Villeroy & Boch
1748

INTERIM REPORT
1 January to 30 June 2022

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1 January to 30 June 2022

- Consolidated revenue rises 9.1 % to € 490.3 million in first half of the financial year.
- EBIT of € 41.3 million up 9.8 % on previous year.
- Revenue and earnings forecast for 2022 confirmed (assuming no further deterioration in the geopolitical situation).

THE GROUP - AT A GLANCE	1/1/2022 - 30/6/2022	1/1/2021 - 30/6/2021	Change	Change
	in € million	in € million	in € million	in %
Revenue	490.3	449.6	40.7	9.1
Revenue – Germany	148.1	133.4	14.7	11.0
Revenue – Abroad	342.2	316.2	26.0	8.2
On a constant currency basis	484.3	449.6	34.7	7.7
EBIT	41.3	37.6	3.7	9.8
EBT	40.2	35.7	4.5	12.6
Group result	28.1	25.0	3.1	12.4
Return on net operating assets (rolling)	33.4 %	32.9 %(1)	-	0.5 PP
Investments (without leasing)	10.3	5.8(2)	4.5	77.6
Investments „Leases“– IFRS 16	13.2	5.3	7.9	149.1
Employees (FTEs as at end of period)	6,384 FTE	6,297 FTE	87 FTE	1.4

(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 FIRST HALF-YEAR 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 in the second quarter of 2022 was mainly curbed by the war in Ukraine. The sharp rise in energy prices triggered by the conflict had a significant impact, especially in Europe. Additionally, the strict zero-COVID policy in China further intensified the already pronounced inflationary trend around the world and led to the renewed intensification of supply bottlenecks.

Course of business and position of the Villeroy & Boch Group

Based on the first half of the year, the Management Board of Villeroy & Boch AG considers the economic position of the Group to be positive on the whole. At the same time, there is considerable uncertainty with regard to the impact of the war in Ukraine and the continued development of the COVID-19 pandemic.

We generated consolidated revenue (including licence income) of € 490.3 million in the first half-year of 2022, an increase of € 40.7 million or 9.1 % as against the same period of the previous year.
Adjusted for currency effects, i.e. using the same exchange rates as for the previous year, revenue rose by 7.7 %. 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 7.4 % or € 27.7 million in our main region of EMEA (Europe, Middle East, Africa). Particularly here are notable performer Southern Europe (+23.6 %) and Eastern Europe (+13.3 %) as well as Germany, which we achieved an 11.1 % increase in revenue.
The most significant revenue decline of 27.2 % in Russia resulted from the order freeze for Russia and Belarus and the termination of local distribution contracts in the region. Revenue in Northern Europe also delined (-7.1 %).
Overseas, we recorded revenue growth of 17.6 % or € 13.0 million, mainly due to improved revenue in our project business in China.

Incoming orders increase in the first half-year of 2022, rising by € 23.7 million as against 31 December 2021 to € 210.5 million. € 169.1 million (31 December 2021: € 165.1 million) of this relates to the Bathroom & Wellness Division and € 41.4 million (31 December 2021: € 21.7 million) to the Dining & Lifestyle Division.

We generated EBIT of € 41.3 million in the first half-year of 2022, up 9.8 % on the same period of the previous year (€ 37.6 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.

The Group's rolling return on net operating assets was 33.4 % as at 30 June 2022 (31 December 2021: 32.9 %), an increase of 0.5 percentage points. This was due to the positive development of rolling operating earnings as well as the fact that rolling net operating assets only increased slightly.

Course of business and position of the divisions

Bathroom & Wellness

The Bathroom & Wellness Division generated revenue of € 347.7 million in the first half-year of 2022, up 7.6 % on the previous year (€ 323.1 million).

We generated revenue growth in all business areas. Ceramic sanitary ware saw particularly strong revenue growth of € 12.2 million, with the new products launched last year proving particularly successful in our home market of Germany. We also recorded encouraging revenue growth in the Chinese market. Revenue in the wellness business also increased by € 6.3 million or 16.1 % year-on-year thanks to the strong performance of bathtubs from the “Finion” and “Antheus” series, the healthy development of the “Subway 3.0” products launched in the previous year and the sustained high level of demand for our spas.

Despite the additional cost burden resulting from the sharp rise in material and energy prices, the Bathroom & Wellness Division therefore closed the first half-year of 2022 with an operating result (EBIT) of € 37.9 million (previous year: € 36.3 million) thanks to the positive revenue development in particular.

The rolling return on net operating assets increased to 36.5 % (31 December 2021: 35.5 %) on the back of the strong earnings performance and a slight reduction in rolling net operating assets.

Dining & Lifestyle

The Dining & Lifestyle Division generated revenue of € 140.9 million in the first half-year of 2022 up 12.6 % or € 15.8 million on the previous year (€ 125.1 million).
The second quarter of 2022 saw a slight deterioration in consumer sentiment due to the high rate of inflation and the consequences of the war in Ukraine as well as supply chain bottlenecks.
With the exception of e-commerce, we generated revenue growth across all sales channels and all regions. The division continued on its growth path on the whole, albeit with shifts between the sales channels.
Revenue at our own retail stores increased again (€ +10.9 million), although it should be noted that the prior-year figure was still affected by lockdown-related shop closures. E-commerce lost ground compared with the extraordinarily high growth recorded in the previous year (-12.0 %) as customers returned to using other sales channels to a greater extent.
Our business with retail outlet partners increased by € 4.6 million or 11.6 % year-on-year, particularly in Central Europe, the US, the Middle East and Korea.
All in all, this positive revenue performance was based on increased digitalisation in marketing and sales, a successful product range policy and a expansion of our communication strategy.
Our project business with hotel and restaurant customers picked up again with encouraging revenue growth of € 6.2 million.

On the back of the revenue growth, the Dining & Lifestyle Division recorded an operating result (EBIT) of € 4.9 million, up significantly on the previous year (€ 2.7 million).

The rolling return on net operating assets declined to 40.2 % (31 December 2021: 41.7 %) as a result of the earnings development and the fact that rolling net operating assets increased.

Capital structure

Our equity increased by € 27.4 million as against the end of 2021, amounting to € 334.5 million as at 30 June 2022. The main changes were the net income for the first half of the year (€ +28.1 million), the dividend distribution for 2021 (€ -25.8 million) and the increase in the revaluation surplus due to the higher discount rate for pension obligations (€ +27.4 million).

At 34.0 %, our equity ratio (including non-controlling interests) was therefore 2.1 percentage points higher than in the previous year (31 December 2021: 31.9 %).

Investments

We invested € 10.3 million in property, plant and equipment and intangible assets in the first half-year of 2022 (previous year: € 5.8 million). The Bathroom & Wellness Division accounted for € 5.8 million, with the remaining € 4.5 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 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. In addition, a photovoltaic system was purchased at the Merzig site.

The Group had obligations to acquire property, plant and equipment and intangible assets in the amount of € 16.2 million as at the end of the reporting period (previous year: € 11.1 million).

In light of the delays due to supply bottlenecks, we are forecasting an investment volume of up to € 50 million for 2022 as a whole. With a view to 2022 as a whole, our investments are financed from operating cash flow.

Net liquidity

Taking into account our financial liabilities of € 111.9 million, the cash and bank balances of € 234.0 million resulted in net liquidity of € 122.1 million as at 30 June 2022 (31 December 2021: € 153.8 million). The decline in our net liquidity is mainly due to the distribution of the dividend for the past financial year (€ 25.8 million) and the targeted increase in safety stock. We also have unused credit facilities of € 204.1 million at our disposal.

Balance sheet structure

Total assets amounted to € 982.6 million as at the end of the reporting period as against € 961.7 million as at 31 December 2021, an increase of € 20.9 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 € 31.0 million as against 31 December 2021, mainly as a result of the increase in inventories (€ +33.2 million), trade receivables (€ +21.8 million) and other current assets (€ +4.5 million), which was partly offset by a decrease in cash and cash equivalents (€ -30.1 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 (€ +29.4 million), where trade payables rose by € 33.8 million and other current liabilities (€ 11.5 million), offset in particular by the decrease in current pension provisions (€ -11.3 million). Non-current liabilities decreased by a total of € 35.9 million, mainly as a result of the reduction in pension provisions (€ -43.4 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 with a particular focus on supply chain risks and cost increases in the areas of energy, freight, packaging and raw materials. As rising procurement prices can only be partially offset through hedging and savings, we had to adjust our sales prices in the first half of the year. The full impact of this measure will be visible in the second half of the year. Depending on how things progress, we cannot rule out the possibility of having to pass on additional cost increases to our customers.
In our global production network, which encompasses plants for bathroom furniture, wellness, fittings and, in particular, sanitary ware, only the

production process for the latter requires the use of natural gas. While the energy supply to the majority of our production sites is secure, the threat of interruption to the supply of natural gas means that our German sanitary ware plants, and potentially also our plant in Hungary, are subject to risks that can be partially offset at the other plants in our sanitary ware network.
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 market environment remains characterised by an unusually high degree of uncertainty. The high level of inflation at present, the risk of a recession and the impact of the COVID-19 pandemic, especially in China, are weighing on the outlook for the world economy.
The forecasts for the development of macroeconomic conditions have already been downwardly revised by various research institutions. For example, the International Monetary Fund most recently lowered its forecast from 4.4 % to 3.6 % in April.

Despite these uncertain general conditions, the Management Board of Villeroy & Boch AG is confident that it will be able to achieve the upper end of the forecast range for revenue, earnings and the operating return on net assets for 2022 as a whole thanks to the course of business in the first half of the year and the sustained high level of incoming orders. However, this forecast is subject in particular to the assumption that the gas supply required for our sanitary ware production and our access to the necessary raw materials will not deteriorate significantly compared with the current situation.

COMBINED RESPONSIBILITY STATEMENT

To the best of our knowledge, and in accordance with the applicable reporting principles for interim financial reporting, the interim consolidated financial statements give a true and fair view of the net assets, financial position and results of operations of the Group in line with the German generally accepted standards for the audit of financial statements, and the interim management report of the Group includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group over the remainder of the financial year.

Mettlach 15 July 2022

Frank Göring

Gabriele Schupp

Georg Lörz

Dr Markus Warncke

CONSOLIDATED BALANCE SHEET

as of 30 June 2022
in € million

Assets	Notes	30/6/2022	31/12/2021
Non-current assets			
Intangible assets		34.2	35.1 (1)
Property, plant and equipment	1	163.1	165.9
Right-of-use assets	2	41.0	37.2
Investment property		4.8	5.1
Investment accounted for using the equity method		2.1	2.0
Other financial assets	3	28.9	28.9
		274.1	**274.2**
Other non-current assets	6	2.9	2.0
Deferred tax assets		31.3	42.2
		308.3	**318.4**
Current assets			
Inventories	4	222.6	189.4
Trade receivables	5	138.2	116.4
Financial assets	3	24.8	25.1
Other current assets	6	49.4	44.9
Income tax receivables		5.3	3.4
Cash and cash equivalents	7	234.0	264.1
		674.3	**643.3**
Total assets		**982.6**	**961.7**

Equity and Liabilities	Notes	30/6/2022	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		152.5	150.4
Revaluation surplus	8	-73.5	-98.6 (1)
		330.6	**303.4**
Equity attributable to minority interests		**3.9**	**3.7**
Total equity		**334.5**	**307.1**
Non-current liabilities			
Provisions for pensions		132.1	175.5
Non-current provisions for personnel	9	15.8	15.9
Other non-current provisions	10	22.6	22.6 (1)
Non-current financial liabilities	11	85.0	85.0
Non-current lease liabilities	12	29.9	25.5
Other non-current liabilities	13	35.5	32.5
Deferred tax liabilities		4.4	4.2
		325.3	**361.2**
Current liabilities			
Current provisions for personnel	9	9.5	20.8
Other current provisions	10	24.7	27.0
Current financial liabilities	11	26.9	25.3
Current lease liabilities	12	11.1	12.4
Other current liabilities	13	117.3	105.8 (1)
Trade payables		116.3	82.5
Income tax liabilities		17.0	19.6
		322.8	**293.4**
Total liabilities		**648.1**	**654.6**
Total equity and liabilities		**982.6**	**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 June 2022

in € million

	Notes	1/1/2022 - 30/6/2022	1/1/2021 - 30/6/2021
Revenue	14	**490.3**	**449.6**
Costs of sales		-287.8	-255.8
Gross profit		**202.5**	**193.8**
Selling, marketing and development costs	15	-133.7	-126.1
General administrative expenses		-22.7	-24.6
Other operating income and expenses		-4.9	-5.6
Result of associates accounted for using the equity method		0.1	0.1
Operating result (EBIT)		**41.3**	**37.6**
Financial result	16	-1.1	-1.9
Earnings before taxes		**40.2**	**35.7**
Income taxes	17	-12.1	-10.7
Group result		**28.1**	**25.0**
Thereof attributable to:			
Villeroy & Boch AG shareholders		27.9	24.8
Minority interests		0.2	0.2
		28.1	**25.0**
EARNINGS PER SHARE		**in €**	**in €**
Earnings per ordinary share		1.03	0.92
Earnings per preference share		1.08	0.97

During the reporting period there were no share dilution effects.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the period 1 January to 30 June 2022

in € million

	1/1/2022 - 30/6/2022	1/1/2021 - 30/6/2021
Group result	**28.1**	**25.0**
Other comprehensive income		
Items to be reclassified to profit or loss:		
Cash flow hedge	2.5	2.2
Gains or losses on translations of exchange differences	-2.1	-1.8
Deferred income tax effect on items to be reclassified to profit or loss	0.8	-1.5
Items not to be reclassified to profit or loss:		
Actuarial gains or losses on defined benefit plans	39.1	0.0
Other valuation results	-3.3	0.6
Deferred income tax effect on items not to be reclassified to profit or loss	-11.7	0.1
Total other comprehensive income	**25.3**	-0.4
Total comprehensive income net of tax	**53.4**	**24.6**
Thereof attributable to:		
Villeroy & Boch AG shareholders	53.0	24.4
Minority interests	0.4	0.2
Total comprehensive income net of tax	**53.4**	**24.6**

CONSOLIDATED INCOME STATEMENT

for the period 1 April to 30 June 2022

in € million

	Notes	1/4/2022 - 30/6/2022	1/4/2021 - 30/6/2021
Revenue	14	**241.8**	**226.3**
Costs of sales		-142.5	-126.2
Gross profit		**99.3**	**100.1**
Selling, marketing and development costs	15	-65.8	-64.6
General administrative expenses		-10.5	-12.6
Other operating income and expenses		-2.2	-3.9
Result of associates accounted for using the equity method		0.1	0.0
Operating result (EBIT)		**20.9**	**19.0**
Financial result	16	0.0	-0.8
Earnings before taxes		**20.9**	**18.2**
Income taxes	17	-6.3	-5.5
Group result		**14.6**	**12.7**
Thereof attributable to:			
Villeroy & Boch AG shareholders		14.5	12.6
Minority interests		0.1	0.1
		14.6	**12.7**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the period 1 April to 30 June 2022

in € million

	1/4/2022 - 30/6/2022	1/4/2021 - 30/6/2021
Group result	**14.6**	**12.7**
Other comprehensive income		
Items to be reclassified to profit or loss:		
Cash flow hedge	-5.5	2.0
Gains or losses on translations of exchange differences	-1.7	1.1
Deferred income tax effect on items to be reclassified to profit or loss	0.7	-0.2
Items not to be reclassified to profit or loss:		
Actuarial gains or losses on defined benefit plans	39.2	0.0
Other valuation results	-2.6	0.1
Deferred income tax effect on items not to be reclassified to profit or loss	-11.7	0.0
Total other comprehensive income	**18.4**	**3.0**
Total comprehensive income net of tax	**33.0**	**15.7**
Thereof attributable to:		
Villeroy & Boch AG shareholders	32.9	15.6
Minority interests	0.1	0.1
Total comprehensive income net of tax	**33.0**	**15.7**

CONSOLIDATED CASH FLOW STATEMENT

for the period 1 January to 30 June 2022
in € million

	1/1/2022 - 30/6/2022	1/1/2021 - 30/6/2021
Group result	28.1	25.0
Depreciation of non-current assets	20.6	19.1
Change in non-current provisions	-5.1	-5.6
Profit from disposal of fixed assets	0.0	0.1
Change in inventories, receivables and other assets	-56.2	-29.4
Change in liabilities, current provisions and other liabilities	32.2	5.1[1]
Other non-cash income/expenses	-2.9	2.9
Cash Flow from operating activities	**16.7**	**17.2**
Purchase of intangible assets, property, plant and equipment	-10.3	-5.9[1]
Investment in non-current financial assets	-0.9	-3.0
Cash receipts from disposals of fixed assets	-0.8	3.6[1]
Cash Flow from investing activities	**-12.0**	**-5.3**
Change in financial liabilities	1.6	-0.8
Cash payments for the principal portion of the lease liabilities	-10.4	-7.8
Dividends paid to minority shareholders	-0.2	-0.8
Dividend paid to shareholders of Villeroy & Boch AG	-25.8	-13.8
Cash Flow from financing activities	**-34.8**	**-23.2**
Sum of cash flows	**-30.1**	**-11.3**
Balance of cash and cash equivalents as at 1 Jan	264.1	297.8
Net increase in cash and cash equivalents	-30.1	-11.3
Balance of cash and cash equivalents as at 30 June	**234.0**	**286.5**

(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.)

CONSOLIDATED STATEMENT OF EQUITY

for the period 1 January to 30 June 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				24.8		24.8	0.2	25.0
Other comprehensive income					-0.4	-0.4		-0.4
Total comprehensive income net of tax				**24.8**	**-0.4**	**24.4**	**0.2**	**24.6**
Dividend payments				-13.8		-13.8	-0.9	-14.7
As of 30/6/2021	**71.9**	**193.6**	**-15.0**	**115.0**	**-108.0**	**257.5**	**4.1**	**261.6**
As of 1/1/2022	**71.9**	**194.2**	**-14.5**	**150.4**	**-98.6**(1)	**303.4**	**3.7**	**307.1**
Group result				27.9		27.9	0.2	28.1
Other comprehensive income					25.1	25.1	0.2	25.3
Total comprehensive income net of tax				**27.9**	**25.1**	**53.0**	**0.4**	**53.4**
Dividend payments				-25.8		-25.8	-0.2	**-26.0**
As of 30/6/2022	**71.9**	**194.2**	**-14.5**	**152.5**	**-73.5**	**330.6**	**3.9**	**334.5**

(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.)

CONSOLIDATED SEGMENT REPORT

for the period 1 January to 30 June 2022

in € million

	Bathroom & Wellness		Dining & Lifestyle		Transition / Other		Villeroy & Boch-Group	
	1/1/2022 - 30/6/2022	1/1/2021 - 30/6/2021	1/1/2022 - 30/6/2022	1/1/2021 - 30/6/2021	1/1/2022 - 30/6/2022	1/1/2021 - 30/6/2021	1/1/2022 - 30/6/2022	1/1/2021 - 30/6/2021
Revenue								
Segment revenue from sales of goods to external customers	**347.6**	323.0	**140.5**	124.1	**-**	-	**488.1**	447.1
Segment revenue from transactions with other segments	**-**	-	**-**	-	**-**	-	**-**	-
Segment revenue from licence	**0.1**	0.1	**0.4**	1.0	**1.7**	1.4	**2.2**	2.5
Revenue	**347.7**	323.1	**140.9**	125.1	**1.7**	1.4	**490.3**	449.6
Result								
Segment result	**37.9**	36.3	**4.9**	2.7	**-1.5**	-1.4	**41.3**	37.6
Financial result	**-**	-	**-**	-	**-1.1**	-1.9	**-1.1**	-1.9
Investments and depreciations								
Investments of intangible assets, property, plant and equipment	**5.8**	3.3[(1)]	**4.5**	2.5	**-**	-	**10.3**	5.8[(1)]
Investments of right-of-use assets on leases	**4.5**	1.3	**8.7**	4.0	**-**	-	**13.2**	5.3
Scheduled depreciation of intangible assets, property, plant and equipment	**9.8**	9.4	**2.7**	2.5	**-**	-	**12.5**	11.9
Scheduled depreciation of right-of-use assets on leases	**2.7**	2.6	**4.7**	4.6	**-**	-	**7.4**	7.2
Assets and Liabilities	**30/6/2022**	**31/12/2021**	**30/6/2022**	**31/12/2021**	**30/6/2022**	**31/12/2021**	**30/6/2022**	**31/12/2021**
Segment assets	**407.2**	380.1	**185.7**	166.8	**389.7**	414.8	**982.6**	961.7
Segment liabilities	**205.7**	174.6	**85.4**	79.8	**357.0**	400.2	**648.1**	654.6
Rolling net operating assets								
Rolling operating assets	**389.6**	376.7	**167.9**	156.3	**-**	-	**557.5**	533.0
Rolling operating liabilities	**187.5**	173.0	**80.9**	77.7	**-**	-	**268.4**	250.7
Rolling net operation assets	**202.1**	203.7	**87.0**	78.6	**-**	-	**289.1**	282.3
Rolling operating result (EBIT) *								
Rolling operating result (EBIT) *	**73.7**	72.4	**35.0**	32.8	**-12.1**	-12.4	**96.6**	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 April to 30 June 2022

in € million

	Bathroom & Wellness		Dining & Lifestyle		Transition / Other		Villeroy & Boch-Group	
	1/4/2022 - 30/6/2022	1/4/2021 - 30/6/2021	1/4/2022 - 30/6/2022	1/4/2021 - 30/6/2021	1/4/2022 - 30/6/2022	1/4/2021 - 30/6/2021	1/4/2022 - 30/6/2022	1/4/2021 - 30/6/2021
Revenue								
Segment revenue from sales of goods to external customers	175.6	163.8	65.2	61.5	-	-	240.8	225.3
Segment revenue from transactions with other segments	-	-	-	-	-	-	-	-
Segment revenue from licence	0.0	0.0	0.2	0.3	0.8	0.7	1.0	1.0
Revenue	175.6	163.8	65.4	61.8	0.8	0.7	241.8	226.3
Result								
Segment result	20.2	19.7	2.2	0.7	-1.5	-1.4	20.9	19.0
Financial result	-	-	-	-	0.0	-0.8	0.0	-0.8
Investments and depreciations								
Investments of intangible assets, property, plant and equipment	5.8	2.3[1]	2.9	1.5	-	-	8.7	3.8[1]
Investments of right-of-use assets on leases	3.6	0.5	4.8	2.0	-	-	8.4	2.5
Scheduled depreciation of intangible assets, property, plant and equipment	4.9	4.7	1.4	1.3	-	-	6.3	6.0
Scheduled depreciation of right-of-use assets on leases	1.4	1.3	2.3	2.3	-	-	3.7	3.6

(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.)

NOTES TO THE INTERIM FINANCIAL STATEMENTS OF THE VILLEROY & BOCH GROUP ON THE FIRST HALF 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 June 2022. It was approved for publication on 15 July 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 a result, changes in valuation will have no effect on the consolidated financial statements in the future and the information presented will become more relevant.
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 other operating expenses.
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 € 5.9 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).

With the exception of the matters discussed in notes 5 and 6, the ongoing COVID-19 pandemic and the war in Ukraine did not have any additional significant impact on the net assets, financial position and results of operations of the Villeroy & Boch Group in the first half year of 2022. Further information on performance in the first half year 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 € 9.9 million was acquired in the period under review (previous year: € 5.4 million). Investment in the Bathroom & Wellness Division focused on international locations. Investments were made in glazing lines in Romania and Hungary. Hungary also saw the replacement of white plaster cabins and the renovation of the roof. 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. 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, € 2.8 million was invested in the continuation of the “Mettlach 2.0” project.

Depreciation amounts to € 11.5 million (previous year: € 11.0 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 € 15.6 million (31 December 2020: € 9.1 million).

2. Right-of-use assets

Capitalized right-of-use assets increased by € 3.8 million to € 41.0 million in the reporting period. This change is mainly due to additions of € 13.2 million (previous year: € 5.3 million) and, offsetting this, depreciation of € 7.4 million (previous year: € 7.2 million) and disposals at carrying amounts of € 2.3 million (previous year: € 1.8 million). Expenses for short-term property leases amounted to € 2.3 million (previous year: € 1.5 million) with € 2.7 million (previous year: € 2.9 million) from variable rental payments for property leases. Expenses for other short-term leases and leases for low-value assets amounted to € 1.1 million (previous year: € 0.6 million).

3. Other financial assets

Other financial assets include:

in € million	30/6/2022	31/12/2021
Securities	24.8	25.1
Short-term financial assets	**24.8**	**25.1**
Securities	18.9	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	**28.9**	**28.9**

4. Inventories

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

in € million	30/6/2022	31/12/2021
Raw materials and supplies	36.5	31.1
Work in progress	19.7	20.3
Finished goods and goods for resale	166.4	138.0
Inventories (total)	**222.6**	**189.4**

Inventories increased significantly to € 222.6 million as at 30 June 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	30/6/2022	31/12/2021
Germany	31.3	20.5
Rest of euro zone	31.5	27.1
Rest of world	81.8	73.5
Gross carrying amount of trade	**144.6**	**121.1**
Impairment due to expected	-0.8	-0.8
Impairment due to objective	-5.6	-3.9
Impairment losses	**-6.4**	**-4.7**
Total trade receivables	**138.2**	**116.4**

There are specific indications of potential customer default as a result of the war in Ukraine. Write-downs of € 1.0 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	30/6/2022		31/12/2021	
	Cur-rent	Non-current	Cur-rent	Non-current
Other tax receivables	6.2	-	9.5	-
Prepaid expenses	3.2	-	2.6	-
Advance payments and deposits	4.6	1.8	2.2	1.7
Receivables from equity investments	1.4	-	1.8	-
Fair values of hedging instruments	8.6	1.1	3.1	0.3
Contract assets	0.3	-	0.3	-
Miscellaneous assets	25.1	-	25.4	-
Other assets (total)	**49.4**	**2.9**	**44.9**	**2.0**

Government grants of € 0.8 million were received in connection with the COVID-19 pandemic in the first half of the 2022 financial year. The Villeroy & Boch Group received grants of € 1.6 million in the 2021 financial year. These were mainly recognised in staff costs and other operating income. Additional hedges were concluded in the first half of 2022 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.

7. Cash and cash equivalents

Cash and cash equivalents are composed as follows:

in € million	30/6/2022	31/12/2021
Cash on hand incl. Cheques	0.2	0.3
Current bank balances	86.6	100.4
Cash equivalents	147.2	163.4
Total cash and cash equivalents	**234.0**	**264.1**

The € 30.1 million decrease in cash and cash equivalents is primarily attributable to the dividend payment of the Villeroy & Boch AG. Bank balances were offset against matching liabilities in the amount of € 7.1 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	30/6/2022	31/12/2021
Items to be reclassified to profit or loss:		
Currency translation of financial statements of foreign group companies	-16.2	-11.6
Currency translation of long-term loans classified as net investments in foreign group companies	-5.7	-8.0
Reserve for cash flow hedges	-2.2	-4.7
Deferred taxes for this category	0.3	-0.5
Sub-total (a)	**-23.8**	**-24.8**
Items not to be reclassified to profit or loss:		
Actuarial gains and losses on defined benefit obligations	-68.0	-107.1
Miscellaneous gains and losses on measurement	-2.2	1.1[(1)]
Deferred taxes for this category	20.5	32.2
Sub-total (b)	**-49.7**	**-73.8**
Total revaluation surplus [(a)+(b)]	**-73.5**	**-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 3.15 % as at 30 June 2022. The increase in the revaluation surplus is primarily due to this income from the discounting of 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 € 0.1 million to € 15.8 million. Current provisions for personnel decreased by € -11.3 million to € 9.5 million, mainly due to the payment of variable remuneration for 2021.

10. Other non-current and current provisions

Net other non-current provisions were unchanged in the reporting period. The slight increase in non-current environmental provisions due to discounting and inflationary effects was offset by utilisation in the same amount. The decline in other current provisions by € 2.3 million to € 24.7 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 increased by € 1.6 million to € 26.9 million.

12. Non-current and current lease liabilities

Non-current and current lease liabilities increased by € 3.1 million to € 41.0 million in the reporting period. This change mainly results from an addition from new leases of € 13.2 million and € 10.4 million from repayments of principal. Interest expenses for leased right-of-use assets amounted to € 0.3 million in the reporting period.

13. Other non-current and current liabilities

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

in € million	30/6/2022		31/12/2021	
	Current	Non-current	Current	Non-current
Bonus liabilities	52.7	-	52.5	-
Personnel liabilities (a)	22.8	-	19.8	-
Other tax liabilities	17.7	-	11.0	-
Advance payments received on account of orders	13.1	-	10.5	-
Deferred income	1.3	0.5	1.1[(1)]	0.5
Liabilities to affiliated, non-consolidated companies	0.3	-	0.3	-
Fair values of hedging instruments	3.9	8.0	3.0	5.0
Miscellaneous other liabilities	5.5	27.0	7.6	27.0
Other liabilities (total)	**117.3**	**35.5**	**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

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	
	H1	Q2	H1	Q2
Bathroom & Wellness	-7.2	-3.7	-6.8	-3.4
Dining & Lifestyle	-2.3	-1.1	-2.4	-1.1
Research and development costs (total)	**-9.5**	**-4.8**	**-9.2**	**-4.5**

16. Financial result

The financial result is broken down as follows:

in € million	2022		2021	
	H1	Q2	H1	Q2
Financial expenses	-1.8	-1.0	-1.4	-0.7
Interest expense on lease liabilities	-0.2	-0.1	-0.3	-0.1
Interest expenses for provisions (pensions)	-0.8	-0.4	-0.7	-0.4
Financial income	1.7	1.5	0.5	0.4
Net finance expense (total)	**-1.1**	**0.0**	**-1.9**	**-0.8**

The rise in interest rates for the discounting of non-current environmental provisions in the first half of the 2022 financial year resulted in interest income of € 1.2 million.

17. Income taxes

The main components of income tax expense are as follows:

in € million	2022		2021	
	H1	Q2	H1	Q2
Current income taxes	-11.3	-5.8	-11.2	-6.8
Deferred taxes	-0.8	-0.5	0.5	1.3
Income taxes (total)	**-12.1**	**-6.3**	**-10.7**	**-5.5**

OTHER NOTES

18. Human resources

Personnel expenses and the number of employees are broken down as follows:

in € million	2022		2021	
	H1 Staff costs in € million	30/6/ Employees (FTEs)	H1 Staff costs in € million	30/6/ Employees (FTEs)
Bathroom & Wellness	-85.0	4,318	-85.0	4,266
Dining & Lifestyle	-43.8	1,624	-42.0	1,578
Other	-15.9	442	-20.1	453
Total	**-144.7**	**6,384**	**-147.1**	**6,297**

19. Contingent liabilities, commitments, and financial obligations

Contingent liabilities, commitments and financial obligations developed as follows in the period under review:

in € million	30/6/2022	31/12/2021
Obligations to acquire property, plant and equipment	15.6	9.1
Obligations to acquire right-of-use assets	0.0	1.7
Obligations to acquire intangible assets	0.6	0.4
Guarantees	1.2	0.9
Total	**17.4**	**12.1**

20. Financial instruments

Primary and derivative financial instruments are reported in a wide range of items in the Villeroy & Boch consolidated statement of financial position. The shares measured in accordance with IFRS 9 for each statement of financial position item are shown at their methodical carrying amount in the following overview:

in € million	30/6/2022			31/12/2021		
Asset-side items containing financial instruments:	Carrying amount	**Carrying amount at**		Carrying amount	**Carrying amount at**	
		Cost	Fair value		Cost	Fair value
Assets						
Cash and cash equivalents (note 7)	234.0	234.0	-	264.1	264.1	-
Trade receivables (note 5)	138.2	138.2	-	116.4	116.4	-
Other financial assets (note 3)	53.7	1.5	52.2	54.0	1.5	52.5
Other assets (note 6)	38.0	28.3	9.7	33.0	29.6	3.4
Total asset-side instruments	**463.9**	**402.0**	**61.9**	**467.5**	**411.6**	**55.9**

Financial liabilities are also reported as follows in accordance with IFRS 9:

in € million	30/6/2022			31/12/2021		
Liability-side items containing financial instruments:	Carrying amount	**Carrying amount at**		Carrying amount	**Carrying amount at**	
		Cost	Fair value		Cost	Fair value
Equity and liabilities						
Trade payables	116.3	116.3	-	82.5	82.5	-
Financial liabilities (note 11)	111.9	111.9	-	110.3	110.3	-
Other liabilities (note 13)	97.4	85.5	11.9	95.4	87.4	8.0
Total liability-side instruments	**325.6**	**313.7**	**11.9**	**288.2**	**280.2**	**8.0**

21. 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.

22. Events after the end of the reporting period

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

Mettlach 15 July 2022

The Management Board

FINANCIAL CALENDAR

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

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