



Villeroy & Boch

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INTERIM REPORT
1 January to 30 September 2021

INTERIM REPORT

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Consistently good business performance in third quarter of 2021 as well:

- Consolidated revenue rises 24.7 % to € 684.5 million in first nine months of the financial year.
- Operating EBIT up considerably year-on-year at € 61.8 million (€ 10.3 million).
- Revenue and earnings forecast raised again for 2021 as a whole.

THE GROUP - AT A GLANCE	1/1/2021 - 30/9/2021	1/1/2020 - 30/9/2020	Change	Change
	in € million	in € million	in € million	in %
Revenue	684.5	548.7	135.8	24.7
Revenue – Germany	204.5	179.5	25.0	13.9
Revenue – Abroad	480.0	369.2	110.8	30.0
On a constant currency basis	684.7	548.7	136.0	24.8
Operating EBIT	61.8	10.3	51.5	-
EBIT (including non-operating result)	58.6	5.9	52.7	-
EBT	55.9	2.7	53.2	-
Group result	39.1	1.9	37.2	-
Return on net operating assets (rolling)	35.0 %	14.7 % ⁽¹⁾	-	20.3 PP
Investments (without leasing)	15.4	10.7	4.7	43.9
Investments „Leases“ – IFRS 16	6.4	8.8	-2.4	-27.3
Employees (FTEs as at end of period)	6,399 FTE	6,852 FTE	-453 FTE	-6.6

(1) Return on net operating assets as at 31 December 2020

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INTERIM MANAGEMENT REPORT OF THE VILLEROY & BOCH GROUP FOR THE THIRD QUARTER OF 2021

GENERAL CONDITIONS OF THE GROUP

The basic information on the Group as presented in the 2020 Group management report remains unchanged. Information on changes in the consolidated Group and on research and development costs can be found on page 14 and in note 14 to the consolidated financial statements.

ECONOMIC REPORT

General economic conditions

The global economy continued its rising trend, though mounting problems in supply chains and rising raw material prices have recently slowed progress in the industrialised nations in particular. Furthermore, the economic performance in developing and emerging countries is additionally being impacted by high infection rates.

The economy in the US and the European Union expanded more rapidly than expected thanks to higher central spending.

While the Chinese economy grew at a robust level overall, growth was hampered by the influence of the trade conflict with the US and the country's structural problems, particularly in the property sector.

The economy in Germany is currently divided: While the contact-intensive service industry is bouncing back from the COVID-19 crisis, value added in manufacturing sectors is shrinking on account of the worsening supply shortages for key industrial intermediate products.

Course of business and position of the Villeroy & Boch Group

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

The Villeroy & Boch Group's excellent business performance in the first half of 2021 continued in third quarter as well.

Following a strong first half-year and a consistently positive business performance in the third quarter, our consolidated revenue (including licence income) climbed by 24.7% year-on-year to € 684.5 million. We are therefore well ahead of the previous year, which had been severely impacted by the COVID-19 pandemic, and have even achieved a revenue level substantially higher than the pre-crisis level. We are continuing to benefit from the trend towards home and bathroom renovation and refurbishment as people are choosing to beautify where they live.

Adjusted for currency effects, i.e. using the same exchange rates as for the previous year, revenue rose by 24.8 %. Currency effects had only a minor impact, the degree of which differed between the two divisions. Negative currency effects resulted from the US dollar and the Russian rouble, while positive effects were generated by the Swedish krona and Chinese yuan.

The orders on hand as of September 30, 2021 increased by € 64.4 million to € 165.2 million compared with December 31, 2020. € 140.1 million (31 December 2020: € 85.1 million) of this relates to the Bathroom and Wellness Division and € 25.1 million (31 December 2020: € 15.7 million) to the Dining & Lifestyle Division. Thanks above all to the current climate in this sector, this was apparent in all business areas of the Bathroom and Wellness Division. The resurgent project business in China is especially gratifying. In the Dining & Lifestyle Division, this resulted from the excellent performance by our trade partners as well as from the rise in incoming orders for Christmas merchandise.

Thanks to the strong first half of the year and very good third quarter, we closed the first nine months of the 2021 financial year with operating EBIT of € 61.8 million (previous year: € 10.3 million), thereby achieving a significant increase in earnings. However, the previous

year's earnings had been squeezed by the slump in demand as a result of the COVID-19 crisis and the plant shutdowns and restrictions that followed.

The non-operating result of € -3.2 million (previous year: € -4.4 million) contains non-recurring expenses for recultivation measures and further structural adjustments abroad. In the previous year, this item had primarily included non-recurring expenses for structural adjustments.

The Group's rolling return on net operating assets was 35.0 % as at 30 September 2021 (31 December 2020: 14.7 %). In addition to the rise in operating earnings, this was also caused by a reduction in net operating assets.

The following section contains further information on development in the divisions, particularly with regard to revenue and earnings.

Course of business and position of the divisions

Bathroom and Wellness

The Bathroom and Wellness Division generated revenue of € 477.8 million in the first nine months of 2021 (previous year: € 383.8 million) up 24.5 % on the previous year. It should be remembered that the previous year had been impacted by the COVID-19 crisis in the second quarter of the year 2020 especially.

We are pleased to have generated revenue growth in all business areas. The rise in revenue of € 94.0 million in total mainly took place in ceramic sanitary ware (€ +56.2 million), where we are benefitting greatly from the home renovation trend. However, we also achieved considerable revenue growth in the wellness (€ +15.2 million) and fittings (€ +12.6 million) business areas.

Mainly as a result of the gratifying revenue performance, the Bathroom and Wellness Division closed the first nine months of 2021 with an operating result (EBIT) of € 50.2 million (previous year: € 19.3 million).

Thanks to the rise in operating earnings and the reduction in net operating assets, which in turn can mainly be seen liabilities to suppliers, inventories and fixed assets the rolling return on net operating assets was 38.8 % – significantly higher than the figure as at 31 December 2020 (18.2 %).

Dining & Lifestyle

The Dining & Lifestyle Division generated revenue of € 204.7 million in the first nine months of 2021, an increase of 25.6 % or € 41.7 million on the previous year (€ 163.0 million).

Revenue was considerably lower in the previous year due to the officially ordered worldwide closure of our sales outlets and the global slump in demand as a result of the COVID-19 crisis.

We generated revenue growth in almost all sales channels in the first nine months of 2021. Above all, this is reflected by the revenue in e-commerce (+€ 22.0 million) and with our retail outlet partners (+€ 18.8 million).

Meanwhile, revenue declines (€ -0.9 million) at our own retail stores, which were affected by the second lockdown in the first and second quarters of 2021, have almost been compensated.

Thanks to the substantial increase in revenue, the Dining & Lifestyle Division ended the period with operating EBIT of € 11.6 million, up € 20.6 million as against the previous year, which was also affected by downtime costs at our plants in Merzig and Torgau.

The rolling operating return on net assets increased to 41.6 % as a result of the very good earnings situation (31 December 2020: 12.3 %).

Capital structure

Our equity increased by € 23.0 million as against the end of 2020, amounting to € 274.7 million as at 30 September 2021.

The rise in equity is mainly due to the Group result of € 39.1 million generated in the first nine

months of the current financial year, which is offset in particular by the dividend paid by Villeroy & Boch AG at the end of March 2021 (€ 13.8 million).

At 28.5 %, our equity ratio (including non-controlling interests) was one percentage points higher than in the previous year as a result of this (31 December 2020: 27.5 %).

Investments

We invested € 15.4 million in property, plant and equipment and intangible assets in the first nine months of 2021 (previous year: € 10.7 million). The Bathroom and Wellness Division accounted for € 10.7 million, with the remaining € 4.7 million attributable to the Dining & Lifestyle Division.

In the Bathroom and Wellness Division, particularly new facilities were acquired for the sanitary ware plants in Hungary and the furniture plant in Austria, as well tools for ViClean production. Investment in the Dining & Lifestyle Division essentially included the maintenance and modernisation of the logistics centre in Merzig, new acquisitions of isostatic presses and pressing tools, plus the energy optimisation of a kiln.

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

Given the project delays due to COVID-19, we are forecasting an investment volume of between € 30 and € 35 million for 2021 as a whole and will thus be significantly above the total for the previous year (€ 19.1 million). Thanks to the excellent earnings performance, we can not only finance our investments for 2021 as a whole from operating cash flow, but we can also provide additional funds to boost our future revenue/market share.

Net liquidity

Taking into account our financial liabilities of € 112.3 million, the cash and bank balances of

€ 311.2 million resulted in net liquidity of € 198.9 million as at 30 September 2021 (31 December 2020: € 182.6 million). Net liquidity was also significantly higher compared to 30 September 2020 (€ 114.4 million), which is mainly thanks to the excellent revenue performance.

We also have unused credit facilities of € 197.3 million at our disposal.

Balance sheet structure

Total assets amounted to € 961.8 million as at the end of the reporting period as against € 914.3 million as at 31 December 2020, an increase of € 47.5 million.

The share of total assets attributable to non-current assets decreased to 27.4 % (31 December 2020: 29.8 %), partly on account of the higher total assets but also as a result of lower investment relative to depreciation and amortisation.

Current assets rose by € 53.7 million as against 31 December 2020. This is mainly reflected by the increase in trade receivables (€ +20.9 million), principally on account of revenue, and higher inventories (€ +19.0 million), relating in part to improved saleability and seasonal factors. Cash and cash equivalents also rose by € 13.4 million.

On the equity and liabilities side of the statement of financial position, the biggest changes as against the end of 2020 were within current liabilities (+€ 33.4 million), where trade payables (€ 16.3 million), other current liabilities (€ 9.8 million) and provisions for personnel (€ 6.8 million) rose. Offsetting this, non-current liabilities were down by € 8.9 million, mainly on account of the reduction in pension provisions (€ 6.3 million) and non-current lease liabilities (€ 4.3 million).

REPORT ON RISKS AND OPPORTUNITIES

The risks and opportunities described in the 2020 annual report are unchanged. A regular,

focused re-examination of all risk areas is continuously performed. In particular, potential risks in the supply chain and in receivables and currency management are being monitored intensively due to the ongoing COVID-19 pandemic. On the procurement markets, we are currently facing rising purchase prices for key raw materials and packaging materials, in addition to emerging problems in the availability of raw materials and merchandise. 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 world economy is still on track for recovery, though it remains in the shadow of the pandemic. The current forecasts by leading organisations and economic research institutes are still for a strong recovery of the global economy, and the growth outlook for various nations was last revised in the summer of 2021. The economic forecast for the industrialised nations has been raised substantially as a rapid recovery is anticipated. By contrast, the growth outlook for the developing and emerging countries has been

lowered on account of the ongoing COVID-19 crisis there.

Following the strong first half of the year and the consistently positive business performance in the third quarter of 2021, the Management Board of Villeroy & Boch AG has again raised its revenue and earnings forecast for the 2021 financial year. As was already announced in the ad hoc disclosure of 29 September 2021, the Management Board is now forecasting that consolidated revenue will rise to more than € 920 million and that the operating Group result will grow to more than € 85 million. The earnings forecast has been raised again as higher revenue is expected for 2021.

Based on the revised targets, the return on net operating assets is expected to range between 25 % and 30 %.

As before, forecasts are still uncertain on account of the COVID-19 pandemic. Possible downturns in the Villeroy & Boch Group's currently excellent performance in the fourth quarter of 2021 could arise from ongoing economic developments in the construction sector and the future spending patterns of private households, though this seems unlikely at the moment.

Mettlach 14 October 2021



Frank Göring



Georg Lörz



Gabriele Schupp



Dr Markus Warncke

CONSOLIDATED BALANCE SHEETas of 30 September 2021
in € million

Assets	Notes	30/9/2021	31/12/2020
Non-current assets			
Intangible assets		42.3	40.2
Property, plant and equipment	1	158.5	166.7
Right-of-use assets	2	36.6	40.7
Investment property		5.4	5.8
Investment accounted for using the equity method		1.8	1.6
Other financial assets	3	19.3	17.4
		263.9	272.4
Other non-current assets	6	2.5	2.2
Deferred tax assets		37.9	35.9
		304.3	310.5
Current assets			
Inventories	4	182.1	163.1
Trade receivables	5	136.7	115.8
Other current assets	6	22.5	25.1
Income tax receivables		5.0	2.0
Cash and cash equivalents	7	311.2	297.8
		657.5	603.8
Total assets		961.8	914.3
Equity and Liabilities			
Equity attributable to Villeroy & Boch AG shareholders			
Issued capital		71.9	71.9
Capital surplus		193.6	193.6
Treasury shares		-15.0	-15.0
Retained earnings		129.1	104.0
Revaluation surplus	8	-108.7	-107.6
		270.9	246.9
Equity attributable to minority interests		3.8	4.8
Total equity		274.7	251.7
Non-current liabilities			
Provisions for pensions		186.7	193.0
Non-current provisions for personnel	9	16.4	17.0
Other non-current provisions		23.2	21.3
Non-current financial liabilities	10	105.0	105.0
Non-current lease liabilities	11	26.2	30.5
Other non-current liabilities	12	30.0	30.5
Deferred tax liabilities		4.7	3.8
		392.2	401.1
Current liabilities			
Current provisions for personnel	9	22.1	15.3
Other current provisions		28.3	31.4
Current financial liabilities	10	7.3	10.2
Current lease liabilities	11	10.7	10.8
Other current liabilities	12	108.3	98.5
Trade payables		101.9	85.6
Income tax liabilities		16.3	9.7
		294.9	261.5
Total liabilities		687.1	662.6
Total equity and liabilities		961.8	914.3

INTERIM REPORT ON THE THIRD QUARTER OF 2021

CONSOLIDATED INCOME STATEMENT

for the period 1 January to 30 September 2021
in € million

	Notes	1/1/2021 - 30/9/2021	1/1/2020 - 30/9/2020
Revenue	13	684.5	548.7
Costs of sales		-388.1	-339.6
Gross profit		296.4	209.1
Selling, marketing and development costs	14	-192.3	-164.4
General administrative expenses		-36.8	-28.0
Other operating income and expenses		-8.9	-10.9
Result of associates accounted for using the equity method		0.2	0.1
Operating result (EBIT)		58.6	5.9
Financial result	15	-2.7	-3.2
Earnings before taxes		55.9	2.7
Income taxes	16	-16.8	-0.8
Group result		39.1	1.9
Thereof attributable to:			
Villeroy & Boch AG shareholders		38.9	1.3
Minority interests		0.2	0.6
		39.1	1.9
EARNINGS PER SHARE		in €	in €
Earnings per ordinary share		1.45	0.03
Earnings per preference share		1.50	0.08

During the reporting period there were no share dilution effects.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the period 1 January to 30 September 2021
in € million

	1/1/2021 - 30/9/2021	1/1/2020 - 30/9/2020
Group result	39.1	1.9
Other comprehensive income		
Items to be reclassified to profit or loss:		
Gains or losses on cash flow hedge	-0.1	-2.6
Gains or losses on translations of exchange differences	-2.6	-4.2
Deferred income tax effect on items to be reclassified to profit or loss	0.9	-1.8
Items not to be reclassified to profit or loss:		
Actuarial gains or losses on defined benefit plans	0.0	0.3
Gains or losses on other value changes	0.6	-0.7
Deferred income tax effect on items not to be reclassified to profit or loss	0.0	-0.1
Total other comprehensive income	-1.2	-9.1
Total comprehensive income net of tax	37.9	-7.2
Thereof attributable to:		
Villeroy & Boch AG shareholders	37.8	-7.6
Minority interests	0.1	0.4
Total comprehensive income net of tax	37.9	-7.2

CONSOLIDATED INCOME STATEMENT

for the period 1 July to 30 September 2021
in € million

	Notes	1/7/2021 - 30/9/2021	1/7/2020 - 30/9/2020
Revenue	13	234.9	208.0
Costs of sales		-132.3	-120.3
Gross profit		102.6	87.7
Selling, marketing and development costs	14	-66.2	-56.2
General administrative expenses		-12.2	-9.3
Other operating income and expenses		-3.3	-2.0
Result of associates accounted for using the equity method		0.1	0.0
Operating result (EBIT)		21.0	20.2
Financial result	15	-0.8	-1.1
Earnings before taxes		20.2	19.1
Income taxes	16	-6.1	-4.7
Group result		14.1	14.4
Thereof attributable to:			
Villeroy & Boch AG shareholders		14.1	14.0
Minority interests		0.0	0.4
		14.1	14.4

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the period 1 July to 30 September 2021
in € million

	1/7/2021 - 30/9/2021	1/7/2020 - 30/9/2020
Group result	14.1	14.4
Other comprehensive income		
Items to be reclassified to profit or loss:		
Gains or losses on cash flow hedge	-2.3	-0.2
Gains or losses on translations of exchange differences	-0.8	-0.6
Deferred income tax effect on items to be reclassified to profit or loss	2.4	-0.7
Items not to be reclassified to profit or loss:		
Actuarial gains or losses on defined benefit plans	0.0	0.4
Gains or losses on other value changes	0.0	0.0
Deferred income tax effect on items not to be reclassified to profit or loss	-0.1	-0.1
Total other comprehensive income	-0.8	-1.2
Total comprehensive income net of tax	13.3	13.2
Thereof attributable to:		
Villeroy & Boch AG shareholders	13.4	12.9
Minority interests	-0.1	0.3
Total comprehensive income net of tax	13.3	13.2

INTERIM REPORT ON THE THIRD QUARTER OF 2021

CONSOLIDATED CASH FLOW STATEMENT

for the period 1 January to 30 September 2021
in € million

	1/1/2021 - 30/9/2021	1/1/2020 - 30/9/2020
Group result	39.1	1.9
Depreciation of non-current assets	29.2	32.2
Change in non-current provisions	-6.1	-8.2
Profit from disposal of fixed assets	-	0.2
Change in inventories, receivables and other assets	-41.5	24.5
Change in liabilities, current provisions and other liabilities	29.0	-9.9
Other non-cash income/expenses	7.6	3.0
Cash Flow from operating activities	57.3	43.7
Purchase of intangible assets, property, plant and equipment	-15.4	-10.7
Investment in non-current financial assets	-4.6	-1.7
Cash receipts from disposals of fixed assets	5.0	2.2
Cash Flow from investing activities	-15.0	-10.2
Change in financial liabilities	-2.9	3.1
Cash payments for the principal portion of the lease liabilities	-11.2	-12.2
Dividends paid to minority shareholders	-1.0	-0.1
Dividend paid to shareholders of Villeroy & Boch AG	-13.8	-4.6
Cash Flow from financing activities	-28.9	-13.8
Sum of cash flows	13.4	19.7
Balance of cash and cash equivalents as at 1 Jan	297.8	210.3
Net increase in cash and cash equivalents	13.4	19.7
Balance of cash and cash equivalents as at 30 Sept	311.2	230.0

INTERIM REPORT ON THE THIRD QUARTER OF 2021

CONSOLIDATED STATEMENT OF EQUITY

for the period 1 January to 30 September 2021
in € million

Notes	Equity attributable to Villeroy & Boch AG shareholders						Equity attributable to minority interests	Total equity	
	Issued capital	Capital surplus	Treasury shares	Retained earnings	Revaluation surplus	Total			
As of 1/1/2020	71.9	193.6	-15.0	97.0	-98.1	8	249.4	4.6	254.0
Group result				1.3			1.3	0.6	1.9
Other comprehensive income						-8.9	-8.9	-0.2	-9.1
Total comprehensive income net of tax				1.3	-8.9		-7.6	0.4	-7.2
Dividend payments				-4.6			-4.6	-0.1	-4.7
As of 30/9/2020	71.9	193.6	-15.0	93.7	-107.0		237.2	4.9	242.1
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

INTERIM REPORT ON THE THIRD QUARTER OF 2021

CONSOLIDATED SEGMENT REPORT

for the period 1 January to 30 September 2021

in € million

	Bathroom & Wellness		Dining & Lifestyle		Transition / Other		Villeroy & Boch-Group	
	1/1/2021 - 30/9/2021	1/1/2020 - 30/9/2020	1/1/2021 - 30/9/2021	1/1/2020 - 30/9/2020	1/1/2021 - 30/9/2021	1/1/2020 - 30/9/2020	1/1/2021 - 30/9/2021	1/1/2020 - 30/9/2020
Revenue								
Segment revenue from sales of goods to external customers	477.6	383.4	203.5	161.9	-	-	681.1	545.3
Segment revenue from transactions with other segments	-	-	-	-	-	-	-	-
Segment revenue from licence	0.2	0.4	1.2	1.1	2.0	1.9	3.4	3.4
Revenue	477.8	383.8	204.7	163.0	2.0	1.9	684.5	548.7
Result								
Segment result	50.2	19.3	11.6	-9.0	-	-	61.8	10.3
Non-operating result	-	-	-	-	-3.2	-4.4	-3.2	-4.4
Financial result	-	-	-	-	-2.7	-3.2	-2.7	-3.2
Investments and depreciations								
Investments of intangible assets, property, plant and equipment	10.7	7.0	4.7	3.7	-	-	15.4	10.7
Investments of right-of-use assets on leases	2.3	1.8	4.1	7.0	-	-	6.4	8.8
Scheduled depreciation of intangible assets, property, plant and equipment	14.3	15.0	4.1	3.9	-	-	18.4	18.9
Scheduled depreciation of right-of-use assets on leases	3.9	3.4	6.8	7.4	-	-	10.7	10.8
Assets and Liabilities	30/9/2021	31/12/2020	30/9/2021	31/12/2020	30/9/2021	31/12/2020	30/9/2021	31/12/2020
Segment assets	376.9	375.8	167.7	148.7	417.2	389.8	961.8	914.3
Segment liabilities	193.3	170.8	83.4	78.0	410.4	413.8	687.1	662.6
Rolling net operating assets								
Rolling operating assets	377.0	396.4	153.0	151.2	-	-	530.0	547.6
Rolling operating liabilities	166.2	140.9	75.0	69.5	-	-	241.2	210.4
Rolling net operation assets	210.8	255.5	78.0	81.7	-	-	288.8	337.2
Rolling operating result (EBIT) *								
Rolling operating result (EBIT) *	81.8	46.5	32.4	10.0	-13.1	-6.8	101.1	49.7

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

INTERIM REPORT ON THE THIRD QUARTER OF 2021

CONSOLIDATED SEGMENT REPORT

for the period 1 July to 30 September 2021
in € million

	Bathroom & Wellness		Dining & Lifestyle		Transition / Other		Villeroy & Boch-Group	
	1/7/2021 - 30/9/2021	1/7/2020 - 30/9/2020	1/7/2021 - 30/9/2021	1/7/2020 - 30/9/2020	1/7/2021 - 30/9/2021	1/7/2020 - 30/9/2020	1/7/2021 - 30/9/2021	1/7/2020 - 30/9/2020
Revenue								
Segment revenue from sales of goods to external customers	154.6	138.2	79.4	68.8	-	-	234.0	207.0
Segment revenue from transactions with other segments	-	-	-	-	-	-	-	-
Segment revenue from licence	0.1	0.2	0.2	0.3	0.6	0.5	0.9	1.0
Revenue	154.7	138.4	79.6	69.1	0.6	0.5	234.9	208.0
Result								
Segment result	13.9	10.7	8.9	9.6	-	-	22.8	20.3
Non-operating result	-	-	-	-	-1.8	-0.1	-1.8	-0.1
Financial result	-	-	-	-	-0.8	-1.1	-0.8	-1.1
Investments and depreciations								
Investments of intangible assets, property, plant and equipment	4.6	2.2	2.2	1.4	-	-	6.8	3.6
Investments of right-of-use assets on leases	1.0	0.4	0.1	1.4	-	-	1.1	1.8
Scheduled depreciation of intangible assets, property, plant and equipment	4.9	5.1	1.6	1.2	-	-	6.5	6.3
Scheduled depreciation of right-of-use assets on leases	1.3	1.1	2.2	2.3	-	-	3.5	3.4

NOTES TO THE INTERIM FINANCIAL STATEMENTS OF THE VILLEROY & BOCH GROUP ON THE THIRD QUARTER OF 2021

GENERAL INFORMATION

Villeroy & Boch AG is domiciled in Mettlach and is a listed stock corporation under German law. It is the parent company of the Villeroy & Boch Group. The Group is divided into two operating divisions: Bathroom and Wellness, and Dining & Lifestyle. Villeroy & Boch's preference shares are listed in the Prime Standard operated by Deutsche Börse AG.

This interim report covers the period from 1 January to 30 September 2021. It was approved for publication on 14 October 2021 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 2020. 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 2020 annual report were extended to include the accounting standards endorsed by the EU and effective for reporting periods beginning on or after 1 January 2021. None of these changes to accounting provisions had a material impact on this interim report. The COVID-19 pandemic also impacted the business activities of Villeroy & Boch AG. There has therefore been continuous analysis and monitoring of potential accounting effects and consequences for the financial position and financial performance of the Villeroy & Boch Group since the crisis began. There were no factors with a notable negative impact on the financial position and the financial performance of the Villeroy & Boch Group in the reporting period. Further information on performance in the first three quarters of 2021 can be found in the above economic report.

Basis of consolidation

The basis of consolidation of the Villeroy & Boch Group consists of 53 companies (31 December 2020: 53).

Two companies were again 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 2020 financial year

The virtual General Meeting of Shareholders on 26 March 2021 resolved the dividend of € 0.50 per ordinary share and € 0.55 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 € 7.0 million (previous year: € 7.0 million) for the ordinary share capital and € 6.8 million (previous year: € 6.8 million) for the preference share capital. The dividend was paid on 31 March 2021. As in the previous year, the Villeroy & Boch Group held 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 € 10.8 million was acquired in the period under review (previous year: € 8.6 million). Investment in the Bathroom and Wellness Division focused on international locations. A WC pressure casting system and two glazing lines were invested in for the plant in Hungary. An edge banding machine was acquired for the bathroom furniture plant in Austria. Also, tools were invested in to produce the new ViClean models. The Dining & Lifestyle Division mainly invested in the maintenance and modernisation of the logistics centre in Merzig. Alongside new pressing tools, two isostatic presses were also acquired. The energy optimisation of a kiln was invested in at the Torgau location.

Depreciation amounts to € 16.7 million (previous year: € 17.7 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 € 11.1 million (31 December 2020: € 3.6 million).

2. Right-of-use assets

Capitalized right-of-use assets declined by € 4.1 million to € 36.6 million in the reporting period. This change is mainly due to additions of € 6.4 million (previous year: € 8.8 million) and, offsetting this, depreciation of € 10.7 million (previous year: € 10.8 million). Expenses for short-term property leases amounted to € 2.4 million (previous year: € 3.4 million) with € 4.6 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 € 1.1 million (previous year: € 1.8 million).

3. Other financial assets

Other financial assets include:

in € million	30/9/2021	31/12/2020
Shares in non-consolidated subsidiaries	2.2	0.7
Shares in other equity investments	2.1	2.1
Loans	2.4	2.4
Securities	12.6	12.2
Other financial assets (total)	19.3	17.4

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4. Inventories

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

in € million	30/9/2021	31/12/2020
Raw materials and supplies	28.9	25.3
Work in progress	18.9	15.6
Finished goods and goods for resale	134.3	122.2
Advance payments	0.0	-
Inventories (total)	182.1	163.1

5. Trade receivables

Trade receivables are broken down as follows:

by customer domicile / in € million	30/9/2021	31/12/2020
Germany	34.0	22.5
Rest of euro zone	28.0	25.9
Rest of world	80.1	72.7
Gross carrying amount of trade	142.1	121.1
Impairment due to expected	-0.8	-0.7
Impairment due to objective	-4.6	-4.6
Impairment losses	-5.4	-5.3
Total trade receivables	136.7	115.8

6. Other non-current and current assets

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

in € million	30/9/2021		31/12/2020	
	Cur- rent	Non- current	Cur- rent	Non- current
Other tax receivables	4.6	-	5.7	-
Prepaid expenses	1.8	-	1.7	-
Advance payments and deposits	2.0	1.9	1.1	1.7
Receivables from equity investments	1.7	-	2.6	-
Fair values of hedging instruments	1.6	0.6	1.4	0.5
Contract assets	0.4	-	1.2	-
Miscellaneous assets	10.4	-	11.4	-
Other assets (total)	22.5	2.5	25.1	2.2

In total, government grants of € 1.6 million were received in connection with the COVID-19 pandemic in the 2021 financial year. € 0.8 million of this related to uncapitalised investments. The other grants are essentially recognised in staff costs and in other operating income.

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7. Cash and cash equivalents

Cash and cash equivalents are composed as follows:

in € million	30/9/2021	31/12/2020
Cash on hand incl. Cheques	0.3	0.3
Current bank balances	166.8	95.8
Cash equivalents	144.1	201.7
Total cash and cash equivalents	311.2	297.8

The € 13.4 million increase 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 € 14.0 million (31 December 2020: € 12.5 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	30/9/2021	31/12/2020
Items to be reclassified to profit or loss:		
Currency translation of financial statements of foreign group companies	-10.3	-6.9
Currency translation of long-term loans classified as net investments in foreign group companies	-8.3	-9.2
Reserve for cash flow hedges	-1.6	-1.5
Deferred taxes for this category	-6.5	-7.4
Sub-total (a)	-26.7	-25.0
Items not to be reclassified to profit or loss:		
Actuarial gains and losses on defined benefit obligations	-117.0	-117.0
Miscellaneous gains and losses on measurement	0.9	0.3
Deferred taxes for this category	34.1	34.1
Sub-total (b)	-82.0	-82.6
Total revaluation surplus [(a)+(b)]	-108.7	-107.6

The change in 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 Australian dollar, the Thai baht, the American dollar, and the Romanian leu.

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 € 0.6 million to € 16.4 million. Current provisions for personnel increased by € 6.8 million to € 22.1 million, mainly on account of the addition of variable salary components for 2021.

10. Non-current and current financial liabilities

Non-current financial liabilities remained unchanged in the reporting period. Current financial liabilities decreased by € 2.9 million to € 7.3 million.

11. Non-current and current lease liabilities

Non-current and current lease liabilities declined by € 4.4 million to € 36.9 million in the reporting period. This change mainly results from an addition from new leases of € 6.4 million and a decline of € 11.2

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million from repayments of principal. Interest expenses for leased right-of-use assets amounted to € 0.5 million in the reporting period.

12. Other non-current and current liabilities

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

in € million	30/9/2021		31/12/2020	
	Cur- rent	Non- current	Cur- rent	Non- current
Bonus liabilities (a)	51.1	-	45.7	-
Personnel liabilities (a)	23.7	-	19.1	-
Other tax liabilities	11.7	-	14.8	-
Advance payments received on account of orders	8.3	-	7.6	-
Deferred income	6.8	0.6	4.1	0.9
Liabilities to affiliated, non-consolidated companies	0.3	-	0.3	-
Fair values of hedging instruments	1.4	2.5	0.7	2.7
Miscellaneous other liabilities	5.0	26.9	6.2	26.9
Other liabilities (total)	108.3	30.0	98.5	30.5

(a) seasonal change

NOTES ON SELECTED ITEMS OF THE CONSOLIDATED INCOME STATEMENT

13. Revenue

Revenue is broken down in the segment reporting.

14. Selling, marketing and development costs

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

in € million	2021		2020	
	Q1-3	Q3	Q1-3	Q3
Bathroom and Wellness	-9.8	-3.4	-8.1	-3.2
Dining & Lifestyle	-3.5	-1.1	-2.7	-1.1
Research and development costs (total)	-13.3	-4.5	-10.8	-4.3

15. Financial result

The financial result is broken down as follows:

in € million	2021		2020	
	Q1-3	Q3	Q1-3	Q3
Financial expenses	-1.9	-0.6	-2.3	-0.7
Interest expense on lease liabilities	-0.5	-0.1	-0.5	-0.1
Interest expenses for provisions (pensions)	-1.2	-0.5	-1.4	-0.5
Financial income	0.9	0.4	1.0	0.2
Net finance expense (total)	-2.7	-0.8	-3.2	-1.1

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16. Income taxes

The main components of income tax expense are as follows:

in € million	2021		2020	
	Q1-3	Q3	Q1-3	Q3
Current income taxes	-16.8	-4.6	-4.6	-1.8
Deferred taxes	0.0	-1.5	3.8	-2.9
Income taxes (total)	-16.8	-6.1	-0.8	-4.7

17. 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 2020 annual financial statements. All transactions are conducted at arm's-length conditions.

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

Mr Dietmar Geuskens resigned as a member of the Supervisory Board of Villeroy & Boch AG effective 31 January 2021. His elected substitute member Mr Roland Strasser succeeded him on the Supervisory Board effective 10 February 2021.

The Chairman of the Supervisory Board of Villeroy & Boch AG, Dr Alexander von Boch-Galhau, resigned as Chairman effective 26 March 2021. He stays on as second Deputy Chairman of the Supervisory Board. At the same time, Mr Andreas Schmid was elected as the new Chairman of the Supervisory Board.

19. Events after the end of the reporting period

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

Mettlach 14 October 2021

The Management Board

FINANCIAL CALENDAR

17 February 2022	Annual press conference for the 2021 financial year
01 April 2022	General Meeting of Shareholders of Villeroy & Boch AG
22 April 2022	Report on the first three months of 2022

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.