fair value of plan assets	–24.2	–24.6
Carrying amount	**185.1**	**201.1**

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The present value of pension obligations developed as

In € million	2017	2016
As at 1 Jan.	**225.7**	**219.1**
Current service cost	2.6	2.4
Interest income and interest expenses	3.0	4.2
Actuarial gains and losses arising from		
▪ changes in demographic assumptions	1.1	−0.1
▪ changes in financial assumptions	−10.4	15.3
▪ changes in other assumptions	0.8	−0.3
Past service cost	–	–
Contributions from plan participants	0.9	0.5
Benefits paid	−13.1	−14.8
Currency changes arising from non-euro-denominated plans	−1.3	−0.6
As at 31 Dec.	**209.3**	**225.7**

[illegible] changes to plan assets.

In € million	2017	2016
As at 1 Jan.	**24.6**	**26.4**
Interest income and interest expenses	0.5	0.5
Return on plan assets excluding the above interest	0.0	0.0
Gains and losses from plan assets	0.5	0.6
Contributions from the Villeroy&Boch Group as employer	0.3	0.5
Contributions from plan participants	0.9	0.5
Benefits paid	−1.4	−3.3
Currency changes arising from non-euro-denominated plans	−1.2	−0.6
As at 31 Dec.	**24.2**	**24.6**

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[illegible]

	31/12/2017		31/12/2016	
	In € million	**in %**	**In € million**	**in %**
Annuities/annuity funds	11.0	45	11.7	48
Equities/equity funds	5.5	23	6.0	24
Property/REITs	2.3	10	1.6	7
Cash and cash equivalents	0.1	0	0.1	0
Investments on an active market	**18.9**	**78**	**19.4**	**79**
Insurance policies	5.3	22	5.2	21
Plan assets	**24.2**	**100**	**24.6**	**100**

Risks

[illegible] presented in the section below "Sensitivities, forecast development and duration".

[illegible] and issuer default risk, as a result of the selection of the [illegible]

Sensitivities, forecast development and duration

[illegible]

	Change in actuarial assumption	Effect on defined benefit obligation in € million	
		31/12/2017	**31/12/2016**
Present value of defined benefit obligations		**209.3**	**225.7**
Discount rate	Increase by 0.25 %	203.2	218.9
	Reduction by 0.25 %	215.7	233.1
Pension trend	Increase by 0.25 %	213.7	230.8
	Reduction by 0.25 %	205.1	220.9

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In € million

	Forecast 2018	Forecast 2017
Defined benefit obligations as at 31 Dec. 2017 or 2016 resp.	209.3	225.7
Forecast service cost	2.2	2.5
Forecast interest costs	3.6	3.0
Forecast pension payments	−12.9	−13.0
Forecast defined benefit obligations	**202.2**	**218.2**

The weighted duration of pension provisions in the Villeroy & Boch Group as at 31 December 2017 was 12.4 years (previous year: 13.0 years). As in the previous year, the weighted duration for the pension plans of German com- [illegible] 12 years.

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27. NON-CURRENT AND CURRENT PROVISIONS FOR PERSONNEL

[illegible]

In € million

	Non-current provisions for:					Current provisions	Total amount
	Anniversary bonuses	Partial retirement	Severance pay	Other	Total		
As at 1 Jan. 2016	**6.8**	**3.4**	**5.3**	**0.8**	**16.3**	**14.9**	**31.2**
Currency adjustments	0.0	0.0	0.1	0.0	0.1	0.0	0.1
Utilisation	-0.6	-1.8	-0.3	0.0	-2.7	-13.7	-16.4
Reversals	0.0	–	–	–	0.0	-0.7	-0.7
Additions	0.9	3.4	0.7	0.1	5.1	17.3	22.4
As at 1 Jan. 2017	**7.1**	**5.0**	**5.8**	**0.9**	**18.8**	**17.8**	**36.6**
Currency adjustments	0.0	0.0	-0.1	0.0	-0.1	-0.3	-0.4
Utilisation	-0.9	-2.2	-3.9	-0.1	-7.1	-14.4	-21.5
Reversals	0.0	–	–	–	0.0	-1.8	-1.8
Additions	0.6	1.9	3.8	0.0	6.3	14.4	20.7
Additions from acquisitions	0.4	–	0.4	–	0.8	–	0.8
Reclassifications	–	0.3	–	0.0	0.3	-0.3	0.0
As at 31 Dec. 2017	**7.2**	**5.0**	**6.0**	**0.8**	**19.0**	**15.4**	**34.4**

A description of "additions due to business acquisitions" can be found in note 2.

Provisions for anniversary bonuses are recognised by Group companies that have undertaken to pay their employees corresponding cash or non-cash benefits on the occasion of their anniversaries. Villeroy & Boch AG recognises an obligation of € 4.8 million (previous year: € 5.0 million). This corresponds to 66.7 % (previous year: 70.1 %) of this provision.

Under the partial retirement programme, employees have the option to reduce their working hours in accordance with certain personal requirements for a period determined by law prior to retirement. 93.3 % of the provision relates to the employees of Villeroy & Boch AG (previous year: 100 %). A new programme was set up for employees in Luxembourg in the financial year.

The provisions for severance pay are recognised for legally required termination benefits that must be paid when an employee changes employer or retires. These are generally non-recurring payments for employees in Thailand, Austria, Italy, Australia, Romania and India.

Current provisions for staff mainly include provisions for variable remuneration bonuses in the amount of € 14.0 million (previous year: € 14.2 million).

The measurement of current and non-current provisions for staff is based on external expert opinions, the past data available and government regulations.

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28. OTHER NON-CURRENT AND CURRENT PROVISIONS

Other non-current and current provisions developed as [illegible]

In € million

	Other non-current provisions	Other current provisions for:					Total amount
		Warranties	Legal and consultancy fees	Other taxes	Miscellaneous	Total	
As at 1 Jan. 2016	**2.4**	**7.1**	**1.6**	**1.4**	**7.9**	**18.0**	**20.4**
Currency adjustments	–0.1	0.0	0.0	–0.1	0.0	–0.1	–0.2
Utilisation	–0.5	–1.0	–0.6	–1.2	–2.3	–5.1	–5.6
Reversals	0.0	–	–0.2	–	–1.0	–1.2	–1.2
Additions	12.9	0.7	0.9	1.0	7.1	9.7	22.6
Reclassifications	1.5	–	0.0	–	–1.5	–1.5	0.0
As at 1 Jan. 2017	**16.2**	**6.8**	**1.7**	**1.1**	**10.2**	**19.8**	**36.0**
Currency adjustments	0.0	–0.1	–	0.0	–0.2	–0.3	–0.3
Utilisation	–0.6	–0.9	–0.7	–1.1	–5.1	–7.8	–8.4
Reversals	–0.6	–	–0.1	–	–1.4	–1.5	–2.1
Additions	0.4	0.8	0.8	0.5	2.8	4.9	5.3
Additions from acquisitions	–	0.4	–	–	0.4	0.8	0.8
Reclassifications	–4.1	–	–	–	4.1	–	–
As at 31 Dec. 2017	**11.3**	**7.0**	**1.7**	**0.5**	**10.8**	**20.0**	**31.3**

A description of "additions due to business acquisition" can be found in note 2.

Non-current provisions relate in particular to contractually agreed demolition, dismantling and renovation obligations at the site of our former tableware plant in Luxembourg as well as other environmental and renovation obligations, obligations to remove leasehold improvements and recultivation obligations. Utilisation for measures on this land in the amount of € 4.1 million is expected in the next twelve months.

The provision for warranties is measured on the basis of past division-specific data. In addition, current information on any new risks in connection with new materials, changes in production processes or other factors influencing quality were also taken into account in measurement.

Miscellaneous other provisions included provisions for commission, licensing fees and a large number of individual items.

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29. NON-CURRENT AND CURRENT FINANCIAL LIABILITIES

Current and non-current financial liabilities developed as [illegible]

In € million

	Non-current financial liabilities to			Current financial liabilities to			Total amount
	Banks	Lessors	Total	Banks	Lessors	Total	
As at 1 Jan. 2017	**50.0**	**–**	**50.0**	**0.5**	**–**	**0.5**	**50.5**
Addition due to business acquisition (see note 2)	–	0.2	0.2	0.5	0.4	0.9	1.1
Cash changes	–	–	0.0	13.4	–0.1	13.3	13.3
Non-cash changes:							
I Offsetting (see note 15)	–	–	0.0	–14.2	–	–14.2	–14.2
I Interest capitalisation	0.4	0.0	0.4	0.0	0.0	0.0	0.4
I Reclassifications	–0.4	0.0	–0.4	0.4	0.0	0.4	0.0
I Currency adjustments	–	0.0	0.0	0.0	0.0	0.0	0.0
As at 31 Dec. 2017	**50.0**	**0.2**	**50.2**	**0.6**	**0.3**	**0.9**	**51.1**

Non-current financial liabilities in the amount of € 50.0 [illegible] lion relate to banks domiciled in Germany. For one loan [illegible] in the [illegible] of control [illegible] AG was agreed [illegible] lending bank. The debt service is [illegible] annually.

[illegible] liabilities to banks amounted to € 14.2 million (previous year: € 14.0 million). The require- ments for offsetting have been met and it is intended to [illegible]

[illegible] under financial liabilities [illegible] from the acquisition of Argent Australia Pty. Ltd. (see [illegible] 2), which has motor vehicles under finance leases.

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30. OTHER NON-CURRENT AND CURRENT LIABILITIES

[illegible]

In € million

	Carrying amount	Remaining term		Carrying amount	Remaining term	
	31/12/2017	Less than 1 year	More than 1 year	31/12/2016	Less than 1 year	More than 1 year
Bonus liabilities	43.7	43.7	–	42.6	42.6	–
Fair values of hedging instruments	1.0	0.8	0.2	0.9	0.9	0.0
Advance payments received on account of orders	11.5	11.5	–	5.5	5.5	–
Miscellaneous other liabilities	5.7	3.1	2.6	3.8	2.4	1.4
Total financial instruments within meaning of IAS 39*	**61.9**	**59.1**	**2.8**	**52.8**	**51.4**	**1.4**
Personnel liabilities	20.3	20.1	0.2	19.4	19.1	0.3
Other tax liabilities	12.1	12.1	–	11.3	11.3	–
Deferred income	2.9	1.2	1.7	3.3	0.9	2.4
Total carrying amount	**97.2**	**92.5**	**4.7**	**86.8**	**82.7**	**4.1**

* Financial instruments are described in note 53.

The measurement of hedging instruments (see note 53) relates solely to currencies in the amount of € 1.0 million (previous year: € 0.9 million).

Miscellaneous other liabilities included debtors with credit balances and a number of individual items.

Other tax liabilities primarily included VAT in the amount of € 7.2 million (previous year: € 6.6 million) and payroll and church tax in the amount of € 4.0 million (previous year: € 3.9 million).

Deferred income mainly consisted of compensation for a long-term rental agreement with the City of Luxembourg (see note 7), the free allocation of emission allowances (see note 5), government grants for property, plant and equipment (see note 6) and rent payments received.

31. TRADE PAYABLES

Based on the domicile of the respective Group company, [illegible]

In € million

	31/12/2017	31/12/2016
Germany	35.8	37.8
Rest of euro zone	11.6	10.3
Rest of world	36.1	29.1
Carrying amount as at 31 Dec.	**83.5**	**77.2**

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NOTES TO THE CONSOLIDATED INCOME STATEMENT

32. REVENUE

[illegible]

33. COST OF SALES

[illegible] 2. this includes not only directly allocable costs such as the cost of materials. [illegible]

34. SELLING, MARKETING AND DEVELOPMENT COSTS

[illegible] the field sales force and advertising and logistics, license [illegible]

In € million	2017	2016
Bathroom and Wellness	−12.2	−11.7
Tableware	−3.7	−3.5
Total	**−15.9**	**−15.2**

35. GENERAL ADMINISTRATIVE EXPENSES

General administrative expenses comprise staff costs and non-staff operating expenses incurred in management and administrative functions.

36. OTHER OPERATING INCOME

[illegible]

In € million	2017	2016
Licence income	5.9	5.7
Exchange rate gains	3.2	5.8
Reversal of provisions *	3.2	1.7
Reversal of liabilities	0.9	1.3
Reimbursement for damages	0.7	0.1
Book profits on the disposal of non-current assets	0.6	0.3
Reversal of write-downs on receivables	0.3	0.4
Income from property transactions	0.0	1.7
Other	2.2	3.4
Total	**17.0**	**20.4**

* Not including amounts in other statement of consolidated income items

[illegible] net result already generated in the 2017 financial year from [illegible] "Results of operations" in the management report) of € 0.0 million (previous year € 1.7 million).

[illegible] operating income includes a number of [illegible]

37. OTHER OPERATING EXPENSES

Other operating expenses were composed as follows:

In € million	2017	2016
Consulting services	−3.1	−2.5
Exchange rate losses	−2.1	−1.7
Addition to write-downs on receivables	−1.5	−1.8
Reorganisation costs	−1.1	−4.1
Costs for maintenance/repairs	−0.4	−0.5
Book losses on the disposal of non-current assets	−0.3	−1.1
Other	−6.8	−9.6
Total	**−15.3**	**−21.3**

The additions to write-downs on receivables relate to trade receivables (see note 12) and other receivables.

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[illegible]

38. RESULTS OF FINANCIAL ASSETS ACCOUNTED FOR USING THE EQUITY METHOD

[illegible] in two associated companies in the amount of € 0.5 [illegible] (previous year: € 0.1 [illegible]

39. INTEREST INCOME AND OTHER FINANCIAL INCOME

[illegible]

In € million

	2017	2016
Interest income from:		
Cash and cash equivalents	1.1	1.1
Loans and receivables	0.1	0.2
Held-to-maturity investments	–	–
Total interest income	**1.2**	**1.3**
Dividends from securities available-for-sale	0.1	0.1
Total financial income	**1.3**	**1.4**

40. INTEREST EXPENSES AND OTHER FINANCIAL EXPENSES

[illegible]

In € million

	2017	2016
Interest expenses from:		
Provisions	–2.5	–4.4
Overdraft facilities	–2.2	–1.7
Non-current loans	–1.0	–1.3
Other borrowing	0.0	0.0
Total interest expenses	**–5.7**	**–7.4**
Other finance costs	0.0	0.0
Total finance costs	**–5.7**	**–7.4**

The interest expense on provisions decreased by € –1.0 [illegible] lion in the 2017 financial year, from € –4.4 million to € –2.5 [illegible] in interest rates from 2.0 % in 2016 to 1.3 %. The interest [illegible] 1.3 % [illegible] 1.8 % at Group level and 1.75 % at the German companies will therefore not affect the income statement until 2018.

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41. INCOME TAXES

[illegible] 13.67 % of the [illegible] income tax [illegible] 15 % plus a solidarity surcharge of 5.5 % of the corporate income tax. Rates vary between 9.0 % and 34.6 % for the other countries.

In € million	2017	2016
Taxes paid or due in Germany	−4.4	−7.9
Taxes paid or due outside Germany	−6.9	−5.9
Current taxes	**−11.3**	**−13.8**
Deferred taxes	−4.3	1.3
Income taxes	**−15.6**	**−12.5**

The expected income tax expense (current and deferred) based on the overall German tax rate of 29.5 % differs from [illegible] as follows:

In € million	2017	2016
Earnings before taxes (EBT)	**45.4**	**41.6**
Expected income tax (EBT x tax rate of 29.5 %)	−13.4	−12.3
Differences arising from foreign tax rates	2.3	1.1
Tax effects arising from:		
I Non-deductible expenses	−2.5	−1.8
I Adjustment/write-downs on deferred taxes	0.4	−1.4
I Tax-free income	0.5	1.8
I Change of Tax-rates	−2.9	–
I Other deferred taxes	0.0	0.1
Actual income tax expense	**−15.6**	**−12.5**
Actual tax rate in %	**34.4**	**30.0**

[illegible] ferred taxes recognised in the income statement is as follows:

In € million	2017	2016
Change in statement of financial position item:		
I Deferred tax assets (note 10)	−10.1	0.3
I Deferred tax liabilities (note 10)	0.6	−5.9
Sub-total	**−9.5**	**−5.6**
I Pass to other comprehensive income (note 21(e))	4.3	5.5
I Currency adjustments	0.9	1.4
Deferred taxes recognised in income statement	**−4.3**	**1.3**

42. MINORITY INTERESTS

[illegible] consolidated earnings amounted to € 0.1 million (previous year: € 0.0 million).

43. EARNINGS PER SHARE

[illegible] calculated by dividing the consolidated net income [illegible] the weighted number of shares [illegible]

Ordinary shares	31/12/2017	31/12/2016
Number of shares outstanding	14,044,800	14,044,800
Pro rata consolidated net income (in € million) *	15.5	15.1
Earnings per share (in €) *	1.11	1.08

Preference shares	31/12/2017	31/12/2016
Number of shares outstanding	12,361,771	12,361,771
Pro rata consolidated net income (in € million) *	14.3	14.0
Earnings per share (in €) *	1.16	1.13

* Each in relation to the shares outstanding

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tion (see note 17). The development in treasury shares is ... 10. There were no dilution effects during ...

44. DEPRECIATION, AMORTISATION AND IMPAIRMENTS

In € million	2017	2016
Amortisation of intangible assets	−1.0	−0.8
Impairment losses on intangible assets	–	−0.1
Depreciation of property, plant and equipment	−24.5	−25.7
Impairment losses on property, plant and equipment	–	–
Depreciation of investment property	−0.7	−0.8
Impairment losses on financial assets	–	−0.4
Total depreciation, amortisation and impairments	**−26.2**	**−27.8**

45. COST OF MATERIALS

The cost of materials comprised the following:

In € million	2017	2016
Cost of raw materials and supplies (including primary products)	−132.2	−129.0
Cost of purchased goods	−115.9	−117.7
	−248.1	**−246.7**
Cost of purchased services	−37.6	−37.1
Total cost of materials	**−285.7**	**−283.8**

46. PERSONNEL EXPENSES

In € million	2017	2016
Wages and salaries	−229.6	−221.2
Post-employment benefits:		
▪ Expenses for defined benefit plans (see note 26)	−2.6	−2.4
▪ Expenses for defined contribution plans	−17.3	−17.2
Termination benefits	−2.5	−6.2
Other services	−34.1	−33.7
Total staff costs	**−286.1**	**−280.7**

... relates to employer contributions to statutory pension ...

Average number of employees:

NUMBER OF EMPLOYEES	2017	2016*
Wage earners	4,260	4,081
Salaried employees	3,830	3,813
Average	**8,090**	**7,894**

* Prior year figures adjusted

Of the workforce as a whole, a total of 2,698 people are employed in Germany (previous year: 2,701), with the remaining 5,392 employed outside Germany (previous year: 5,193).

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NUMBER OF EMPLOYEES

	2017	2016*
Bathroom and Wellness	5,221	4,945
Tableware	2,322	2,401
Other	547	548
Average	**8,090**	**7,894**

* Prior year figures adjusted

47. OTHER TAXES

The cost of other taxes was € -4.5 million in the reporting period (previous year. € -3.0 million). Companies in Germany accounted for € -0.8 million (previous year: € -0.8 million) and Group companies abroad for € -3.7 million (previous year: € -3.1 million).
"Other taxes" include mainly real estate tax expenses of € -1.0 million (previous year: € -1.8 million), expenses for the French "contribution economique territoriale" of € -0.8 million (previous year: € -0.7 million) and the French "taxe organic" of € -0.1 million (previous year: € -0.1 million).

NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

48. CASH FLOW FROM OPERATING ACTIVITIES

Cash flow from operating activities is calculated by using the indirect method. Here, the Group result after taxes is adjusted for non cash income and expenses, such as depreciation and amortisation, and changes in operating assets affecting cash are taken into account.
The net cash flow from operating activities amounted to € 41.0 million, down € 36.9 million on the previous year. This change results essentially from an increase in current assets of € 9.8 million, a rise in current liabilities of € 8.8 million and tax payments of € 10.2 million.

[illegible]

In € million

	2017	2016
Expenses/income from deferred taxes	5.5	-2.7
Interest from the provision for pensions and similar obligations	2.5	4.4
Additions to tax provisions	0.5	10.1
Income from property	0.0	-1.7
Other non-cash items	0.5	-0.3
Total	**9.0**	**9.8**

49. CASH FLOW FROM INVESTING ACTIVITIES

The cash flow from investing activities changed by € 7.4 million as against the previous year to € -27.3 million (previous year: € -19.9 million). We invested € 35.9 million in new intangible assets and property, plant and equipment (previous year: € 26.2 million) and € 11.5 million in financial assets (previous year: € 0.5 million) in the reporting period. The Villeroy & Boch Group generated proceeds of € 20.1 million from disposals of assets, including in particular the sale of [illegible] tableware plant in Luxembourg in the amount of € 14.3 million (see note 6) and the sale of property in Gustavsberg in the amount of € 2.5 million (previous year: € 2 [illegible]).

50. CASH FLOW FROM FINANCING ACTIVITIES

Net cash used in financing activities amounted to € -14.1 million (previous year: € -12.3 million). The cash outflow in the reporting year, as in the previous year, was due mainly to the payment of the dividend to the shareholders of Villeroy & Boch AG. The other shareholders of Argent Australia Pty. Ltd. received a dividend of € 1.1 million (see note 2).

51. CASH AND CASH EQUIVALENTS

As at the end of the reporting period, cash and cash equivalents amounted to € 108.7 million (previous year: € 111.2 million), a decrease of € 2.5 million as against the previous year.

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NOTES TO THE GROUP SEGMENT REPORT

52. GROUP SEGMENT REPORT

The Villeroy & Boch Group is divided into the operating [illegible] ries. The product range is rounded off by sauna and spa facilities, kitchen fittings and accessories, among other [illegible]

[illegible] supplemented by accessories.

[illegible] mining the divisions' earnings power. Furthermore, the [illegible] the earnings power of the Group and the individual divi- [illegible]

In € million

	Revenue from external customers		Intersegment revenue		Total	
	2017	2016	2017	2016	2017	2016
Bathroom and Wellness	558.1	524.4	0.0	0.0	558.1	524.4
Tableware	278.4	295.7	0.0	0.0	278.4	295.7
Total segment revenue	**836.5**	**820.1**	**0.0**	**0.0**	**836.5**	**820.1**
Eliminations	0.0	0.0	0.0	0.0	0.0	0.0
Consolidated revenue	**836.5**	**820.1**	**0.0**	**0.0**	**836.5**	**820.1**

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[illegible]

In € million	31/12/2017	31/12/2016
Bathroom and Wellness	41.0	36.2
Tableware	8.8	9.7
Real estate income from Gustavsberg	0.0	1.7
Operating result (EBIT)	**49.8**	**47.6**
Net finance cost (see notes 39 and 40)	−4.4	−6.0
Earnings before taxes	**45.4**	**41.6**
Income taxes (see note 41)	−15.6	−12.5
Group result	**29.8**	**29.1**

The following assets and liabilities were assigned to the divisions.

In € million	Assets		Liabilities		Net assets	
	31/12/2017	**31/12/2016**	**31/12/2017**	**31/12/2016**	**31/12/2017**	**31/12/2016**
Bathroom and Wellness	358.8	329.5	157.6	141.4	201.2	188.1
Tableware	124.4	125.1	42.7	49.5	81.7	75.6
Reconciliation	203.9	221.7	292.2	312.8	−88.3	−91.1
Total	**687.1**	**676.3**	**492.5**	**503.7**	**194.6**	**172.6**

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

In € million	Rolling assets		Rolling liabilities		Rolling net assets	
	31/12/2017	**31/12/2016**	**31/12/2017**	**31/12/2016**	**31/12/2017**	**31/12/2016**
Bathroom and Wellness	339.3	333.8	137.2	125.2	202.1	208.6
Tableware	120.8	126.9	42.5	43.0	78.3	83.9
Total	**460.1**	**460.7**	**179.7**	**168.2**	**280.4**	**292.5**

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[illegible] Segment liabilities include provisions, trade payables and [illegible]

Other segment information:

In € million

	Additions to intangible assets and property, plant and equipment		Depreciation and amortisation	
	31/12/2017	31/12/2016	31/12/2017	31/12/2016
Bathroom and Wellness	29.0	19.1	−19.0	−18.6
Tableware	6.9	7.1	−7.2	−8.7
Total	**35.9**	**26.2**	**−26.2**	**−27.3**

Depreciation and amortisation relates to the intangible assets and property, plant and equipment allocated to the individual divisions. The Tableware Division reported impairment losses of € 0.1 million in the previous year (see note 5). Other financial assets were impaired by € 0.4 million in the previous year (see note 9).

The following table shows the revenue from external customers and non-current assets by domicile of the respective national companies:

In € million

	External revenue		Non-current assets*	
	31/12/2017	31/12/2016	31/12/2017	31/12/2016
German companies	416.5	415.9	77.0	73.7
Rest of euro zone	142.3	147.0	24.7	26.4
Rest of world	277.7	257.2	100.9	106.0
Total	**836.5**	**820.1**	**202.6**	**206.1**

* In accordance with IFRS 8.33 (b)

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OTHER NOTES

53. FINANCIAL INSTRUMENTS

[illegible] IAS 39. The following categories were [illegible]

- [illegible]

- [illegible] in third-party companies, debt instruments [illegible] fund shares. Listed assets are [illegible] Changes in value [illegible] to equity [illegible] or loss upon realization of the bond. [illegible] measured at amortised costs.

- [illegible] uses financial derivatives exclusively to reduce the risks of [illegible]. These are recognised in the statement of financial position at [illegible] hedged item and [illegible] at the inception [illegible] IAS 39 are reported outside profit or loss. [illegible] in the market value [illegible] offsetting change in the fair value of the hedging instrument. The cumulative [illegible] later reported in profit [illegible] hedged item is recognised in the statement of comprehensive income. Ineffective [illegible] are taken directly to [illegible]

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List of financial instruments

The Villeroy & Boch consolidated statement of financial
[illegible]

In € million

			Amounts measured under IAS 39						
			Nominal value	Amortised cost		Fair value			
	Carrying amount as at 31 Dec. 2017	**Amounts not measured under IAS 39**	**Cash reserve**	**Loans and receivables**	**Available for sale**	**Available for sale**	**Cash flow hedges**	**Carrying amount as at 31 Dec. 2017**	**Fair value as at 31 Dec. 2017**
Cash and cash equivalents (note 15)	108.7	–	108.7	–	–	–	–	108.7	108.7
Trade receivables (note 12)	127.2	–	–	127.2	–	–	–	127.2	127.2
Other financial assets (note 9)	14.8	–	–	3.9	2.2	8.7	–	14.8	14.8
Other assets (note 13)	29.0	11.5	–	13.0	–	–	4.5	17.5	17.5
			108.7	**144.1**	**2.2**	**8.7**	**4.5**	**268.2**	**268.2**
Other assets not recognised under IAS 39 (a)								11.5	–
Non-current assets – not including other financial assets (note 9)								212.5	–
Inventories (see note 11)								154.6	–
Deferred tax assets (see note 10) and income tax receivables (see note 14)								39.8	–
Assets held for sale (see note 16)								0.5	–
Total assets								**687.1**	**–**

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In € million

	Carrying amount as at 31 Dec. 2017	Amounts not measured under IAS 39	Amounts measured under IAS 39: Amortised cost	Amounts measured under IAS 39: Fair value	Carrying amount as at 31 Dec. 2017	Fair value as at 31 Dec. 2017
			Liabilities	**Cash flow hedges**		
Trade payables (note 31)	83.5	–	83.5	–	83.5	83.5
Financial liabilities (note 29)	51.1	–	51.1	–	51.1	51.1
Other liabilities (note 30)	97.2	35.4	61.8	–	61.8	61.8
			196.4	**0.0**	**196.4**	**196.4**
Other liabilities not recognised under IAS 39 (b)					35.4	–
Equity					194.6	–
Non-current and current provisions (c)					250.8	–
Deferred tax liabilities (see note 10) and income tax liabilities					9.9	–
Total equity and liabilities					**687.1**	–

(a) The other assets not recognised under IAS 39 are tax receivables and prepaid expenses (see note 13).

(b) The other liabilities not recognised under IAS 39 are personnel liabilities, other tax liabilities and deferred income (see note 30).

(c) The non-current and current provisions include provisions for pensions (see note 26), provisions of personnel (see note 27) and other provisions (see note 28).

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The following financial instruments were included in the
[illegible]

In € million

			Amounts measured under IAS 39						
			Nominal value	Amortised cost		Fair value			
	Carrying amount as at 31 Dec. 2016	**Amounts not measured under IAS 39**	**Cash reserve**	**Loans and receivables**	**Available for sale**	**Available for sale**	**Cash flow hedges**	**Carrying amount as at 31 Dec. 2016**	**Fair value as at 31 Dec. 2016**
Cash and cash equivalents (note 15)	111.2	–	111.2	–	–	–	–	111.2	111.2
Trade receivables (note 12)	116.0	–	–	116.0	–	–	–	116.0	116.0
Other financial assets (note 9)	10.1	–	–	6.5	2.1	1.5	–	10.1	10.1
Other assets (note 13)	42.7	12.8	–	25.9	–	–	4.0	29.9	29.9
			111.2	**148.4**	**2.1**	**1.5**	**4.0**	**267.2**	**267.2**
Other assets not recognised under IAS 39 (a)								12.8	–
Non-current assets – not including other financial assets (note 9)								204.3	–
Inventories (see note 11)								141.4	–
Deferred tax assets (see note 10) and income tax receivables (see note 14)								50.1	–
Assets held for sale (see note 16)								0.5	–
Total assets								**676.3**	–

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In € million

	Carrying amount as at 31 Dec. 2016	Amounts not measured under IAS 39	Amounts measured under IAS 39 – Amortised cost – Liabilities	Amounts measured under IAS 39 – Fair value – Cash flow hedges	Carrying amount as at 31 Dec. 2016	Fair value as at 31 Dec. 2016
Trade payables (note 31)	77.2	–	77.2	–	77.2	77.2
Financial liabilities (note 29)	50.5	–	50.5	–	50.5	50.5
Other liabilities (note 30)	86.8	34.0	51.9	0.9	52.8	52.8
			179.6	**0.9**	**180.5**	**180.5**
Other liabilities not recognised under IAS 39 (b)					34.0	–
Equity					172.6	–
Non-current and current provisions (c)					273.7	–
Deferred tax liabilities (note 10) and income tax liabilities					15.5	–
Total equity and liabilities					**676.3**	–

(a) The other assets not recognised under IAS 39 are tax receivables and prepaid expenses (see note 13).

(b) The other liabilities not recognised under IAS 39 are personnel liabilities, other tax liabilities and deferred income (see note 30).

(c) The non-current and current provisions include provisions for pensions (see note 26), provisions of personnel (see note 27) and other provisions (see note 28).

[illegible] maturities of cash and cash equivalents, trade receivables, other receivables, trade payables and other liabilities, it is assumed that the fair values are the carrying amounts. The fair values of other receivables and held to maturity investments are calculated as the present values of future expected payments. Standard, matched maturity interest rates are used for discounting. The fair values of currency forwards and foreign currency positions are determined using market prices as at the end of the reporting period.

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Basis of fair value measurement

[illegible] and yield curves. Quoted prices are used to measure the securities of the Villeroy & Boch support fund and free invest[illegible].

Management of financial instruments

A common feature of all primary and derivative financial instruments is a future claim to cash. Accordingly, the Villeroy & Boch Group is subject in particular to risks of [illegible]

[illegible] tional and effective risk management system with a clear [illegible]

Management of exchange rate risks

[illegible] out after the end of the reporting period 31 December 2017:

In € million

	Assets as at end of reporting period		Liabilities as at end of reporting period	
	Transaction volume	**Changes in fair value**	**Transaction volume**	**Changes in fair value**
Within the next three months	11.5	0.4	8.9	0.2
In three to six months	11.5	0.4	9.0	0.2
In six to twelve months	23.2	0.8	15.8	0.4
After twelve months	26.2	1.8	5.2	0.2
Total	**72.4**	**3.4**	**38.9**	**1.0**

As at the reporting date, around 30 % of planned foreign currency revenues in [illegible] currencies were still unhedged. This essentially relates to the foreign currencies Russian rouble (RUB), pound (GBP) and Swedish krone (SEK). In the event of a change in the respective exchange rates of +/−10 % and assuming that all other variables remained constant, the carrying amounts at 31 December 2017 would have been € 5.2 million higher/lower (previous year: € 2.6 million). As in the previous year, these two scenarios would have had no effect on the statement of comprehensive income.

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Management of commodity price risks

[illegible] tions in the fair value or future cash flows from financial [illegible] strategy of the Villeroy & Boch Group is described in the management report under "Management of other price [illegible]

[illegible] place are due after the balance sheet date 31 December 2017:

In € million

	Assets as at end of reporting period	
	Transaction volume	**Changes in fair value**
Within the next three months	0.5	0.3
In three to six months	0.5	0.5
In six to twelve months	1.0	0.5
After twelve months	–	–
Total	**2.0**	**1.3**

[illegible] ning for the 2018 financial year, there is an unhedged brass position totalling 678 [illegible] 1.068 [illegible] [illegible] −10 % and as [illegible] ing amounts at 31 December 2017 would have been € 0.4 [illegible] lion higher/lower (previous year: € 0.3 million). [illegible] on the statement of comprehensive income in 2017.

[illegible]

Management of interest rate risks

[illegible]

The Villeroy & Boch Group is exposed to market fluctuations [illegible] sensitivity analysis before tax effects, in the event of a theoretical change in interest rates in the 2017 financial year of +/−50 bp and assuming all other variables remained constant, the net finance cost would have been € 0.3 [illegible] higher/lower (previous year: +/−€ 0.2 [illegible]).

Management of default and credit risks

Default and credit risks describe the uncertainty of a [illegible] obligations, such as customers for trade receivables or banks for cash investments. The Villeroy & Boch Group has taken extensive measures to reduce this risk, which are described in the management [illegible]

Management of liquidity risks

[illegible] Villeroy & Boch Group is able to meet its obligations and [illegible] report under "Management [illegible] and cash equivalents (see note 15) and borrowings (see note 20) are used to manage liquidity. Based on the con- [illegible] financial liabilities, cash outflows are [illegible] following time bands:

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In € million

		Cash flow expected in the following time bands			
	Carrying amount as at 31 Dec.	**Gross**	**Within three months**	**Between four months and one year**	**Between one and five years**
Trade payables	77.2	77.2	77.2	–	–
Current and non-current financial liabilities (a)	50.5	68.0	14.6	1.0	52.4
Other liabilities	51.9	46.5	44.1	1.0	1.4
Cash flow hedge liabilities (b)	0.9	46.2	9.3	23.5	13.4
Total as at 31 Dec. 2016	**180.5**	**237.9**	**145.2**	**25.5**	**67.2**
Trade payables	83.5	83.5	83.5	–	–
Non-current and current financial liabilities (a)	51.1	67.6	14.2	1.0	52.4
Other liabilities	57.8	46.4	44.4	0.5	1.5
Cash flow hedge liabilities (b)	1.0	38.9	8.9	24.8	5.2
Total as at 31 Dec. 2017	**193.4**	**236.4**	**151.0**	**26.3**	**59.1**

(a) The cash flow from current and non-current financial liabilities includes future interest payments of € 2.4 million (previous year: € 3.3 million) that will not be incurred until after 31 December 2017.

(b) The [illegible] cash flow hedge liabilities in the amount of € 38.8 million (previous year: € 46.2 million) is offset by the opposing effects of the respective hedged items. As at the end of the reporting period, a net effect of € 1.0 million (previous year: € 0.9 million) is forecast, equal to the statement of financial position item. € 0.2 million of this will be settled in the next three months (previous year: € 0.3 million).

In liquidity planning, recognised liabilities are carried at their payment amount on maturity. This takes into account future interest not shown in the statement of financial position as at the end of the reporting period as it is not incurred until later financial years.

Net income from financial instruments

[illegible] Villeroy & Boch Group [illegible] a net result of € −2.3 million (previous year: € 0.3 million) from the use of primary and derivative financial instruments. [illegible] hedges [illegible] note 21 [illegible]

54. CONTINGENT LIABILITIES AND COMMITMENTS

There [illegible] contingent liabilities and commitments [illegible] Villeroy & Boch Group:

In € million

	31/12/2017	31/12/2016
Guarantees	42.8	34.0
Trustee obligations	0.1	0.1

The maximum guarantee commitments assumed that can be claimed from the Villeroy & Boch Group are shown. Guarantees were essentially provided by Villeroy & Boch AG to the benefit of banks and lessors.

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55. OTHER FINANCIAL OBLIGATIONS

[illegible]

In € million	31/12/2017	31/12/2016
Obligations arising from orders placed:		
▪ for investments in intangible assets	0.1	0.1
▪ for investments in property, plant and equipment	2.1	5.5

59.0 % of the obligations to acquire property, plant and equipment in the amount of € 2.1 million related to Villeroy & Boch AG, followed by Villeroy & Boch Gustavsberg AB (24.8 %) and Villeroy et Boch S.A.S. (7.4 %). In the previous year, 91.6 % related to Villeroy & Boch AG, followed by Ucosan B.V. (4.6 %) and Villeroy & Boch Gustavsberg AB (1.7 %).

56. RELATED PARTY DISCLOSURES

Related company disclosures

In the course of our operating activities, we purchase materials, components 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 some that have relationships with companies or members of the executive bodies of Villeroy & Boch AG. All transactions are conducted at arm's length conditions.

Villeroy & Boch AG, Germany, is the ultimate controlling company of the Villeroy & Boch Group. Transactions between Villeroy & Boch AG and its subsidiaries and between individual subsidiaries primarily relate to the exchange of work in process, finished goods and merchandise and services. These transactions were eliminated in accordance with the consolidation principles (see note 3) and are not discussed in this section.

The Villeroy & Boch Group accounts for two companies using the equity method (see note 8). The V & B Lifestyle India Private Limited was founded in 2013 for the sale and distribution of the tableware products in India. It has three sales offices as at the end of the reporting period (previous year: [illegible] Group. No goods or services were provided to or by the [illegible]

There were no other significant transactions with related [illegible] transactions are [illegible]

Related person disclosures

The Group's related persons include shareholders able to [illegible] Villeroy & Boch AG, persons in key [illegible] Supervisory Board and the Management Board are considered persons in key positions. The following [illegible] remuneration of this group of persons:

In € million	2017	2016
Current employee benefits	4.2	4.1
Post-employment benefits	1.6	1.9
Termination benefits	–	–
Total	**5.8**	**6.0**

Relatives of this group of persons employed within the Villeroy & Boch Group receive the compensation based on their position and function paid independently of the identity of the person in that position.

There were no other significant transactions with related persons in the period under review. All transactions are conducted at arm's length conditions.

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57. REMUNERATION OF THE SUPERVISORY BOARD AND MANAGEMENT BOARD

Supervisory Board remuneration

[illegible] Boch AG, the members of the Supervisory Board are entitled [illegible]

[illegible] the Supervisory Board amounts to € 24,000. The Chairman receives an additional € 53,000, while the Deputy Chairman receives an additional € 10,500. Members of the Super[illegible] Board receive a fee of € 1,500 for each meeting of the full [illegible]

The Chairman of the Audit Committee receives € 10,000 [illegible] Investment Committee and the Human Resources Committee each receive € 4,000 p.a. [illegible] of the respective committees each receive an additional € 2,500 p.a.

[illegible] muneration of an additional € 105 for each cent per share by which the dividend payable to shareholders exceeds 10.5 cents. The shareholder dividend is calculated as the [illegible]

[illegible] value added tax incurred. Members are only entitled to [illegible]

The members of the Supervisory Board of Villeroy & Boch AG received the following remuneration for performing their [illegible]

In € thousand

	Fixed remunera-tion	Meeting fees	Variable remunera-tion for 2016	Total	Previous year
Yves Elsen[2*,3*]	71	9	8	88	42
Peter Prinz Wittgenstein[1*,2,3]	56	9	8	73	66
Ralf Runge[4]	41	9	8	58	53
Dietmar Langenfeld[2,4]	27	9	8	44	42
Werner Jäger[1,4]	27	8	8	43	42
Francesco Grioli[3,4]	27	8	8	43	40
Dr Alexander von Boch-Galhau	24	9	8	41	39
Dominique Villeroy de Galhau	24	9	8	41	32
Dietmar Geuskens[4]	24	9	8	41	37
Christina Rosenberg	24	4	8	36	37
Susanne Ollmann	24	9	0	33	0
Wendelin von Boch-Galhau (until 03/2017)	20	1	8	29	98
Dr Renate Neumann-Schäfer (since 03/2017)[1]	20	6	–	26	-
Bernhard Thömmes (until 11/2016)	–	–	7	7	37
François Villeroy de Galhau (until 10/2015)	–	–	–	–	5
Rounding	–2	–	–1	–3	–
Total	**407**	**99**	**94**	**600**	**570**

1) Audit Committee
2) Investment Committee
3) Human Resources Committee
4) Remuneration is deducted in accordance with DGB guidelines for the deduction of supervisory board remuneration.
* Chairman of the respective committee

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A total expense of € 768 thousand was reported in the Group result for the 2017 financial year (previous year: € 808 [illegible] and the meeting fees for 2017. this figure includes € 98 [illegible] sand (previous year: € 89 [illegible] variable remuneration and the reimbursement of other expenses in the amount of € 66 [illegible] € 05 [illegible] € 98 thousand (previous year: € 168 [illegible]

Management Board remuneration

An expense of € 2,036 thousand (previous year: € 2,898 thousand) is reported in the income statement for the 2017 financial year. This figure is composed of fixed (€ 1,504 [illegible] previous year: € 1,533 [illegible] nents (€ 1,432 thousand, previous year: € 1,305 [illegible] neration in the amount of € 671 [illegible] € 664 [illegible] amount of € 761 thousand (previous year: € 701 [illegible] € 64 thousand (previous year: € 71 thousand), including € 2 thousand (previous year: € 2 [illegible]

[illegible] ment Board amount to € 20,672 [illegible] € 23,855 [illegible] former members of the Management Board received pension benefits totalling € 1,538 thousand (previous year: € 1,598 thousand).

The provisions of section 314 (3) sentence 1 HGB in conjunction with section 286 (5) HGB apply with respect to the disclosure of the individual remuneration paid to members of the Management Board up to and including the 2018 financial year.

58. AUDITORS' FEES AND SERVICES

[illegible] as follows:

In € million	2017	2016
Audits of financial statements	0.4	0.4
Other assurance or valuation services	–	–
Tax advisory services	0.0	0.1
Other services	0.2	0.1

59. DECLARATION OF CONFORMITY WITH THE GERMAN CORPORATE GOVERNANCE CODE IN ACCORDANCE WITH SECTION 161 AKTG

[illegible] the German Corporate [illegible] section 161 AktG (German Stock Corporation Act) for the 2017 financial year was sub[illegible] Management Board and the Supervisory Board of Villeroy & Boch AG on 29 November 2017. The declarations [illegible] on the Internet

60. EVENTS AFTER THE END OF THE REPORTING PERIOD

There are currently no significant events that took place [illegible] financial year

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61. LIST OF SHAREHOLDINGS

	Fully consolidated subsidiaries	Villeroy & Boch AG investment		
	Germany	**Direct**	**Indirect**	**Total**
1.	Gästehaus Schloß Saareck Betreibergesellschaft mbH, Mettlach[1]	100	–	100
2.	Heinrich Porzellan GmbH, Selb[1]	100	–	100
3.	INTERMAT – Beteiligungs- und Vermittlungsgesellschaft mbH, Mettlach[1]	100	–	100
6.	Keraco GmbH, Wadgassen	100	–	100
4.	Sales Design Vertriebsgesellschaft mbH, Merzig[1]	100	–	100
5.	Sanipa Badmöbel Treuchtlingen GmbH, Treuchtlingen[1]	100	–	100
7.	V&B International GmbH, Mettlach[1]	100	–	100
8.	VilboCeram GmbH, Mettlach[1]	100	–	100
9.	Villeroy & Boch Creation GmbH, Mettlach[1]	100	–	100
10.	Villeroy & Boch Gastronomie GmbH, Mettlach[1]	100	–	100
11.	Villeroy & Boch Interior Elements GmbH, Mettlach[1]	100	–	100
12.	Villeroy & Boch K-Shop GmbH, Mettlach[1]	100	–	100
	Abroad	**Direct**	**Indirect**	**Total**
13.	Argent Australia Pty. Ltd., Brisbane (Australien)	45.36	–	45.36
14.	Delfi Asset S.A., Luxemburg (Luxembourg)	–	100	100
15.	EXCELLENT INTERNATIONAL HOLDINGS LIMITED, Hongkong (China)	100	–	100
16.	Kiinteistö Oy, Helsinki (Finland)	–	100	100
17.	Villeroy & Boch Gustavsberg Oy, Helsinki (Finland)	–	100	100
18.	Rollingergrund Premium Properties SA, Luxemburg (Luxembourg)	99.44	–	99.44
19.	S.C. Mondial S.A., Lugoj (Romania)	100	–	100
20.	Ucosan B.V., Roden (Netherlands)	–	100	100
21.	Vilbomex S.A. de C.V., Ramos Arizpe (Mexico)	–	100	100
22.	Vilbomex Inmobiliaria S. de R.L. de C.V., Ramos Arizpe (Mexico)	–	100	100
23.	Vilbona Mexiko S.A. de C.V., Ramos Arizpe (Mexico)	–	100	100
24.	Villeroy & Boch (Thailand) Co. Ltd., Saraburi (Thailand)	16.51	83.49	100
25.	Villeroy & Boch (U.K.) Ltd., London (UK)	–	100	100
26.	Villeroy & Boch Arti della Tavola S.r.l., Mailand (Italy)	0.2	99.8	100
27.	Villeroy & Boch Asia Pacific Pte. Ltd., Singapur (Singapore)	100	–	100
28.	Villeroy & Boch Australia Pty. Ltd., Brookvale (Australia)	–	100	100
29.	Villeroy & Boch Austria GmbH, Mondsee (Austria)	100	–	100
30.	Villeroy & Boch Belgium S.A., Brüssel (Belgium)	99.99	0.01	100
31.	Villeroy & Boch Czech s.r.o., Prag (Czech Rupublic)	100	–	100
32.	Villeroy & Boch Danmark A/S, Rødovre (Denmark)	–	100	100

1) Section 264 (3) HGB is applied to this subsidiary.
* Section 313 (3) HGB is applied to two German investments.

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	Abroad (Continuation)	Direct	Indirect	Total
33.	Villeroy & Boch Gustavsberg AB, Gustavsberg (Sweden)	100	–	100
34.	Villeroy & Boch Hogar S.L., Barcelona (Spain)	–	100	100
35.	Villeroy & Boch Magyarország Kft., Hódmezővásárhely (Hungary)	44	56	100
36.	Villeroy & Boch MC S.àr.l., Monaco (Monaco)	100	–	100
37.	Villeroy & Boch Norge AS, Lorenskog (Norway)	99.99	0.01	100
38.	Villeroy & Boch OOO, Moskau (Russia)	–	100	100
39.	Villeroy & Boch Polska Sp. z o.o., Warschau (Poland)	100	–	100
40.	Villeroy & Boch S.àr.l., Faiencerie de Septfontaines-lez-Luxembourg, Luxemburg (Luxembourg)	–	100	100
41.	Villeroy & Boch Sales India Private Limited, Mumbai (India)	100	–	100
42.	Villeroy & Boch (Schweiz) AG, Lenzburg (Switzerland)	99.99	0.01	100
43.	Villeroy & Boch Tableware (Far East) Ltd., Hongkong (China)	–	100	100
44.	Villeroy & Boch Tableware B.V., Oosterhout (Netherlands)	100	–	100
45.	Villeroy & Boch Tableware Japan K.K., Tokio (Japan)	–	100	100
46.	Villeroy & Boch Tableware Ltd., Toronto (Canada)	–	100	100
47.	Villeroy & Boch Tableware Oy, Helsinki (Finland)	–	100	100
48.	Villeroy & Boch Trading (Shanghai) Co. Ltd., Shanghai (China)	100	–	100
49.	Villeroy & Boch Ukraine TOV, Kiew (Ukraine)	100	–	100
50.	Villeroy & Boch USA Inc., New Jersey (USA)	–	100	100
51.	Villeroy & Boch Wellness N.V., Roeselare (Belgium)	99.99	0.01	100
52.	Villeroy et Boch Arts de la Table S.A.S., Paris (France)	–	100	100
53.	Villeroy et Boch S.A.S., Paris (France)	100	0	100

	Investments accounted for using the equity method	Direct	Indirect	Total
54.	V & B Lifestyle India Private Limited, Gurgaon (India)	50	–	50

* Section 313 (3) HGB is applied to two German investments.

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62. DEVELOPMENTS WITHIN THE IFRS RULES

The following pronouncements by the international standard- [illegible] financial years beginning after 31 December 2016:

Standard		Name
IAS	7	Amendments to IAS 7: Disclosure Initiative
IAS	12	Amendments to IAS 12: Recognition of Deferred Tax Assets for Unrealised Losses

The application of these new standards had no material effect on the accounting policies of the Villeroy & Boch Group.

The following IASB pronouncements were endorsed by the EU and were not yet effective for the past 2017 financial year:

Standard		Name
IFRS	9	Financial Instruments (effective for financial years beginning on or after 1 January 2018)
IFRS	15	Revenue from Contracts with Customers (effective for financial years beginning on or after 1 January 2018)
IFRS	15	Clarification of IFRS 15 Revenue from Contracts with Customers (effective for financial years beginning on or after 1 January 2018)
Various		Amendments to IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (effective for financial years beginning on or after 1 January 2018)
IFRS	16	Leases (effective for financial years beginning on or after 1 January 2019)

Implications relevant to the Villeroy & Boch Group are expected from the adoption of these new IFRSs exclusively in connection with IFRS 9 "Financial Instruments", IFRS 15 "Revenue from Contracts with Customers" and IFRS 16 "Leases". These standards will be adopted in the Group for the first time as at their respective effective date in the EU.

IFRS 9 "Financial Instruments" describes the classification and measurement of financial instruments and hedge [illegible] 39 [illegible] business [illegible] amortised cost or at fair value, with remeasurement gains and losses recognised either [illegible] loss. Trade receivables, the Villeroy & Boch Group's most [illegible] 53), [illegible] amortised cost.

[illegible] financial asset is [illegible] This means impairment [illegible] We expect the exercise of this option to result in a slight increase in impairment losses (see note 12).

With regard to hedge accounting, IFRS 9 takes over the fundamental requirements of IAS 39 unchanged. Relief is only provided with respect to recognising hedging relationships and determining hedge effectiveness, meaning that effectiveness is no longer required to be demonstrated retrospectively. For the purposes of prospective effectiveness testing, it is sufficient for the reporting entity to demonstrate that the hedged item and the hedging instrument have identical terms. Own use contracts, which the Villeroy & Boch Group uses for purposes such as hedging the price of physical energy deliveries, do not fall within the scope of hedge accounting and will continue to be recognised in accordance with IAS 37.

As required by the EU, we will apply the new IFRS 9 to reporting periods beginning on or after 1 January 2018.

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[illegible] *15 "Revenue from Contracts with Customers"* [illegible] 1 January 2018 [illegible] including IAS 18 "Revenue", IAS 11 "Construction Contracts" and IFRIC 13 "Customer Loyalty Programmes", from this [illegible] recognition and measurement [illegible] to be applied to contracts with customers across all industries. [illegible] disclosures in the notes [illegible]
In the 2017 financial year, the project ongoing at the Villeroy & Boch Group since 2016 for the launch of IFRS 15 [illegible] impact of IFRS 15 regard[illegible] providing the operating Group companies with technical [illegible]
The Group is not anticipating significant transition effects [illegible] IFRS 15 overall; there have therefore been no material new findings compared to the initial impact analysis performed in 2016. The following areas relevant to the Villeroy & Boch [illegible] examined:

- Timing of revenue recognition: In accordance with IFRS 15, revenue is recognised when the customer obtains control of the goods or services. In view of the usual timing of the recognition of revenue from transactions for the sale of our products – for which we use both simple sales chan- nels and also consignment or commission models – no changes will arise under the new regulations.

- Amount and reporting of revenue: Relevant specifications in the standard regarding sales deductions, payments to customers, rights of return and principal agent relation- ships are already implemented in our current accounting practice; the amount of revenue recognised from the op- erative sale of our products will therefore not be influenced.

- [illegible] granted to third parties are recognised in line with the revenue generated from the sale of licensed products. IFRS 15 does not result in any changes in this regard. However, as part of the first-time adoption of the new [illegible] note 36) [illegible]

[illegible] Villeroy & Boch [illegible] the modified retrospec- tive method for the first-time adoption of IFRS 15 for the [illegible] 1 January 2018. Using this tran- sition method, the amounts of adjustments compared to [illegible] IAS 18 accounting for every item of the financial statements affected will be disclosed separately in the 2018 [illegible] that would have to be recognised cumulatively in the opening [illegible] 1 January 2018.

IFRS 16 [illegible] accounting treatment and dis- [illegible] supersedes the guidance of IAS 17 "Leases" and various interpretations.
In accordance with IFRS 16, a contract is, or contains, a lease [illegible] asset for a period of time in exchange for consideration. In future, the lessee must recog- [illegible] holds the right to use the leased asset (the "right-of-use asset"). Recognition exemptions are available for short-term and low-value leases. The cost of the right-of-use asset includes the present value of the lease liability as well as any additional payments at or prior to conclusion of the lease, other direct costs incurred by the lessee and any restoration or demolition obligations. When calculating lease payments, there is an option regarding the consideration of remuneration for additional services, such as for maintenance expenses. Lease incentives, i.e. payments by the lessor to the lessee, are deducted from the cost of the asset. The present value of the lease liability is the sum of all outstanding lease payments discounted to the date of initial recognition. The right-of-use asset is subsequently measured at amortised cost in accordance with the principles of IAS 16 "Property, Plant and Equipment".

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[illegible] payments continue to be reported in net cash from operating activities.

IFRS 16 extends the disclosure requirements for lease transactions in the notes to the lessee's consolidated financial statements.

For lessors, IFRS 16 [illegible] change to the accounting treatment of the assets [illegible].

According to the IASB, IFRS 16 "Leases" is effective for reporting periods beginning on or after 1 January 2019. For existing leases, the modified retrospective approach can be applied for transition purposes. Under this method, lease liabilities are compared with right-of-use assets of the same value. Prior-year comparative disclosures are not required. The accounting treatment is not required to be converted in the case of contracts with a remaining term of less than one year at the transition date. We are examining the potential consequences of the new standard. As required by the EU, we will apply the new IFRS 16 to reporting periods beginning on or after 1 January 2019. The exact quantitative effects of the aforementioned new standard will be determined in the 2018 financial year.

The EU has not yet adopted the following IASB pronouncements:

Standard		Name
New standards:		
IFRS	17	Insurance Contracts (issued on 18 May 2017)
IFRS	22	Foreign Currency Transactions and Advance Consideration (issued on 8 December 2016)
IFRIC	23	Uncertainty over Income Tax Treatments (issued on 7 June 2017)
Changes and additions to existing standards:		
IFRS	2	Amendments to IFRS 2: Classification and Measurement of Share-based Payment Transactions (issued on 20 June 2016)
IFRS	9	Amendments to IFRS 9: Prepayment Features with Negative Compensation (issued on 12 October 2017)
IAS	28	Amendments to IAS 28: Long-term Interests in Associates and Joint Ventures (issued on 12 October 2017)
IAS	40	Amendments to IAS 40: Transfers of Investment Property (issued on 8 December 2016)
Various		Annual Improvements to IFRS Standards 2014–2016 Cycle (issued on 8 December 2016)
Various		Annual Improvements to IFRS Standards 2015–2017 Cycle (issued on 12 December 2017)

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[illegible]

IFRIC 23 applies, among other things, to unused tax losses (see note 10) and to the determination of tax rates (see note 41) [illegible] treatment when they are measured. Either the most probable [illegible] probability. IFRIC 23 is effective for reporting periods beginning [illegible] 1 January 2019.

[illegible] IAS 40 serves to clarify cases in which the classification of a property as "investment property" [illegible] Within our investment property port[illegible] (see note 7). The amended IAS 40 is effective for reporting periods beginning on or after 1 January 2018.

[illegible] Boch Group.

[illegible]

Standard	First-time adoption
IFRS 14 Regulatory Deferral Accounts (issued on 30 January 2014)	01/01/16
Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (issued on 11 September 2014)	01/01/16

As they have not been implemented in EU law, the Villeroy & Boch Group is not permitted to apply these [illegible] consolidated financial statements in accordance with section 315e(1) [illegible] Villeroy & Boch Group would not be affected by [illegible]

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ADDITIONAL INFORMATION

INDEPENDENT AUDITOR'S REPORT

TO VILLEROY & BOCH AKTIENGESELLSCHAFT

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS AND OF THE GROUP MANAGEMENT REPORT

Opinions

We have audited the consolidated financial statements of Villeroy & Boch Aktiengesellschaft, Mettlach, and its subsidiaries (the Group), which comprise the consolidated balance sheet as at 31 December 2017, consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement for the fiscal year from 1 January 2017 to 31 December 2017 and the notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the Group management report of Villeroy & Boch Aktiengesellschaft for the fiscal year from 1 January 2017 to 31 December 2017.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to Sec. 315e(1) HGB ["Handelsgesetzbuch": German Commercial Code] and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as at 31 December 2017, and of its financial performance for the fiscal year from 1 January 2017 to 31 December 2017, and
- [illegible] position. In [illegible] management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents [illegible] development.

Pursuant to Sec. 322 (3) Sentence 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the Group management report.

Basis for the opinions

We conducted our audit of the consolidated financial statements and of the Group management report in accordance with Sec. 317 HGB and the EU Audit Regulation (No 537/2014, referred to subsequently as "EU Audit Regulation") and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements and of the Group management report" section of our auditor's report. We are independent of the group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Art. 10 (2) f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Art. 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions on the consolidated financial statements and on the Group management report.

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Key audit matters in the audit of the consolidated financial statements

[illegible] uary 2017 to 31 December 2017. These matters were addressed in the context of our audit of the consolidated financial [illegible]

[illegible]

1. Measurement of inventories

Reasons why the matter was determined to be a key audit matter

[illegible] consolidated financial statements. They are measured at production costs. [illegible] standard costs [illegible] during the year [illegible] respective [illegible] at the end of the [illegible] revaluation factors. [illegible] adjustment is [illegible] ly dependent on the assumptions with respect to the overhead costs [illegible] production process that have to be included [illegible] take into account [illegible] risks arising from the period of storage and [illegible] In particular, the determination of the write-down rates and the allocation to various valuation classes in the IT-supported write-down procedure as well as the calculation of additional manual write-downs where necessary, which are not taken into account in this write-down procedure, are at the discretion of the executive directors of the Group.

Auditor's response

In our audit, we examined the method and the underlying controls of the measurement of inventories.

We verified the method to calculate the standard costs. We analyzed the revaluation factors used for the adjustment of the standard costs to the actual costs on a spot test basis. We also examined whether production-related overhead costs were only taken into account in the calculation of the production costs to the extent that they are incurred with normal utilization of technical and personnel production capacities. In addition, we examined significant changes in production costs at item level compared to the prior year.

[illegible] We assessed [illegible] write-down procedure with the assistance of internal IT experts. We compared [illegible] accounting [illegible] and arithmet[illegible] assessed the write- [illegible] through analytical [illegible] individual items and [illegible] concerning the [illegible]

Reference to related disclosures in the consolidated financial statements

Disclosures of the Group on the measurement of inventories are included in the notes to the consolidated financial statements.

2. Recognition and measurement of deferred taxes

Reasons why the matter was determined to be a key audit matter

[illegible] recognition and measurement of deferred taxes, the [illegible] differences between their recognition pur[illegible] and pursuant to [illegible] requirements as well as the calculation [illegible] carryforwards is [illegible] at the level of the tax [illegible] and usually complex local [illegible] this requires elaborate calculations.

[illegible] assessment of the recoverability of deferred tax assets from temporary differences and tax loss carryforwards is based on the assessment of usability in the future through future taxable income. The executive directors therefore make estimates with regard to the economic development of the respective companies based on discretionary judgment.

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Auditor's response

[illegible]

derived from the corporate planning and the applicable [illegible]

Reference to related disclosures in the consolidated financial statements

Disclosures of the Group on the recognition and measurement of deferred tax assets are included in the notes to the consolidated financial statements.

3. Recognition of pension provisions

Reasons why the matter was determined to be a key audit matter

The estimates made by the executive directors with respect to the existence of an obligation as well as the projection of future cash flows in connection with this obligation have a direct impact on the recognition and measurement of provisions. Particularly for pension provisions, assumptions are to be made regarding the discount rate to be used, life expectancy and wage and salary developments in the respective countries.

Auditor's response

[illegible] of the experts' work, and assessed the suitability of the experts' [illegible]

Reference to related disclosures in the consolidated financial statements

[illegible] provisions are included in the notes to the consolidated [illegible]

Other information

[illegible]

- [illegible]
- [illegible]

The supervisory board is responsible for the following other information:

- the supervisory board report

Our opinions on the consolidated financial statements and on the Group management report do not cover the other information, and consequently we do not express an opinion or any other form of assurance conclusion thereon.

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[illegible]

- [illegible] statements, with the Group management report or our [illegible]
- [illegible]

Responsibilities of the executive directors and the supervisory board for the consolidated financial statements and the Group management report

[illegible] tion of the Group. In addition, the executive directors are [illegible]

In preparing the consolidated financial statements, the [illegible] ability to continue as a going concern. They also have the [illegible] reporting based on the going concern basis of accounting [illegible]

[illegible] in all material respects, consistent with the consolidated financial statements, complies with German legal require- [illegible] are responsible for such arrangements and measures (sys- [illegible] with the German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the [illegible]

The supervisory board is responsible for overseeing the [illegible]

Auditor's responsibilities for the audit of the consolidated financial statements and of the Group management report

Our objectives are to obtain reasonable assurance about [illegible] error, and whether the Group management report as a whole [illegible] financial statements and the knowledge obtained in the audit, complies with the German legal requirements and [illegible] development, as well as to issue an auditor's report that includes our opinions on the consolidated financial state- [illegible]

[illegible] a guarantee that an audit conducted in accordance with [illegible] HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. [illegible]

[illegible]

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- [illegible] a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve [illegible] omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the Group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems.

- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.

- Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the Group management report or, if such disclosures are inadequate, to modify our respective opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.

- [illegible] of the consolidated financial statements, including the [illegible] consolidated financial statements [illegible] transactions and events [illegible] consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with [illegible] the EU and the additional requirements of German commercial law pursuant to § 315e(1) [illegible].

- [illegible] audit evidence [illegible] business activities [illegible] opinions on the consolidated financial statements and on the Group management report. [illegible] direction, supervision and performance [illegible]. We remain solely responsible [illegible].

- Evaluate the consistency of the Group management report with the consolidated financial statements, its conformity with [illegible] the Group's position.

- Perform audit procedures on the prospective information presented by the executive directors in the Group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

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[illegible]
[illegible]
of the audit and significant audit findings, including any
[illegible]
[illegible]

[illegible]
[illegible]
[illegible]
[illegible]
on our independence and where applicable, the related
[illegible]

[illegible]
[illegible]
[illegible]
[illegible]
[illegible] these matters in our auditor's report [illegible]
[illegible] public disclosure [illegible]
[illegible]

Other legal and regulatory requirements

Further information pursuant to Art. 10 of the EU Audit Regulation

We were elected as group auditor by the annual general meeting on 24 March 2017. We were engaged by the supervisory board on 20 September 2017. We have been the group [illegible] without interruption since fiscal year 2009.

We declare that the opinions expressed in this auditor's [illegible] additional report to the audit [illegible] EU Audit Regulation [illegible]

German Public Auditor responsible for the engagement

[illegible] German Public Auditor responsible for the engagement is [illegible]

Stuttgart, 31 January 2018

[illegible]
[illegible]

[illegible]	[illegible]
[illegible]	Wirtschaftsprüfer
(German Public Auditor)	(German Public Auditor)

2018080813810

MANDATES OF THE MANAGEMENT BOARD AND THE SUPERVISORY BOARD

MANDATES OF THE MANAGEMENT BOARD

FRANK GÖRING

Chairman of the Management Board

ANDREAS PFEIFFER

Management Board Member

responsible for Bathroom and Wellness Division

[illegible]

NICOLAS LUC VILLEROY

Management Board Member

responsible for Tableware Division

DR MARKUS WARNCKE

Chief Financial Officer

MANDATES OF THE SUPERVISORY BOARD

LUITWIN GISBERT VON BOCH-GALHAU

Honorary Chairman of the Supervisory Board

WENDELIN VON BOCH-GALHAU [illegible]

- Former Chairman of the Supervisory Board
- Managing [illegible] von Boch-Galhau Verwaltungs[illegible] GmbH, Überherrn, Germany
- Managing Director [illegible] GmbH, [illegible]
- Managing Director [illegible] GmbH, [illegible]

[illegible]

YVES ELSEN

Chairman of the Supervisory Board (since 24 March 2017)

Managing Partner [illegible] Luxembourg S.A.

[illegible]

RALF RUNGE *

- First Vice Chairman of the Supervisory Board
- Chairman of the Villeroy & Boch European Works Council
- Chairman of the [illegible] Works Council

PETER PRINZ WITTGENSTEIN

- Second Vice Chairman of the Supervisory Board
- Management Consultant

DR ALEXANDER VON BOCH-GALHAU

Management Consultant

[illegible]

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DIETMAR GEUSKENS *

- [illegible]
- [illegible]

FRANCESCO GRIOLI *

- [illegible]
- [illegible] Central Board [illegible] Hanover/Germany [illegible]

[illegible]

(Vice Chairman until 31 December 2017)

[illegible]

WERNER JÄGER *

- [illegible]
- [illegible] Villeroy & Boch [illegible] Works Council

DIETMAR LANGENFELD *

- Industrial Foreman for Logistics
- Chairman of the Villeroy & Boch AG Central Works Council
- Chairman of the Sanitary Ware Plant Mettlach Works Council

DR RENATE NEUMANN-SCHÄFER [illegible]

- Management Consultant
- Managing Director of Putzmeister Holding GmbH, Aichtal/Germany (until 30 April 2017)
- Managing Director of Putzmeister Concrete Pumps GmbH, Aichtal/Germany (until 30 April 2017)

[illegible] 14 June 2017)

[illegible] 14 June 2017)

[illegible] Samariter Stiftung, Nürtingen/Germany (since 4 November 2017)

SUSANNE OLLMANN *

[illegible]

CHRISTINA ROSENBERG

[illegible]

[illegible] Munich/Germany (until 31 January 2018)

DOMINIQUE VILLEROY DE GALHAU

[illegible] SAS

[illegible]

[illegible] the meaning of section 125 of the German Stock Corporation [illegible]

[illegible] section 125 of the German Stock Corporation Act (AktG)

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COMPANY CALENDAR 2018

23 March 2018 – General Meeting of Shareholders, Merzig Town Hall

20 April 2018 – Report on the first three months of 2018

19 July 2018 – Report on the first half of 2018

19 October 2018 – Report on the first nine months of 2018

IMPRINT

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DISCLAIMER

Forward-looking statements

[illegible]

Rounding differences

[illegible]

Technical discrepancies

[illegible] translated into English. In the event of variances, the German version shall take precedence over the English [illegible]

Villeroy & Boch
1748