Villeroy & Boch
1748

INTERIM REPORT
1 January to 30 September 2022

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1 January to 30 September 2022

- Consolidated revenue rises 6.4 % to € 728.3 million in first nine months of the financial year.
- EBIT of € 64.3 million up 9.7 % on previous year.
- Revenue and earnings forecast for 2022 as a whole confirmed.

THE GROUP - AT A GLANCE	1/1/2022 - 30/9/2022	1/1/2021 - 30/9/2021	Change	Change
	in € million	in € million	in € million	in %
Revenue	728.3	684.5	43.8	6.4
Revenue – Germany	213.3	204.5	8.8	4.3
Revenue – Abroad	515.0	480.0	35.0	7.3
On a constant currency basis	717.5	684.5	33.0	4.8
EBIT	64.3	58.6	5.7	9.7
EBT	63.3	55.9	7.4	13.2
Group result	44.3	39.1	5.2	13.3
Return on net operating assets (rolling)	32.6 %	32.9 %[1]	-	-0.3 PP
Investments (without leasing)	18.6	11.9[2]	6.7	56.3
Investments „Leases"– IFRS 16	15.4	6.4	9.0	140.6
Employees (FTEs as at end of period)	6,408 FTE	6,399 FTE	9 FTE	0.1

(1) Return on net operating assets as at 31 December 2021
(2) Change in accounting for emission rights in accordance with IAS 8.14 (For explanations, see general information in the notes to the consolidated financial statements.)

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INTERIM MANAGEMENT REPORT OF THE VILLEROY & BOCH GROUP FOR THE THIRD QUARTER OF 2022

GENERAL CONDITIONS OF THE GROUP

The basic information on the Group as presented in the 2021 Group management report remains unchanged. Information on changes in the consolidated Group and on research and development costs can be found on page 15 and in note 15 to the consolidated financial statements.

ECONOMIC REPORT

General economic conditions

Global economic development was curbed significantly by the war in Ukraine in particular. This situation has since been exacerbated by the current high level of inflation and the consequences of the COVID-19 pandemic.

The geopolitical restructuring of the energy supply and the dramatic rise in energy prices are posing a considerable burden for the economy, especially in Europe. The prevailing high level of inflation began to have a notable effect on private consumer spending during the third quarter of 2022. In China, economic activity continues to be impacted by the strict zero-COVID policy and the problems affecting the property sector. The US economy is also experiencing a downturn.

Course of business and position of the Villeroy & Boch Group

Based on the past nine month of the year, the Management Board of Villeroy & Boch AG still considers the economic position of the Group to be positive on the whole.

We generated consolidated revenue (including licence income) of € 728.3 million in the first nine months of 2022, an increase of € 43.8 million or 6.4 % as against the same period of the previous year. However, the good overall revenue performance slowed slightly during the third quarter of 2022 due to consumer reluctance in response to high inflation.

Adjusted for currency effects, i.e. using the same exchange rates as for the previous year, revenue rose by 4.8 %. Positive currency effects, particularly relating to the Chinese yuan and the US dollar, offset the depreciation of the Swedish krona.

We recorded revenue growth of 3.5 % or € 19.9 million in our main region of EMEA (Europe, Middle East, Africa). Particularly here are notable performer Southern Europe (+22.1 %) and Eastern Europe (+5.6 %). The main downturn in revenue in this region was caused by the cancellation of orders in Russia and the termination of local distribution contracts. Revenue in Northern Europe also declined (-7.4 %). Overseas, we recorded revenue growth of 20.3 % or € 23.9 million, mainly due to improved revenue in our project business in China.

Orders on hand amounted to € 171.7 million as of September 30, 2022, up € 6.5 million on the figure as of September 30, 2021 (€ 165.2 million). € 140.9 million (30 September 2021: € 140.1 million) of this relates to the Bathroom & Wellness Division and € 30.8 million (30 September 2021: € 25.1 million) to the Dining & Lifestyle Division.

We generated EBIT of € 64.3 million in the first nine months of 2022, up 9.7 % on the same period of the previous year (€ 58.6 million). This earnings growth was primarily attributable to the good revenue performance, which offset the additional costs resulting from the sharp rise in material and energy prices. Additionally, moving the annual holiday at our plants in Germany and Hungary from summer to December 2022 had a positive impact on earnings.

The Group's rolling return on net operating assets declined slightly to 32.6 % as at 30 September 2022 (31 December 2021: 32.9 %).

Course of business and position of the divisions

Bathroom & Wellness

The Bathroom & Wellness Division generated revenue of € 506.3 million in the first nine months of 2022, up 6.0 % on the previous year (€ 477.8 million).

We generated revenue growth in all business areas. Ceramic sanitary ware saw particularly strong revenue growth of € 23.3 million or 8.0 %, with the new products launched proving particularly successful in our home market of Germany. We also recorded substantial revenue growth in the Chinese market, particularly in the project business. In addition, we recorded year-on-year revenue growth of € 3.9 million or 8.5 % in our furniture business thanks to the strong performance of new products in particular. Meanwhile, our kitchen business continued to enjoy healthy revenue at a high level follow-ing the record figures achieved in 2021.

Thanks to positive revenue performance in particular, the Bathroom & Wellness Division closed the first nine months of 2022 with EBIT of € 53.9 million (+7.4 %; previous year: € 50.2 million) in spite of the additional costs resulting from the sharp rise in material and energy prices.

The rolling return on net operating assets increased to 37.7 % (31 December 2021: 35.5 %) on the back of the strong earnings performance and a slight reduction in rolling net operating assets.

Dining & Lifestyle

Despite the extremely strained market environment, the Dining & Lifestyle Division improved its revenue by 7.3 % or € 14.8 million to € 219.5 million in the first nine months of 2022 (previous year: € 204.7 million). We generated encouraging revenue growth in all regions in spite of the negative impact of the ongoing war in Ukraine and the tangible consumer reluctance among our customers in response to the high level of inflation.

Our sales channels saw heterogeneous development. We were once again able to significantly increase revenue with our own retail stores (€ +8.8 million or +16.6 %) and with our retail outlet partners compared with the previous year (€ +6.8 million or +10.2 %). This is consistent with the trend observed in many other industries, with demand shifting back from e-commerce to physical retail to a certain extent now that the restrictions imposed to combat the COVID-19 pandemic have largely been lifted. Accordingly, our e-commerce revenue declined compared with the extraordinarily strong prior-year figure (€ -9.4 million or -13.8 %) but remains well above the pre-COVID level and thus continues to be at a high level.
The positive revenue development was driven by the revised product range and marketing strategy in conjunction with the overarching digitalisation strategy and the success of our new Rose Garden and Perlemor products. Our hospitality business saw particularly strong growth (€ +9.3 million) on the back of our pronounced focus on the high-end segment.

On the back of the revenue growth, the Dining & Lifestyle Division recorded an operating result (EBIT) of € 12.6 million, up significantly on the previous year (+8.6 %; € 11.6 million).

The rolling return on net operating assets declined to 35.3 % (31 December 2021: 41.7 %) as a result of increased rolling net operating assets.

Capital structure

Our equity increased by € 50.1 million as against the end of 2021, amounting to € 357.2 million as at 30 September 2022. The main changes were the net profit for the period (€ +44.3 million), the increase in the revaluation surplus due to the higher discount rate for pension obligations (€ +38.3 million) and the dividend distribution for 2021 (€ -25.8 million).
At 36.5 %, our equity ratio (including non-controlling interests) was therefore 4.6 percentage

points higher than in the previous year (31 December 2021: 31.9 %).

Investments

We invested € 18.6 million in property, plant and equipment and intangible assets in the first nine months of 2022 (previous year: € 11.9 million). The Bathroom & Wellness Division accounted for € 11.6 million, with the remaining € 7.0 million attributable to the Dining & Lifestyle Division.

Investment activity in the Bathroom & Wellness Division concentrated on glazing lines at the sanitary ware plants in Hungary and Romania, new pressure casting machines in Hungary as well as new bathtub moulds in Belgium.

Investment in the Dining & Lifestyle Division mainly related to the maintenance and modernisation of the production facilities in Merzig and Torgau. Furthermore, a photovoltaic system was purchased at the Merzig site.

In addition, the location development project "Mettlach 2.0" was continued.

The Group had obligations to acquire property, plant and equipment and intangible assets in the amount of € 22.9 million as at the end of the reporting period (previous year: € 12.1 million).

In light of the delays due to supply bottlenecks, we are forecasting an investment volume of up to € 45 million for 2022 as a whole. Our investments will be financed from operating cash flow.

Net liquidity

Taking into account our financial liabilities of € 105.6 million, the cash and bank balances of € 225.9 million resulted in net liquidity of € 120.3 million as at 30 September 2022 (31 December 2021: € 153.8 million). The decline in our net liquidity is mainly due to the increase in our net operating assets, in particular our safety stock.

We also have unused credit facilities of € 206.6 million at our disposal.

Balance sheet structure

Total assets amounted to € 978.7 million as at the end of the reporting period as against € 961.7 million as at 31 December 2021, an increase of € 17.0 million.

The share of total assets attributable to non-current assets reduced by 0.6 percentage points to 27.9 % (31 December 2021: 28.5 %).

Current assets rose by € 31.9 million as against 31 December 2021, mainly as a result of the increase in inventories (€ +50.8 million) and trade receivables (€ +21.0 million), which was partly offset by a decrease in cash and cash equivalents (€ -38.2 million).

On the equity and liabilities side of the statement of financial position, the biggest changes as against the end of 2021 were within current liabilities (€ +16.2 million), where trade payables rose by € 24.4 million and other current liabilities (€ +9.5 million), which was partly offset by a decrease in current provisions for personnel (€ -7.6 million), among other things. Non-current liabilities decreased by a total of € 49.3 million, mainly as a result of the reduction in pension provisions (€ -60.7 million).

REPORT ON RISKS AND OPPORTUNITIES

The risks and opportunities described in the 2021 annual report continue to apply and have intensified further as a result of the war in Ukraine and its ramifications. All key risk areas are continuously monitored. After supply chain risks declined during the third quarter of 2022, we are continuing to focus on rising costs in the areas of energy, freight, packaging and commodities, which are being further exacerbated by the high level of inflation at present. As increased procurement prices can be only partially offset through hedging and savings, we were already forced to adjust our sales prices in the first nine months of 2022.

Although our production process requires the use of natural gas, any interruption to the supply of natural gas in Germany in the fourth quarter of 2022 would not have a material impact because the resulting bottlenecks could be offset by the other sanitary ware plants in our production network. Furthermore, we have taken preventive measures such as increasing safety stocks and moving the annual holiday at our plants to December 2022

There is no evidence of any individual risks that could endanger the continued existence of the Group at this time.

OUTLOOK FOR THE CURRENT FINANCIAL YEAR

The outlook for the world economy deteriorated during the third quarter of 2022. The market environment remains extremely strained, not least due to the further escalation of the war in Ukraine, meaning that there is a risk of recession.

For us, too, the resulting downturn in consumer sentiment is leading to a slowdown in the strong growth momentum recorded in the first half of the year. In light of the continued positive revenue development in the third quarter of 2022 and the higher level of orders on hand compared with the previous year, the Management Board of Villeroy & Boch AG is confident that it will be able to achieve the forecast for revenue, earnings and the operating return on net assets for 2022 as a whole.

Mettlach 19 October 2022

Frank Göring

Gabriele Schupp

Georg Lörz

Dr Markus Warncke

CONSOLIDATED BALANCE SHEET

as of 30 September 2022

in € million

Assets	Notes	30/9/2022	31/12/2021
Non-current assets			
Intangible assets		33.4	35.1[(1)]
Property, plant and equipment	1	163.8	165.9
Right-of-use assets	2	39.8	37.2
Investment property		4.7	5.1
Investment accounted for using the equity method		2.3	2.0
Other financial assets	3	29.1	28.9
		273.1	**274.2**
Other non-current assets	6	3.9	2.0
Deferred tax assets		26.5	42.2
		303.5	**318.4**
Current assets			
Inventories	4	240.2	189.4
Trade receivables	5	137.4	116.4
Financial assets	3	25.0	25.1
Other current assets	6	40.6	44.9
Income tax receivables		6.1	3.4
Cash and cash equivalents	7	225.9	264.1
		675.2	**643.3**
Total assets		**978.7**	**961.7**

Equity and Liabilities	Notes	30/9/2022	31/12/2021
Equity attributable to Villeroy & Boch AG shareholders			
Issued capital		71.9	71.9
Capital surplus		194.2	194.2
Treasury shares		-14.5	-14.5
Retained earnings		168.6	150.4
Revaluation surplus	8	-66.9	-98.6[(1)]
		353.3	**303.4**
Equity attributable to minority interests		**3.9**	**3.7**
Total equity		**357.2**	**307.1**
Non-current liabilities			
Provisions for pensions		114.8	175.5
Non-current provisions for personnel	9	15.7	15.9
Other non-current provisions	10	24.4	22.6[(1)]
Non-current financial liabilities	11	85.0	85.0
Non-current lease liabilities	12	29.5	25.5
Other non-current liabilities	13	38.2	32.5
Deferred tax liabilities		4.3	4.2
		311.9	**361.2**
Current liabilities			
Current provisions for personnel	9	13.2	20.8
Other current provisions	10	23.7	27.0
Current financial liabilities	11	20.6	25.3
Current lease liabilities	12	10.5	12.4
Other current liabilities	13	115.3	105.8[(1)]
Trade payables		106.9	82.5
Income tax liabilities		19.4	19.6
		309.6	**293.4**
Total liabilities		**621.5**	**654.6**
Total equity and liabilities		**978.7**	**961.7**

(1) Change in accounting for emission rights in accordance with IAS 8.14 (For explanations, see general information in the notes to the consolidated financial statements.)

CONSOLIDATED INCOME STATEMENT

for the period 1 January to 30 September 2022

in € million

	Notes	1/1/2022 - 30/9/2022	1/1/2021 - 30/9/2021
Revenue	14	**728.3**	**684.5**
Costs of sales		-426.4	-388.1
Gross profit		**301.9**	**296.4**
Selling, marketing and development costs	15	-196.0	-192.3
General administrative expenses		-33.7	-36.8
Other operating income and expenses		-8.3	-8.9
Result of associates accounted for using the equity method		0.4	0.2
Operating result (EBIT)		**64.3**	**58.6**
Financial result	16	-1.0	-2.7
Earnings before taxes		**63.3**	**55.9**
Income taxes	17	-19.0	-16.8
Group result		**44.3**	**39.1**
Thereof attributable to:			
Villeroy & Boch AG shareholders		44.0	38.9
Minority interests		0.3	0.2
		44.3	**39.1**
EARNINGS PER SHARE		**in €**	**in €**
Earnings per ordinary share		1.64	1.45
Earnings per preference share		1.69	1.50

During the reporting period there were no share dilution effects.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the period 1 January to 30 September 2022

in € million

	1/1/2022 - 30/9/2022	1/1/2021 - 30/9/2021
Group result	**44.3**	**39.1**
Other comprehensive income		
Items to be reclassified to profit or loss:		
Cash flow hedge	2.4	-0.1
Gains or losses on translations of exchange differences	-5.9	-2.6
Deferred income tax effect on items to be reclassified to profit or loss	1.1	0.9
Items not to be reclassified to profit or loss:		
Actuarial gains or losses on defined benefit plans	54.4	0.0
Other valuation results	-3.9	0.6
Deferred income tax effect on items not to be reclassified to profit or loss	-16.3	0.0
Total other comprehensive income	**31.8**	-1.2
Total comprehensive income net of tax	**76.1**	**37.9**
Thereof attributable to:		
Villeroy & Boch AG shareholders	75.7	37.8
Minority interests	0.4	0.1
Total comprehensive income net of tax	**76.1**	**37.9**

CONSOLIDATED INCOME STATEMENT

for the period 1 July to 30 September 2022

in € million

	Notes	1/7/2022 - 30/9/2022	1/7/2021 - 30/9/2021
Revenue	14	**238.0**	**234.9**
Costs of sales		-138.6	-132.3
Gross profit		**99.4**	**102.6**
Selling, marketing and development costs	15	-62.3	-66.2
General administrative expenses		-11.0	-12.2
Other operating income and expenses		-3.4	-3.3
Result of associates accounted for using the equity method		0.3	0.1
Operating result (EBIT)		**23.0**	**21.0**
Financial result	16	0.1	-0.8
Earnings before taxes		**23.1**	**20.2**
Income taxes	17	-6.9	-6.1
Group result		**16.2**	**14.1**
Thereof attributable to:			
Villeroy & Boch AG shareholders		16.1	14.1
Minority interests		0.1	0.0
		16.2	**14.1**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the period 1 July to 30 September 2022

in € million

	1/7/2022 - 30/9/2022	1/7/2021 - 30/9/2021
Group result	**16.2**	**14.1**
Other comprehensive income		
Items to be reclassified to profit or loss:		
Cash flow hedge	-0.1	-2.3
Gains or losses on translations of exchange differences	-3.8	-0.8
Deferred income tax effect on items to be reclassified to profit or loss	0.3	2.4
Items not to be reclassified to profit or loss:		
Actuarial gains or losses on defined benefit plans	15.3	0.0
Other valuation results	-0.6	0.0
Deferred income tax effect on items not to be reclassified to profit or loss	-4.6	-0.1
Total other comprehensive income	**6.5**	**-0.8**
Total comprehensive income net of tax	**22.7**	**13.3**
Thereof attributable to:		
Villeroy & Boch AG shareholders	22.7	13.4
Minority interests	0.0	-0.1
Total comprehensive income net of tax	**22.7**	**13.3**

CONSOLIDATED CASH FLOW STATEMENT

for the period 1 January to 30 September 2022

in € million

	1/1/2022 - 30/9/2022	1/1/2021 - 30/9/2021
Group result	44.3	39.1
Depreciation of non-current assets	30.1	29.2
Change in non-current provisions	-5.9	-6.1
Profit from disposal of fixed assets	-3.0	0.0
Change in inventories, receivables and other assets	-63.7	-41.5
Change in liabilities, current provisions and other liabilities	16.9	26.4(1)
Other non-cash income/expenses	5.4	7.6
Cash Flow from operating activities	**24.1**	**54.7**
Purchase of intangible assets, property, plant and equipment	-18.6	-11.8(1)
Investment in non-current financial assets	-1.1	-4.6
Cash receipts from disposals of fixed assets	1.9	4.0(1)
Cash Flow from investing activities	**-17.8**	**-12.4**
Change in financial liabilities	-4.7	-2.9
Cash payments for the principal portion of the lease liabilities	-13.8	-11.2
Dividends paid to minority shareholders	-0.2	-1.0
Dividend paid to shareholders of Villeroy & Boch AG	-25.8	-13.8
Cash Flow from financing activities	**-44.5**	**-28.9**
Sum of cash flows	**-38.2**	**13.4**
Balance of cash and cash equivalents as at 1 Jan	264.1	297.8
Net increase in cash and cash equivalents	-38.2	13.4
Balance of cash and cash equivalents as at 30 Sept	**225.9**	**311.2**

(1) Change in accounting for emission rights in accordance with IAS 8.14 (For explanations, see general information in the notes to the consolidated financial statements.)

CONSOLIDATED STATEMENT OF EQUITY

for the period 1 January to 30 September 2022

in € million

	Equity attributable to Villeroy & Boch AG shareholders							
	Issued capital	Capital surplus	Treasury shares	Retained earnings	Revaluation surplus	**Total**	Equity attributable to minority interests	**Total equity**
Notes					8			
As of 1/1/2021	**71.9**	**193.6**	**-15.0**	**104.0**	**-107.6**	**246.9**	**4.8**	**251.7**
Group result				38.9		38.9	0.2	39.1
Other comprehensive income					-1.1	-1.1	-0.1	-1.2
Total comprehensive income net of tax				**38.9**	**-1.1**	**37.8**	**0.1**	**37.9**
Dividend payments				-13.8		-13.8	-1.1	-14.9
As of 30/9/2021	**71.9**	**193.6**	**-15.0**	**129.1**	**-108.7**	**270.9**	**3.8**	**274.7**
As of 1/1/2022	**71.9**	**194.2**	**-14.5**	**150.4**	**-98.6**(1)	**303.4**	**3.7**	**307.1**
Group result				44.0		44.0	0.3	44.3
Other comprehensive income					31.7	31.7	0.1	31.8
Total comprehensive income net of tax				**44.0**	**31.7**	**75.7**	**0.4**	**76.1**
Dividend payments				-25.8		-25.8	-0.2	**-26.0**
As of 30/9/2022	**71.9**	**194.2**	**-14.5**	**168.6**	**-66.9**	**353.3**	**3.9**	**357.2**

(1) Change in accounting for emission rights in accordance with IAS 8.14 (For explanations, see general information in the notes to the consolidated financial statements.)

CONSOLIDATED SEGMENT REPORT

for the period 1 January to 30 September 2022

in € million

	Bathroom & Wellness		Dining & Lifestyle		Transition / Other		Villeroy & Boch-Group	
	1/1/2022 - 30/9/2022	1/1/2021 - 30/9/2021	1/1/2022 - 30/9/2022	1/1/2021 - 30/9/2021	1/1/2022 - 30/9/2022	1/1/2021 - 30/9/2021	1/1/2022 - 30/9/2022	1/1/2021 - 30/9/2021
Revenue								
Segment revenue from sales of goods to external customers	**506.1**	477.6	**219.1**	203.5	**-**	-	**725.2**	681.1
Segment revenue from transactions with other segments	**-**	-	**-**	-	**-**	-	**-**	-
Segment revenue from licence	**0.2**	0.2	**0.4**	1.2	**2.5**	2.0	**3.1**	3.4
Revenue	**506.3**	477.8	**219.5**	204.7	**2.5**	2.0	**728.3**	684.5
Result								
Segment result	**53.9**	50.2	**12.6**	11.6	**-2.2**	-3.2	**64.3**	58.6
Financial result	**-**	-	**-**	-	**-1.0**	-2.7	**-1.0**	-2.7
Investments and depreciations								
Investments of intangible assets, property, plant and equipment	**11.6**	7.2[(1)]	**7.0**	4.7	**-**	-	**18.6**	11.9[(1)]
Investments of right-of-use assets on leases	**5.2**	2.3	**10.2**	4.1	**-**	-	**15.4**	6.4
Scheduled depreciation of intangible assets, property, plant and equipment	**14.7**	14.3	**4.1**	4.1	**-**	-	**18.8**	18.4
Scheduled depreciation of right-of-use assets on leases	**4.0**	3.9	**7.0**	6.8	**-**	-	**11.0**	10.7

Assets and Liabilities	30/9/2022	31/12/2021	30/9/2022	31/12/2021	30/9/2022	31/12/2021	30/9/2022	31/12/2021
Segment assets	**399.2**	380.1	**201.9**	166.8	**377.6**	414.8	**978.7**	961.7
Segment liabilities	**197.8**	174.6	**90.9**	79.8	**332.8**	400.2	**621.5**	654.6
Rolling net operating assets								
Rolling operating assets	**395.0**	376.7	**176.7**	156.3	**-**	-	**571.7**	533.0
Rolling operating liabilities	**189.6**	173.0	**83.0**	77.7	**-**	-	**272.6**	250.7
Rolling net operation assets	**205.4**	203.7	**93.7**	78.6	**-**	-	**299.1**	282.3
Rolling operating result (EBIT) *								
Rolling operating result (EBIT) *	**77.5**	72.4	**33.1**	32.8	**-13.0**	-12.4	**97.6**	92.8

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

(1) Change in accounting for emission rights in accordance with IAS 8.14 (For explanations, see general information in the notes to the consolidated financial statements.)

CONSOLIDATED SEGMENT REPORT

for the period 1 July to 30 September 2022

in € million

	Bathroom & Wellness		Dining & Lifestyle		Transition / Other		Villeroy & Boch-Group	
	1/7/2022 - 30/9/2022	1/7/2021 - 30/9/2021	1/7/2022 - 30/9/2022	1/7/2021 - 30/9/2021	1/7/2022 - 30/9/2022	1/7/2021 - 30/9/2021	1/7/2022 - 30/9/2022	1/7/2021 - 30/9/2021
Revenue								
Segment revenue from sales of goods to external customers	158.5	154.6	78.6	79.4	-	-	237.1	234.0
Segment revenue from transactions with other segments	-	-	-	-	-	-	-	-
Segment revenue from licence	0.1	0.1	0.0	0.2	0.8	0.6	0.9	0.9
Revenue	158.6	154.7	78.6	79.6	0.8	0.6	238.0	234.9
Result								
Segment result	16.0	13.9	7.7	8.9	-0.7	-1.8	23.0	21.0
Financial result	-	-	-	-	-0.1	-0.8	-0.1	-0.8
Investments and depreciations								
Investments of intangible assets, property, plant and equipment	5.8	3.9[(1)]	2.5	2.2	-	-	8.3	6.1[(1)]
Investments of right-of-use assets on leases	0.7	1.0	1.5	0.1	-	-	2.2	1.1
Scheduled depreciation of intangible assets, property, plant and equipment	4.9	4.9	1.4	1.6	-	-	6.3	6.5
Scheduled depreciation of right-of-use assets on leases	1.3	1.3	2.3	2.2	-	-	3.6	3.5

(1) Change in accounting for emission rights in accordance with IAS 8.14 (For explanations, see general information in the notes to the consolidated financial statements.)

NOTES TO THE INTERIM FINANCIAL STATEMENTS OF THE VILLEROY & BOCH GROUP ON THE THIRD QUARTER OF 2022

GENERAL INFORMATION

Villeroy & Boch Aktiengesellschaft, domiciled in Mettlach, Saaruferstrasse 1 – 3, is a listed stock corporation under German law. It is entered in the Commercial Register B of the Saarbrücken Local Court under 63610. It is the parent company of the Villeroy & Boch Group. The Villeroy & Boch Group is a leading international ceramic manufacturer. As a full-service provider for the bathroom and the "perfectly laid table", our operating business is divided into two divisions: Bathroom & Wellness, and Dining & Lifestyle. Villeroy & Boch AG is listed in the Prime Standard operated by Deutsche Börse AG.

This interim report covers the period from 1 January 2022 to 30 September 2022. It was approved for publication on 18 October 2022 after the Management Board discussed the interim report with the Audit Committee of the Supervisory Board. It was prepared in accordance with section 315e of the German Commercial Code (HGB), applying the IFRS regulations as endorsed by the European Commission. These condensed in-terim financial statements have not been audited or reviewed by an audit company. In the opinion of the Management Board, these interim financial statements provide a true and fair view of the net assets, financial position and results of operations of the Group. The interim report includes condensed consolidated financial statements with selected explanatory notes in accordance with IAS 34. For this reason, it should be read in conjunction with the consolidated financial statements as at 31 December 2021. These can be downloaded from the Investor Relations section of the website at www.villeroyboch-group.com. In the period under review, the accounting and consolidation methods described in the 2021 annual report were extended to include the accounting standards endorsed by the EU and effective for reporting periods beginning on or after 1 January 2022. Overall, this did not have a material impact on this interim report.

In addition, the sharp rise in the value of emission allowances prompted us to subject our accounting policies in this area to a critical review. As a result, we decided to change the accounting treatment applied. Emission allowances allocated free of charge were previously recognised as intangible assets at fair value. The revaluation model in accordance with IAS 38.75 et seq. was applied to subsequent measurement. This issue affects Romania and Hungary, where the respective CO2 emissions result in the utilisation of the allocated emission allowances through other comprehensive income. This had a significant impact on intangible assets, the revaluation surplus, other non-current liabilities and other provisions as at 31 December 2021.

As the emission allowances constitute allowances allocated free of charge for which the Villeroy & Boch Group only recognises a transitional item, the accounting treatment has been voluntarily converted to the "net liability method" with effect from 30 June 2022 with reference to IAS 8.14. As long as the emission rights allocated free of charge are sufficient to cover the emissions made, changes in the price of emission rights will have no effect on the consolidated financial statements in the future. The information presented will also become more relevant because the accounting treatment of emission allowances is being modified to reflect the accounting treatment applied by the Villeroy & Boch Group's peer group.

Under the "net liability method", emission allowances allocated free of charge are not capitalised and no liability is recognised. A provision is only recognised when the scope of the actual emissions exceeds the emission allowances allocated through other comprehensive income. In this case, the emission costs are reported in cost of sales.

As we consider the impact of this change in accounting to be more relevant, we have decided to amend the accounting treatment with retrospective effect. On the asset side of the consolidated statement of financial position, this serves to reduce intangible assets by € 11.2 million (31 December 2021: € 10.7 million). Conversely, it reduces the revaluation surplus by € 5.8 million (31 December 2021: € 6.5 million), other non-current provisions by € 0.5 million (31 December 2021: € 1.3 million) and other current liabilities by € 4.9 million (31 December 2021: € 2.9 million).

Society, politicians and business are currently faced with multifaceted and, in some cases, interdependent challenges resulting mainly from the war in Ukraine, which are leading to considerable uncertainty and risk. The impact on this interim report is summarised as follows.
Due to the cancellation of orders and the termination of distribution contracts, the war in Ukraine led to a downturn in revenue of 37.0 % in Russia and Belarus. We have since scaled back our staff structure in these markets accordingly.
Energy prices in Europe have also risen sharply in response to the war in Ukraine. This effect was reinforced by Russia's decision to suspend gas deliveries to several EU member states. With this in mind, additional gas hedges were concluded in the 2022 financial year (see note 6). The risk of gas shortages in the EU also serve to increase the probability of a recession. The loss in the value of the euro in foreign exchange trading, which was triggered mainly by interest rate rises, led to an increase in the fair values of hedging instruments used to hedge exchange rate risk in the Villeroy & Boch Group (see note 13).
In light of the uncertain gas supply situation, the Management Board decided to increase inventories in order to avoid potential supply bottlenecks. Among other things, the annual holiday at the plants in Germany and Hungary was moved from summer to December (see note 4). We also recognised an appropriate increase in loss allowances as part of the continuous risk assessment of our receivables (see note 5).
Further information on performance in the first nine months of 2022 can be found in the above economic report.

Basis of consolidation

The basis of consolidation of the Villeroy & Boch Group consists of 52 companies (31 December 2021: 53). In order to optimise the Group structure, Villeroy & Boch Czech s.r.o., Prague, was liquidated on 16 February 2022.
Three companies were treated as non-consolidated companies on account of their insignificant impact on the financial position and financial performance of the Villeroy & Boch Group.

Annual General Meeting of Villeroy & Boch AG for the 2021 financial year

The General Meeting of Shareholders on 1 April 2022 resolved the dividend of € 0.95 per ordinary share and € 1.00 per preference share as proposed by the Supervisory Board and the Management Board of Villeroy & Boch AG. The distribution corresponds to a dividend payment of € 13.4 million (previous year: € 7.0 million) for the ordinary share capital and € 12.4 million (previous year: € 6.8 million) for the preference share capital. The dividend was paid on 6 April 2022. The Villeroy & Boch Group held 1,627,199 (previous year: 1,683,029) preference shares as at the distribution date. These shares were not entitled to dividends.

Seasonal influences on business activities

Owing to Christmas business, the Dining & Lifestyle Division habitually expects to generate a higher level of revenue and operating result in the fourth quarter than in the other quarters of the year.

NOTES ON SELECTED ITEMS OF THE CONSOLIDATED BALANCE SHEET

1. Property, plant and equipment

Property, plant and equipment in the amount of € 17.9 million was acquired in the period under review (previous year: € 10.8 million). Investment in the Bathroom & Wellness Division focused on international locations. Investments were made in glazing lines in Romania and Hungary. In addition, Hungary saw the replacement of white plaster cabins. At the same plant, the roof is being renovated and new pressure casting machines are being acquired. New moulds are being purchased for the wellness plant in the Netherlands, while investments in Belgium include a new vertical moulding machine.
Investment in the Dining & Lifestyle Division focused on Germany. The Merzig site saw investment in a photovoltaic plant, the renovation of the forklift warehouse roof and new, optimised pressing tools. An isostatic press was acquired at the Torgau site. In addition, the site development project "Mettlach 2.0" was continued and investments amounting to € 4.3 million were made.

Depreciation amounts to € 17.2 million (previous year: € 16.7 million). As at the end of the reporting period, the Villeroy & Boch Group had obligations to acquire property, plant and equipment in the amount of € 22.3 million (31 December 2021: € 9.1 million).

2. Right-of-use assets

Capitalized right-of-use assets increased by € 2.6 million to € 39.8 million in the reporting period.
This change is mainly due to additions of € 15.4 million (previous year: € 6.4 million) and, offsetting this, depreciation of € 11.0 million (previous year: € 10.7 million) and disposals at carrying amounts of € 2.4 million (previous year: € 1.8 million). Expenses for short-term property leases amounted to € 3.7 million (previous year: € 2.4 million) with € 4.1 million (previous year: € 4.6 million) from variable rental payments for property leases. Expenses for other short-term leases and leases for low-value assets amounted to € 1.9 million (previous year: € 1.1 million).

3. Other financial assets

Other financial assets include:

in € million	30/9/2022	31/12/2021
Securities	25.0	25.1
Short-term financial assets	**25.0**	**25.1**
Securities	19.1	18.9
Shares in other equity investments	2.1	2.1
Loans	1.5	1.5
Shares in non-consolidated subsidiaries	6.4	6.4
Long-term financial assets	**29.1**	**28.9**

4. Inventories

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

in € million	30/9/2022	31/12/2021
Raw materials and supplies	39.9	31.1
Work in progress	21.3	20.3
Finished goods and goods for resale	178.9	138.0
Advance payments	0.1	-
Inventories (total)	**240.2**	**189.4**

Inventories increased significantly to € 240.2 million as at 30 September 2022. In addition to seasonal effects, this was to ensure sales capacity in the event of a potential escalation in the gas supply situation and to prevent bottlenecks in the material supply.

5. Trade receivables

Trade receivables are broken down as follows:

by customer domicile/in € million	30/9/2022	31/12/2021
Germany	35.1	20.5
Rest of euro zone	28.5	27.1
Rest of world	80.5	73.5
Gross carrying amount of trade	**144.1**	**121.1**
Impairment due to expected	-0.7	-0.8
Impairment due to objective	-6.0	-3.9
Impairment losses	**-6.7**	**-4.7**
Total trade receivables	**137.4**	**116.4**

There are specific indications of potential customer default as a result of the war in Ukraine. Write-downs of € 1.5 million were recognised as appropriate loss allowances (level 2).

6. Other non-current and current assets

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

in € million	30/9/2022		31/12/2021	
	Current	Non-current	Current	Non-current
Other tax receivables	9.8	-	9.5	-
Prepaid expenses	2.2	-	2.6	-
Advance payments and deposits	5.0	1.8	2.2	1.7
Receivables from equity investments	1.4	-	1.8	-
Fair values of hedging instruments	11.8	2.1	3.1	0.3
Contract assets	0.2	-	0.3	-
Miscellaneous assets	10.2	-	25.4	-
Other assets (total)	**40.6**	**3.9**	**44.9**	**2.0**

Additional hedges were concluded in the 2022 financial year in response to the rise in energy and commodity prices as a result of the Ukraine war. The change in the fair values of hedging instruments was mainly due to the remeasurement effects recognised in other comprehensive income in connection with these gas price and commodity hedges. Other assets mainly decreased due to the expiry of alternative investments concluded to avoid deposit fees.

7. Cash and cash equivalents

Cash and cash equivalents are composed as follows:

in € million	30/9/2022	31/12/2021
Cash on hand incl. Cheques	0.3	0.3
Current bank balances	52.7	100.4
Cash equivalents	172.9	163.4
Total cash and cash equivalents	**225.9**	**264.1**

Cash and cash equivalents declined by € 38.2 million to € 225.9 million. The reduction in our liquidity is primarily due to the increase in our net operating assets, especially safety stock. Bank balances were offset against matching liabilities in the amount of € 14.1 million (31 December 2021: € 17.1 million). Cash is held solely in the short term and at banks of good credit standing that are predominantly members of a deposit protection system.

8. Revaluation surplus

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

in € million	30/9/2022	31/12/2021
Items to be reclassified to profit or loss:		
Currency translation of financial statements of foreign Group companies	-22.2	-11.6
Currency translation of long-term loans classified as net investments in foreign Group companies	-3.4	-8.0
Reserve for cash flow hedges	-2.3	-4.7
Deferred taxes for this category	0.6	-0.5
Sub-total (a)	**-27.3**	**-24.8**
Items not to be reclassified to profit or loss:		
Actuarial gains and losses on defined benefit obligations	-52.7	-107.1
Miscellaneous gains and losses on measurement	-2.8	1.1[(1)]
Deferred taxes for this category	15.9	32.2
Sub-total (b)	**-39.6**	**-73.8**
Total revaluation surplus [(a)+(b)]	**-66.9**	**-98.6**

(1) Change in accounting for emission rights in accordance with IAS 8.14 (For explanations, see general information in the notes to the consolidated financial statements.)

The amount of the pension obligation was adjusted in response to the sharp rise in the discount rate for pension obligations from 1.0 % as at 31 December 2021 to 4.00 % as at 30 September 2022. The increase in the revaluation surplus is primarily due to this remeasurement effect for pension provisions, including deferred tax assets, which was recognised in other comprehensive income. This was partially offset by currency effects recognised in other comprehensive income from various currencies.

9. Non-current and current provisions for personnel

Non-current provisions for personnel changed to only a minor extent in the reporting period. They declined by € 0.2 million to € 15.7 million. Current provisions for personnel decreased by € 7.6 million to € 13.2 million, mainly due to the payment of variable remuneration for 2021.

10. Other non-current and current provisions

Net other non-current provisions increased only slightly from € 22.6 million to € 24.4 million in the reporting period. The decline in other current provisions by € 3.3 million to € 23.7 million relates among other things to the utilisation of the provision for the transformation and efficiency enhancement programme.

11. Non-current and current financial liabilities

Non-current financial liabilities remained unchanged in the reporting period. Current financial liabilities decreased by € 4.7 million to € 20.6 million.

12. Non-current and current lease liabilities

Non-current and current lease liabilities increased by € 2.1 million to € 40.0 million in the reporting period. This change is mainly due to additions from new and extended leases of € 15.4 million as well as € 13.8 million from repayments of principal. Interest expenses for leased right-of-use assets amounted to € 0.4 million in the reporting period.

13. Other non-current and current liabilities

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

in € million	30/9/2022		31/12/2021	
	Current	Non-current	Current	Non-current
Bonus liabilities	55.7	-	52.5	-
Personnel liabilities (a)	24.4	-	19.8	-
Other tax liabilities	10.5	-	11.0	-
Advance payments received on account of orders	13.5	-	10.5	-
Deferred income	0.9	0.5	1.1[1]	0.5
Liabilities to affiliated, non-consolidated companies	0.3	-	0.3	-
Fair values of hedging instruments	4.7	11.4	3.0	5.0
Miscellaneous other liabilities	5.3	26.3	7.6	27.0
Other liabilities (total)	**115.3**	**38.2**	**105.8**	**32.5**

(1) Change in accounting for emission rights in accordance with IAS 8.14 (For explanations, see general information in the notes to the consolidated financial statements.)

(a) seasonal change

Other liabilities increased by € 15.2 million to € 153.5 million. This was mainly due to the increase in the fair values of hedging instruments used to hedge exchange rate risk in the Villeroy & Boch Group.

NOTES ON SELECTED ITEMS OF THE CONSOLIDATED INCOME STATEMENT

14. Revenue

Revenue is broken down in the segment reporting.

15. Selling, marketing and development costs

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

in € million	2022		2021	
	Q1-3	Q3	Q1-3	Q3
Bathroom & Wellness	-10.7	-3.6	-9.8	-3.4
Dining & Lifestyle	-3.4	-1.0	-3.5	-1.1
Research and development costs (total)	**-14.1**	**-4.6**	**-13.3**	**-4.5**

16. Financial result

The financial result is broken down as follows:

in € million	2022		2021	
	Q1-3	**Q3**	**Q1-3**	**Q3**
Financial expenses	-2.6	-0.8	-1.9	-0.6
Interest expense on lease liabilities	-0.4	-0.2	-0.5	-0.1
Interest expenses for provisions (pensions)	-1.3	-0.3	-1.2	-0.5
Financial income	3.3	1.4	0.9	0.4
Net finance expense (total)	**-1.0**	**0.1**	**-2.7**	**-0.8**

The rise in interest rates for the discounting of non-current environmental provisions in the first nine months of 2022 resulted in interest income of € 2.1 million.

17. Income taxes

The main components of income tax expense are as follows:

in € million	2022		2021	
	Q1-3	**Q3**	**Q1-3**	**Q3**
Current income taxes	-17.4	-6.2	-16.8	-4.6
Deferred taxes	-1.6	-0.7	0.0	-1.5
Income taxes (total)	**-19.0**	**-6.9**	**-16.8**	**-6.1**

18. Related party disclosures

No material contracts were entered into with related parties in the period under review. The pro rata temporis transaction volume with related parties and non-consolidated affiliated companies is at virtually the same level as in the 2021 consolidated financial statements. All transactions are conducted at arm's-length conditions.

19. Personnel changes in the Supervisory Board of Villeroy & Boch AG

Ms Sabine Süpke stepped down as a member of the Supervisory Board of Villeroy & Boch AG effective 15 August 2022. The elected substitute member Ms Anna Engfer succeeded her on the Supervisory Board effective 16 August 2022.

20. Events after the end of the reporting period

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

Mettlach 19 October 2022

The Management Board

FINANCIAL CALENDAR

2 March 2023	Annual press conference for the 2022 financial year
21 April 2023	General Meeting of Shareholders of Villeroy & Boch AG
25 April 2023	Report on the first three months of 2023

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