Villeroy & Boch
1748

275 YEARS CREATING HOMES

INTERIM REPORT
1 January to 30 September 2023

INTERIM REPORT
1 January to 30 September 2023

- Consolidated revenue in first nine months down 8.8 % year on year at € 650.6 million (on a constant currency basis).
- EBIT of € 56.8 million, 11.7 % lower than in previous year (€ 64.3 million).
- Full-year revenue and earnings forecast for 2023 at lower end of forecast range.

THE GROUP - AT A GLANCE	1/1/2023 - 30/9/2023	1/1/2022 - 30/9/2022	Change	Change
	in € million	in € million	in € million	in %
Revenue	650.6	728.3	-77.7	-10.7
Revenue – Germany	183.8	213.3	-29.5	-13.8
Revenue – Abroad	466.8	515.0	-48.2	-9.4
On a constant currency basis	664.0	728.3	-64.3	-8.8
EBIT	56.8	64.3	-7.5	-11.7
EBT	53.9	63.3	-9.4	-14.8
Group result	37.7	44.3	-6.6	-14.9
Return on net operating assets (rolling)	25.7 %	31.5 % (1)	-	-5.8 PP
Investments (without leasing)	24.6	18.6	6.0	32.3
Investments „Leases“– IFRS 16	8.5	15.4	-6.9	-44.8
Employees (FTEs as at end of period)	6,080 FTE	6,408 FTE	-328 FTE	-5.1

(1) Return on net operating assets as at 31 December 2022

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INTERIM MANAGEMENT REPORT OF THE VILLEROY & BOCH GROUP FOR THE THIRD QUARTER OF 2023

GENERAL CONDITIONS OF THE GROUP

The basic information on the Group as presented in the 2022 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 growth slowed overall, with industrialised countries experiencing a more pronounced slowdown and growth rates far lower than the average in recent years.
Europe especially is feeling the effects of significantly lower consumer spending and a downturn in residential construction in particular.
The German economy fared worse than the eurozone on account of high inflation and weak global economic performance.

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. However, economic development remains a source of considerable uncertainty.

Our consolidated revenue (including licence income) adjusted for currency effects, i.e. using the same exchange rates as for the previous year, in the first nine months of 2023 was 8.8 % below the same period of the previous year, largely due to economic conditions. Negative currency effects resulted primarily from the Chinese yuan and the Swedish krona.

The nominal consolidated revenue of € 650.6 million was € 77.7 million or 10.7 % below the same period of the previous year.

Revenue in the region of EMEA (Europe, Middle East, Africa) declined by 13.0 % or € 76.4 million. This is due in particular to the weak performance in Central Europe, where we had to accept a decline of 13.5 % or € 32.9 million. By contrast, revenue in Southern Europe increased by 9.6 % or € 3.1 million.
Overseas, we increased our revenue in China by 13.1 % or € 8.9 million, thanks chiefly to good project business. This limited the revenue decline abroad to 0.9 % or € 1.3 million.

Incoming orders as at 30 September 2023 was € 128.5 million, € 8.8 million below the level as at 31 December 2022, due to the declining development of order intake in the first nine months of the current financial year.
Orders on hand in the Bathroom & Wellness Division amounted to € 105.9 million (31 December 2022: € 116.9 million). The lower level of incoming orders in Europe due to the economic downturn was offset by an increase from the continued positive development of project business in China.
Orders on hand in the Dining & Lifestyle Division amounted to € 22.6 million (31 December 2022: € 20.4 million) and increased mainly due to orders already placed for our Christmas range.

We generated EBIT of € 56.8 million in the first nine months of 2023, 11.7 % below the previous year (€ 64.3 million). The downturn in earnings due to revenue development was only partially offset by cost savings and income from currency hedges.

The non-operating result of € -1.0 million included in EBIT comprises income from the partial recognition of the gain on the disposal of our former plant property in Luxembourg, which was largely offset by slightly higher expenses in connection with a write-down on an equity investment and project expenses related to the acquisition of Ideal Standard.

The Group's rolling return on net operating assets decreased to 25.7 % as at 30 September 2023 (31 December 2022: 31.5 %). This was due to the increase in rolling net operating assets, especially inventories, and the reduction in rolling operating earnings.

COURSE OF BUSINESS AND POSITION OF THE DIVISIONS

Bathroom & Wellness

Revenue (on a constant currency basis) generated by the Bathroom & Wellness Division in the first nine months of 2023 was 11.5 % lower than in the strong previous year (€ 506.3 million), due chiefly to economic factors. Nominal revenue of € 435.8 million was down 13.9 % on the same period of the previous year.

The downturn in revenue was observed in all business aeas. It was particularly pronounced in our ceramic sanitary ware business (€ -39.9 million) due to the slowdown in the construction industry in Europe and in our wellness business (€ -14.4 million), where revenue from outdoor hot tubs declined as consumers became more reluctant to invest. Nevertheless, we noticed a positive market response to our new products, such as toilets with new TwistFlush technology. Thanks to the sustained strength of our project business, however, we achieved substantial revenue growth in Asia with market-specific products including our ViClean shower toilets in particular.

The Bathroom & Wellness Division therefore closed the first nine months of 2023 with an operating result (EBIT) of € 45.7 million (previous year: € 53.9 million). The downturn in earnings due to revenue development was only partially offset by falling procurement prices, especially for energy.

The rolling return on net operating assets declined significantly to 23.3 % (31 December 2022: 35.6 %) as a result of the lower operating result and the increase in rolling net operating assets.

Dining & Lifestyle

On a constant currency basis, the Dining & Lifestyle Division's revenue in the first nine months of 2023 was also down 2.7 % year on year (previous year: € 219.5 million) as a result of economic developments. Nominal revenue of € 212.3 million declined by 3.3 % or € 7.2 million compared to the same period of the previous year.
In terms of revenue performance, our project business with hotel and restaurant customers saw particularly strong growth of € 1.6 million on the back of our pronounced focus on the high-end segment. Revenue generated in our retail stores came to € 61.8 million, slightly higher than in the previous year. Our e-commerce business saw a downturn in revenue (€ -8.0 million), again in line with the general trend in online retail.

The Dining & Lifestyle Division recorded an operating result (EBIT) of € 12.1 million, slightly below the previous year (€ 12.6 million).

The rolling return on net operating assets decreased to 31.5 % (31 December 2022: 35.4 %) as a result of increased rolling net operating assets.

Capital structure

Our equity increased by € 6.3 million as against the end of 2022, amounting to € 378.8 million as at 30 September 2023. The main changes were the net profit for the period (€ +37.7 million) and the dividend distribution for 2022 (€ -31.1 million).
At 41.9 %, our equity ratio (including non-controlling interests) was 3.9 percentage points higher than in the previous year (31 December 2022: 38.0 %).

Investments

We invested € 24.6 million in property, plant and equipment and intangible assets in the first nine months of 2023 (previous year: € 18.6 million). The Bathroom & Wellness Division accounted for € 16.9 million, with the remaining € 7.7 million attributable to the Dining & Lifestyle Division.

Investment activity in the Bathroom & Wellness Division concentrated on pressure casting machines and a photovoltaic system in Hungary, a washbasin pressure casting system in Romania, a new vertical moulding machine in Belgium and new moulds for the wellness plant in the Netherlands.

Investment in the Dining & Lifestyle Division mainly related to the modernisation and acquisition of new production facilities and pressing tools in Merzig and Torgau as well as the modernisation of our own retail stores.

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 € 18.2 million as at the end of the reporting period (previous year: € 22.9 million).

Net liquidity

Taking into account our financial liabilities of € 75.5 million, the cash and bank balances of € 175.8 million resulted in net liquidity of € 100.3 million as at 30 September 2023 (31 December 2022: € 141.2 million). The decline in our net liquidity is mainly due to the distribution of the dividend for the past financial year (€ 31.1 million) and the increase in our net operating assets, in particular inventories.

We also have unused credit facilities of € 274.0 million at our disposal.

Balance sheet structure

Total assets amounted to € 904.6 million as at the end of the reporting period as against € 980.2 million as at 31 December 2022, a decrease of € 75.6 million.

The share of total assets attributable to non-current assets increased by 2.0 percentage points to 31.3 % (31 December 2022: 29.3 %).

Current assets decreased by € 78.9 million as against 31 December 2022, mainly as a result of the decrease in cash and cash equivalents (€ -50.8 million), current financial assets (€ -25.0 million) and trade receivables (€ -15.9 million), which was partly offset by a increase in inventories (€ 11.7 million).

On the equity and liabilities side of the statement of financial position, the biggest changes as against the end of 2022 were within current liabilities (€ -70.4 million), with mainly a reduction in other current liabilities (€ -38.9 million) and trade payables (€ -19.7 million). Non-current liabilities decreased by a total of € 12.7 million, mainly due to the reduction of pension provisions (€ -4.5 million) and other non-current liabilities (€ -4.5 million).

REPORT ON RISKS AND OPPORTUNITIES

The risks and opportunities described in the 2022 annual report are unchanged. As previously, a regular, focused re-examination of all risk areas is continuously performed. The continuing relaxation of the procurement markets and the resulting decrease in purchase prices, especially for energy, have further reduced the risks in this regard. By contrast, the consequences of the ongoing slowdown in the European construction industry could intensify further.

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

Outside of our operating business, we believe there is further earnings potential to be generated from the development and marketing of our property in Luxembourg that is no longer required for operating purposes in addition to the income recognised in the second quarter of 2023.

OUTLOOK FOR THE CURRENT FINANCIAL YEAR

The market environment remains characterised by an unusually high degree of uncertainty. This relates in particular to the continued development of the construction industry and the negative impact of the further rise in interest rates on the propensity to invest. Adverse effects could also result from a renewed escalation of the trade dispute and the political conflict between the US and China.

Given the further deterioration of conditions in the European construction industry in the third quarter of 2023 and negative currency effects, the Villeroy & Boch AG Management Board expects that the forecast range adjusted at the end of the first half of the year – with a reduction in consolidated sales (at previous year exchange rates) of 3.0 % to 6.0 % and operating EBIT of 5.0 % to 10.0 % – will narrow further to the lower range as a result of the sales and earnings development in the fourth quarter.

The return on net operating assets is expected to be between 23 % and 25 % due to the new targets.

The forecast for investments in property, plant and equipment and intangible assets remains unchanged at an expected € 50 million.

Acquisition of Ideal Standard

On 18 September 2023, Villeroy & Boch signed binding contracts to acquire all operating companies of the Ideal Standard Group. The Ideal Standard shares are being sold by funds managed by the Anchorage Capital Group and CVC Credit. The acquisition includes all operating Group companies, including business activities in the Middle East/Africa that the Ideal Standard Group previously operated through a joint venture with Roots Group Arabia.

The total purchase price is based on a company valuation of approximately € 600 million. Villeroy & Boch will finance the transaction using existing funds and debt capital of around € 250 million.

Closing of the transaction is subject to standard conditions and regulatory approvals, in particular to merger control procedures and the redemption of the € 325 million bond issued by the seller Ideal Standard International S.A., Luxembourg. The transaction is expected to be concluded in early 2024.

Mettlach 17 October 2023

Frank Göring	Dr Peter Domma	Esther Jehle
Georg Lörz	Gabriele Schupp	Dr Markus Warncke

CONSOLIDATED BALANCE SHEET

as of 30 September 2023 in € million

Assets	Notes	30/9/2023	31/12/2022
Non-current assets			
Intangible assets		33.2	33.3
Property, plant and equipment	1	177.6	175.4
Right-of-use assets	2	38.1	41.3
Investment property		4.8	4.6
Investment accounted for using the equity method		2.8	2.4
Other financial assets	3	26.7	29.8
		283.2	**286.8**
Other non-current assets	6	5.7	3.0
Deferred tax assets		31.3	31.5
		320.2	**321.3**
Current assets			
Inventories	4	250.1	238.4
Trade receivables	5	113.5	129.4
Financial assets	3	-	25.0
Other current assets	6	26.8	30.4
Income tax receivables		13.8	9.1
Cash and cash equivalents	7	175.8	226.6
		580.0	**658.9**
Assets held for sale		**4.4**	**-**
Total assets		**904.6**	**980.2**

Equity and liabilities	Notes	30/9/2023	31/12/2022
Equity attributable to V & B AG shareholders			
Issued capital		71.9	71.9
Capital surplus		194.2	194.2
Treasury shares		-14.5	-14.5
Retained earnings		202.2	195.8
Revaluation surplus	8	-78.7	-78.7
		375.1	**368.7**
Equity attributable to minority interests		**3.7**	**3.8**
Total equity		**378.8**	**372.5**
Non-current liabilities			
Provisions for pensions		122.4	126.9
Non-current provisions for personnel	9	12.0	13.0
Other non-current provisions	10	17.6	18.8
Non-current financial liabilities	11	75.0	75.0
Non-current lease liabilities	12	27.9	29.2
Other non-current liabilities	13	3.9	8.4
Deferred tax liabilities		5.7	5.9
		264.5	**277.2**
Current liabilities			
Current provisions for personnel	9	13.7	17.5
Other current provisions	10	30.1	28.4
Current financial liabilities	11	0.5	10.4
Current lease liabilities	12	10.6	12.7
Other current liabilities	13	104.2	143.1
Trade payables		79.7	99.4
Income tax liabilities		21.3	19.0
		260.1	**330.5**
Liabilities held for sale		**1.2**	**-**
Total liabilities		**525.8**	**607.7**
Total equity and liabilities		**904.6**	**980.2**

CONSOLIDATED INCOME STATEMENT

for the period 1 January to 30 September 2023

in € million

	Notes	1/1/2023 - 30/9/2023	1/1/2022 - 30/9/2022
Revenue	14	**650.6**	**728.3**
Costs of sales		-371.3	-426.4
Gross profit		**279.3**	**301.9**
Selling, marketing and development costs	15	-193.5	-196.0
General administrative expenses		-33.4	-33.7
Other operating income and expenses		3.9	-8.3
Result of associates accounted for using the equity method		0.5	0.4
Operating result (EBIT)		**56.8**	**64.3**
Financial result	16	-2.9	-1.0
Earnings before taxes		**53.9**	**63.3**
Income taxes	17	-16.2	-19.0
Group result		**37.7**	**44.3**
Thereof attributable to:			
Villeroy & Boch AG shareholders		37.5	44.0
Minority interests		0.2	0.3
		37.7	**44.3**
EARNINGS PER SHARE			**in €**
Earnings per ordinary share		1.39	1.64
Earnings per preference share		1.44	1.69

During the reporting period there were no share dilution effects.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the period 1 January to 30 September 2023

in € million

	1/1/2023 - 30/9/2023	1/1/2022 - 30/9/2022
Group result	**37.7**	**44.3**
Other comprehensive income		
Items to be reclassified to profit or loss:		
Cash flow hedge	3.6	2.4
Gains or losses on translations of exchange differences	-2.8	-5.9
Deferred income tax effect on items to be reclassified to profit or loss	-1.4	1.1
Items not to be reclassified to profit or loss:		
Actuarial gains or losses on defined benefit plans	-0.1	54.4
Other valuation results	0.7	-3.9
Deferred income tax effect on items not to be reclassified to profit or loss	0.0	-16.3
Total other comprehensive income	**0.0**	31.8
Total comprehensive income net of tax	**37.7**	**76.1**
Thereof attributable to:		
Villeroy & Boch AG shareholders	37.5	75.7
Minority interests	0.2	0.4
Total comprehensive income net of tax	**37.7**	**76.1**

CONSOLIDATED INCOME STATEMENT

for the period 1 July to 30 September 2023
in € million

	Notes	1/7/2023 - 30/9/2023	1/7/2022 - 30/9/2022
Revenue	14	**212.8**	**238.0**
Costs of sales		-124.9	-138.6
Gross profit		**87.9**	**99.4**
Selling, marketing and development costs	15	-61.0	-62.3
General administrative expenses		-10.9	-11.0
Other operating income and expenses		1.7	-3.4
Result of associates accounted for using the equity method		0.4	0.3
Operating result (EBIT)		**18.1**	**23.0**
Financial result	16	-1.0	0.1
Earnings before taxes		**17.1**	**23.1**
Income taxes	17	-5.2	-6.9
Group result		**11.9**	**16.2**
Thereof attributable to:			
Villeroy & Boch AG shareholders		11.8	16.1
Minority interests		0.1	0.1
		11.9	**16.2**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the period 1 July to 30 September 2023
in € million

	1/7/2023 - 30/9/2023	1/7/2022 - 30/9/2022
Group result	**11.9**	**16.2**
Other comprehensive income		
Items to be reclassified to profit or loss:		
Cash flow hedge	0.0	-0.1
Gains or losses on translations of exchange differences	0.9	-3.8
Deferred income tax effect on items to be reclassified to profit or loss	0.0	0.3
Items not to be reclassified to profit or loss:		
Actuarial gains or losses on defined benefit plans	0.0	15.3
Other valuation results	0.0	-0.6
Deferred income tax effect on items not to be reclassified to profit or loss	0.0	-4.6
Total other comprehensive income	**0.9**	**6.5**
Total comprehensive income net of tax	**12.8**	**22.7**
Thereof attributable to:		
Villeroy & Boch AG shareholders	12.5	22.7
Minority interests	0.3	0.0
Total comprehensive income net of tax	**12.8**	**22.7**

CONSOLIDATED CASH FLOW STATEMENT

for the period 1 January to 30 September 2023

in € million

	1/1/2023 - 30/9/2023	1/1/2022 - 30/9/2022
Group result	37.7	44.3
Depreciation and attribution of non-current assets	33.2	30.1
Change in non-current provisions	-10.8	-5.9
Profit from disposal of fixed assets	-10.6	-3.0
Change in inventories, receivables and other assets	-5.6	-63.7
Change in liabilities, current provisions and other liabilities	-47.3	16.9
Other non-cash income/expenses	2.2	5.4
Cash flow from operating activities	**-1.2**	**24.1**
Purchase of intangible assets, property, plant and equipment	-24.6	-18.6
Investment in non-current financial assets	-4.2	-1.1
Cash receipts from disposals of financial assets	25.2	1.9
Cash receipts from disposals of fixed assets	8.1	-
Cash flow from investing activities	**4.5**	**-17.8**
Change in financial liabilities	-9.8	-4.7
Cash payments for the principal portion of the lease liabilities	-12.9	-13.8
Dividend paid to minority shareholders	-0.3	-0.2
Dividend paid to shareholders of Villeroy & Boch AG	-31.1	-25.8
Cash flow from financing activities	**-54.1**	**-44.5**
Sum of cash flows	**-50.8**	**-38.2**
Balance of cash and cash equivalents as at 1 Jan	226.6	264.1
Net increase in cash and cash equivalents	-50.8	-38.2
Balance of cash and cash equivalents as at 30 Sept	**175.8**	**225.9**

CONSOLIDATED STATEMENT OF EQUITY

for the period 1 January to 30 September 2023

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 1/1/2022	**71.9**	**194.2**	**-14.5**	**150.4**	**-98.6**	**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**
As of 1/1/2023	**71.9**	**194.2**	**-14.5**	**195.8**	**-78.7**	**368.7**	**3.8**	**372.5**
Group result				37.5		37.5	0.2	37.7
Other comprehensive income					0.0	0.0	0.0	0.0
Total comprehensive income net of tax				**37.5**		**37.5**	**0.2**	**37.7**
Dividend payments				-31.1		-31.1	-0.3	**-31.4**
As of 30/9/2023	**71.9**	**194.2**	**-14.5**	**202.2**	**-78.7**	**375.1**	**3.7**	**378.8**

CONSOLIDATED SEGMENT REPORT

for the period 1 January to 30 September 2023

in € million

	Bathroom & Wellness		Dining & Lifestyle		Transition/Other		Villeroy & Boch Group	
	1/1/2023 - 30/9/2023	1/1/2022 - 30/9/2022	1/1/2023 - 30/9/2023	1/1/2022 - 30/9/2022	1/1/2023 - 30/9/2023	1/1/2022 - 30/9/2022	1/1/2023 - 30/9/2023	1/1/2022 - 30/9/2022
Revenue								
Segment revenue from sales of goods to external customers	**435.9**	506.1	**211.0**	219.1	**-**	-	**646.9**	725.2
Segment revenue from transactions with other segments	**-**	-	**-**	-	**-**	-	**-**	-
Segment revenue from licence business	**-0.1**	0.2	**1.3**	0.4	**2.5**	2.5	**3.7**	3.1
Revenue	**435.8**	506.3	**212.3**	219.5	**2.5**	2.5	**650.6**	728.3
Result								
Segment result	**45.7**	53.9	**12.1**	12.6	**-1.0**	-2.2	**56.8**	64.3
Financial result	**-**	-	**-**	-	**-2.9**	-1.0	**-2.9**	-1.0
Investments and depreciations								
Investments of intangible assets, property, plant and equipment	**16.9**	11.6	**7.7**	7.0	**-**	-	**24.6**	18.6
Investments of right-of-use assets on leases	**2.7**	5.2	**5.8**	10.2	**-**	-	**8.5**	15.4
Scheduled depreciation of intangible assets, property, plant and equipment	**14.4**	14.7	**3.9**	4.1	**-**	-	**18.3**	18.8
Scheduled depreciation of right-of-use assets on leases	**4.1**	4.0	**7.1**	7.0	**-**	-	**11.2**	11.0

Assets and liabilities	**30/9/2023**	**31/12/2022**	**30/9/2023**	**31/12/2022**	**30/9/2023**	**31/12/2022**	**30/9/2023**	**31/12/2022**
Segment assets	**398.2**	403.3	**197.5**	198.2	**308.9**	378.7	**904.6**	980.2
Segment liabilities	**150.3**	189.1	**83.0**	88.7	**292.5**	329.9	**525.8**	607.7
Rolling net operating assets								
Rolling operating assets	**400.8**	400.4	**192.5**	185.4	**-**	-	**593.3**	585.8
Rolling operating liabilities	**161.5**	189.8	**83.9**	84.5	**-**	-	**245.4**	274.3
Rolling net operation assets	**239.3**	210.6	**108.6**	100.9	**-**	-	**347.9**	311.5
Rolling operating result (EBIT) *								
Rolling operating result (EBIT) *	**55.8**	75.0	**34.2**	35.7	**-0.5**	-12.5	**89.5**	98.2

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

CONSOLIDATED SEGMENT REPORT

for the period 1 July to 30 September 2023

in € million

	Bathroom & Wellness		Dining & Lifestyle		Transition/Other		Villeroy & Boch Group	
	1/7/2023 - 30/9/2023	1/7/2022 - 30/9/2022	1/7/2023 - 30/9/2023	1/7/2022 - 30/9/2022	1/7/2023 - 30/9/2023	1/7/2022 - 30/9/2022	1/7/2023 - 30/9/2023	1/7/2022 - 30/9/2022
Revenue								
Segment revenue from sales of goods to external customers	136.9	158.5	74.8	78.6	-	-	211.7	237.1
Segment revenue from transactions with other segments	-	-	-	-	-	-	-	-
Segment revenue from licence business	0.0	0.1	0.3	0.0	0.8	0.8	1.1	0.9
Revenue	136.9	158.6	75.1	78.6	0.8	0.8	212.8	238.0
Result								
Segment result	12.4	16.0	7.0	7.7	-1.3	-0.7	18.1	23.0
Financial result	-	-	-	-	-1.0	0.1	-1.0	0.1
Investments and depreciations								
Investments of intangible assets, property, plant and equipment	5.1	5.8	3.4	2.5	-	-	8.5	8.3
Investments of right-of-use assets on leases	0.3	0.7	3.8	1.5	-	-	4.1	2.2
Scheduled depreciation of intangible assets, property, plant and equipment	4.8	4.9	1.3	1.4	-	-	6.1	6.3
Scheduled depreciation of right-of-use assets on leases	1.3	1.3	2.4	2.3	-	-	3.7	3.6

NOTES TO THE INTERIM FINANCIAL STATEMENTS OF THE VILLEROY & BOCH GROUP ON THE THIRD QUARTER OF 2023

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 for high-quality tableware and living accessories, 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 2023 to 30 September 2023. It was approved for publication on 17 October 2023 after the Management Board discussed the interim report with the Audit Committee of the Supervisory Board. It was prepared in accordance with section 315e of the German Commercial Code (HGB), applying the IFRS regulations as endorsed by the European Commission. These condensed interim financial statements have not been audited or reviewed by an audit company. In the opinion of the Management Board, these interim financial statements provide a true and fair view of the net assets, financial position and results of operations of the Group. The interim report includes condensed consolidated financial statements with selected explanatory notes in accordance with IAS 34. For this reason, it should be read in conjunction with the consolidated financial statements as at 31 December 2022. 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 2022 annual report were extended to include the accounting standards endorsed by the EU and effective for reporting periods beginning on or after 1 January 2023. Overall, this did not have a material impact on this interim report.

Villeroy & Boch AG sold its bathroom furniture site in Mondsee, Austria, to the kitchen manufacturer HAKA on 13 September 2023 with effect from 31 December 2023. This focuses bathroom furniture production capacities at the plant in Treuchtlingen. The land, including the production buildings and machinery, will be transferred to the buyer at the end of December 2023 under an asset deal. The buyer will also acquire existing personnel obligations as at 31 December 2023 and existing inventories at this time. The purchase price is in the higher single-digit million range.

For this reason, property, plant and equipment (€ 2.9 million) and inventories (€ 1.5 million) were reclassified to the "Assets held for sale" item as at 30 September 2023. The personnel obligations being transferred (€ 1.2 million) were reclassified to the "Liabilities held for sale" item. This results in net assets sold of € 3.2 million as at 30 September 2023.

Further information on performance in the first nine months of 2023 can be found in the above economic report.

Basis of consolidation

The basis of consolidation of the Villeroy & Boch Group consists of 51 companies as of 30 September 2023 (31 December 2022: 52). In order to optimise the Group structure, Villeroy & Boch Tableware (Far East) Ltd., Hongkong, was liquidated on 2 June 2023.
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 2022 financial year

The General Meeting of Shareholders on 21 April 2023 resolved the dividend of € 1.15 per ordinary share and € 1.20 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 € 16.1 million (previous year: € 13.4 million) for the ordinary share capital and € 15.0 million (previous year: € 12.4 million) for the preference share capital. The dividend will be paid on 26 April 2023. The Villeroy & Boch Group hold 1,627,199 (previous year: 1,627,199) 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 € 23.7 million was acquired in the period under review (previous year: € 17.9 million).
Investment in the Bathroom & Wellness Division focused on international locations. In Hungary, purchases included new toilet pressure casting machines, a new roof and a photovoltaic system. Investments in Romania included a washbasin pressure casting system and the energy optimisation of kilns. New moulds were purchased for the wellness plant in the Netherlands, while investments in Belgium included a new vertical moulding machine.
Investment in the Dining & Lifestyle Division focused on Germany. At the Merzig site, the packing facility roof was renovated and a palletiser and two grinders were acquired. Besides, the company invested in reducing the gas consumption of kilns. In addition, the company's own retail stores were modernized at several locations.
Furthermore, € 4.3 million (previous year: € 4.3 million) was invested in the continuation of the “Mettlach 2.0” project.
Depreciation amounts to € 16.8 million (previous year: € 17.2 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 € 17.5 million (31 December 2022: € 19.2 million).

2. Right-of-use assets

Capitalized right-of-use assets decreased by € 3.2 million to € 38.1 million in the reporting period.
This change is mainly due to additions of € 8.5 million (previous year: € 15.4 million) and, offsetting this,

depreciation of € 11.2 million (previous year: € 11.0 million) and disposals at carrying amounts of € 0.3 million (previous year: € 2.4 million). Expenses for short-term property leases amounted to € 3.5 million (previous year: € 3.7 million) with € 5.0 million (previous year: € 4.1 million) from variable rental payments for property leases. Expenses for other short-term leases and leases for low-value assets amounted to € 2.1 million (previous year: € 1.9 million).

3. Other financial assets

Other financial assets include:

in € million	30/9/2023	31/12/2022
Securities	-	25.0
Short-term financial assets	**-**	**25.0**
Securities	21.0	20.1
Shares in other equity investments	2.1	2.1
Loans	1.2	1.2
Shares in non-consolidated subsidiaries	2.4	6.4
Long-term financial assets	**26.7**	**29.8**

The € 25.0 million reduction in current financial assets was due to the sale of short-term securities purchased in the 2021 financial year to avoid deposit fees. Non-current financial assets fell to € 26.7 million in the reporting period as a result of impairment losses on shares in non-consolidated subsidiaries amounting to € 4.0 million.

4. Inventories

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

in € million	30/9/2023	31/12/2022
Raw materials and supplies	38.4	40.2
Work in progress	23.5	22.4
Finished goods and goods for resale	188.2	175.8
Inventories (total)	**250.1**	**238.4**

5. Trade receivables

Trade receivables are broken down as follows:

by customer domicile/in € million	30/9/2023	31/12/2022
Germany	26.4	29.3
Rest of euro zone	22.6	29.8
Rest of world	69.2	76.1
Gross carrying amount of trade	**118.2**	**135.2**
Impairment due to expected losses (level 1)	-0.9	-0.9
Impairment due to objective indications (level 2)	-3.8	-4.9
Impairment losses	**-4.7**	**-5.8**
Total trade receivables	**113.5**	**129.4**

6. Other non-current and current assets

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

in € million	30/9/2023		31/12/2022	
	Current	Non-current	Current	Non-current
Other tax receivables	7.5	-	8.9	-
Prepaid expenses	3.0	-	2.0	-
Advance payments	2.0	0.1	2.9	0.1
Deposits	0.3	1.9	0.8	1.8
Receivables from equity investments	1.3	-	1.5	-
Fair values of hedging instruments	2.2	3.7	4.3	1.1
Contract assets	0.4	-	0.6	-
Miscellaneous assets	10.1	-	9.4	-
Other assets (total)	**26.8**	**5.7**	**30.4**	**3.0**

7. Cash and cash equivalents

Cash and cash equivalents are composed as follows:

in € million	30/9/2023	31/12/2022
Cash on hand incl. cheques	0.4	0.4
Current bank balances	60.5	104.4
Cash equivalents	114.9	121.8
Total cash and cash equivalents	**175.8**	**226.6**

The € 50.8 million decrease in cash and cash equivalents is primarily attributable to the dividend payment of the Villeroy & Boch AG over € 31.1 million, the repayment of a € 10.0 million loan on schedule and other changes in net operating assets. Bank balances were offset against matching liabilities in the amount of € 7.1 million (31 December 2022: € 14.5). 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	30/9/2023	31/12/2022
Items to be reclassified to profit or loss:		
Currency translation of financial statements of foreign group companies	-27.4	-21.2
Currency translation of long-term loans classified as net investments in foreign group companies	-2.3	-5.7
Reserve for cash flow hedges	-0.2	-3.8
Deferred taxes for this category	-2.3	-0.9
Sub-total (a)	**-32.2**	**-31.6**
Items not to be reclassified to profit or loss:		
Actuarial gains and losses on defined benefit obligations	-67.1	-67.0
Miscellaneous gains and losses on measurement	-0.2	-0.9
Deferred taxes for this category	20.8	20.8
Sub-total (b)	**-46.5**	**-47.1**
Total revaluation surplus [(a)+(b)]	**-78.7**	**-78.7**

The change within the revaluation surplus predominantly results from currency effects recognised in other comprehensive income from various currencies, the most significant of which being the Mexican peso, the Swedish krona, the Australian dollar, the Russian rouble, the Thai baht and the Norwegian krone.

9. Non-current and current provisions for personnel

Non-current provisions for personnel changed to only a minor extent in the reporting period. Current provisions for personnel decreased mainly due to the payment of variable remuneration for 2022.

10. Other non-current and current provisions

Other non-current and current provisions changed to only a minor extent in the reporting period.

11. Non-current and current financial liabilities

Non-current financial liabilities remained unchanged in the reporting period. Current financial liabilities decreased by € 10.0 million as a result of repaying a loan on schedule.

12. Non-current and current lease liabilities

Non-current and current lease liabilities decreased by € 3.4 million to € 38.5 million in the reporting period. This change mainly results from an addition from new and prolonged leases of € 8.5 million and € 12.9 million from repayments of principal. Interest expenses for leased right-of-use assets amounted to € 1.0 million in the reporting period.

13. Other non-current and current liabilities

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

in € million	30/9/2023		31/12/2022	
	Current	Non-current	Current	Non-current
Bonus liabilities	41.9	-	64.6	-
Personnel liabilities (a)	25.0	-	21.6	-
Other tax liabilities	8.3	-	10.8	-
Contract liabilities	4.3	-	13.6	-
Deferred income	1.0	0.3	0.8	0.4
Liabilities to affiliated, non-consolidated companies	0.2	-	0.2	-
Fair values of hedging instruments	4.2	2.0	2.7	6.5
Miscellaneous other liabilities	19.3	1.6	28.8	1.5
Other liabilities (total)	**104.2**	**3.9**	**143.1**	**8.4**

(a) seasonal change

Other current liabilities declined to € 104.2 million in the reporting period. This was due mainly to the € 22.7 million decrease in bonus liabilities and the reduction in the purchase price repayment obligation from the sale of the plant site in Luxembourg from € 24.7 million to € 14.7 million.

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	2023		2022	
	Q1-3	Q3	Q1-3	Q3
Bathroom & Wellness	-10.6	-3.4	-10.7	-3.6
Dining & Lifestyle	-3.9	-1.3	-3.4	-1.0
Research and development costs (total)	**-14.5**	**-4.7**	**-14.1**	**-4.6**

16. Financial result

The financial result is broken down as follows:

in € million	2023		2022	
	Q1-3	Q3	Q1-3	Q3
Financial expenses	-3.3	-1.1	-2.6	-0.8
Interest expense on lease liabilities	-1.0	-0.4	-0.4	-0.2
Interest expenses for provisions (pensions)	-3.8	-1.3	-1.3	-0.3
Financial income	5.2	1.8	3.3	1.4
Net finance expense (total)	**-2.9**	**-1.0**	**-1.0**	**0.1**

The interest expense for pension provisions increased by € 2.5 million to € 3.8 million, mainly on account of the adjustment of the discount rate used to measure Villeroy & Boch AG’s pension obligations. The interest expense from the remeasurement of pension provisions increased year-on-year as the interest rate of 4.0 % for 2022 was applied in the reporting period and the interest rate of 1.0 % for 2021 was applied in the previous year. This was offset by the € 1.9 million rise in financial income due to higher interest on balances.

17. Income taxes

The main components of income tax expense are as follows:

in € million	2023		2022	
	Q1-3	Q3	Q1-3	Q3
Current income taxes	-17.7	-5.2	-17.4	-6.2
Deferred taxes	1.5	0.0	-1.6	-0.7
Income taxes (total)	**-16.2**	**-5.2**	**-19.0**	**-6.9**

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 2022 consolidated financial statements. All transactions are conducted at arm’s-length conditions.

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

Thomas Kannengiesser and Ralf Runge stepped down as members of the Supervisory Board of Villeroy & Boch AG effective 21 April 2023. The elected substitute members Susanne Ollmann, Daniela Graf and Richard Graf von Waldburg zu Wolfegg und Waldsee succeeded them on the Supervisory Board.

With his departure from the Supervisory Board, Ralf Runge also stepped down as First Vice Chairman of the Supervisory Board. He was succeeded in this role by Bärbel Werwie. Dr Alexander von Boch-Galhau stepped down as Second Vice Chairman of the Supervisory Board effective 21 April 2023. He remains on the Supervisory Board as an honorary member, succeeding Luitwin Gisbert von Boch-Galhau in this role. Dominique Villeroy de Galhau is the new Second Vice Chairman of the Supervisory Board.

FINANCIAL CALENDAR

29 February 2024	Annual press conference for the 2023 financial year
12 April 2024	General Meeting of Shareholders of Villeroy & Boch AG
22 April 2024	Report on the first three months of 2024

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.