



Villeroy & Boch

1748



275 CREATING
YEARS HOMES

INTERIM REPORT

1 January to 30 June 2023

INTERIM REPORT

1 January to 30 June 2023

- Consolidated revenue down 10.7 % to € 437.8 million in first half of the financial year due to downturn in construction industry in particular.
- EBIT at € 38.7 million by 6.3 % below previous year.
- Full-year revenue and earnings forecast for 2023 revised.

THE GROUP - AT A GLANCE	1/1/2023 - 30/6/2023	1/1/2022 - 30/6/2022	Change	Change
	in € million	in € million	in € million	in %
Revenue	437.8	490.3	-52.5	-10.7
Revenue – Germany	125.5	148.1	-22.6	-15.3
Revenue – Abroad	312.3	342.2	-29.9	-8.7
On a constant currency basis	444.3	490.3	-46.0	-9.4
EBIT	38.7	41.3	-2.6	-6.3
EBT	36.8	40.2	-3.4	-8.5
Group result	25.8	28.1	-2.3	-8.2
Return on net operating assets (rolling)	28.0 %	31.5 % ⁽¹⁾	-	-3.5 PP
Investments (without leasing)	16.1	10.3	5.8	56.3
Investments „Leases“ – IFRS 16	4.4	13.2	-8.8	-66.7
Employees (FTEs as at end of period)	6,099 FTE	6,384 FTE	-285 FTE	-4.5

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

German Securities Code Numbers (WKN): 765 720, 765 723

ISIN: DE0007657207, DE0007657231

Villeroy & Boch AG • 66688 Mettlach • Germany
 Phone: +49 6864 81-1227 • Fax: +49 6864 81-71227
 Internet: <http://www.villeroyboch-group.com>

INTERIM MANAGEMENT REPORT OF THE VILLEROY & BOCH GROUP FOR THE FIRST HALF-YEAR 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 14 and in note 15 to the consolidated financial statements.

ECONOMIC REPORT

General economic conditions

According to the Organisation for Economic Co-operation and Development (OECD), the global economic recovery is progressing only slowly. However, the situation on the energy markets and regarding supply chains has eased considerably, with the result that the high levels of inflation around the world are receding. The ramifications of the ongoing war in Ukraine are continuing to have a pronounced impact on the world economy. This is especially apparent in Europe, which is feeling the effects of lower consumer spending and a downturn in residential construction in particular. In Germany, this situation is exacerbated by the uncertainty surrounding the country's energy policy.

Course of business and position of the Villeroy & Boch Group

Based on the first six months of the current financial year, the Management Board of Villeroy & Boch AG considers the economic position of the Group to be positive on the whole. Economic development is also a source of considerable uncertainty.

We generated consolidated revenue (including licence income) of € 437.8 million in the first half-year of 2023, which is € 52.5 million or 10.7 % below the same period of the previous year due to economic conditions.

Adjusted for currency effects, i.e. using the same exchange rates as for the previous year, revenue fell by 9.4 %. Negative currency effects, particularly relating to the Swedish krona and the Chinese yuan, outweighed the positive effects of the stronger US dollar compared with the previous year.

Revenue in the region of EMEA (Europe, Middle East, Africa) declined by 13.9 % or € 56.1 million. This is due in particular to the weak performance in Central Europe, where our revenue fell by 14.6 % or € 24.7 million. By contrast, revenue in Southern Europe increased by 9.7 % or € 2.0 million.

Overseas, we were able to increase our revenue by 4.1 % or € 3.5 million, which is mainly due to revenue growth in the project business in China.

Incoming orders increase in the first half-year of 2023, rising by € 11.2 million as against 31 December 2022 to € 148.5 million.

Orders on hand in the Bathroom & Wellness Division amounted to € 116.0 million (31 December 2022: € 116.9 million). The lower level of incoming orders in Europe was offset by the positive impact of resurgent project business in China.

Orders on hand in the Dining & Lifestyle Division amounted to € 32.5 million (31 December 2022: € 20.4 million). This increase was due in particular to the orders that have been already placed for our Christmas range.

We generated EBIT of € 38.7 million in the first half-year of 2023, 6.3 % below the previous year (€ 41.3 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 € 0.3 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 expenses from a write-down on an equity investment and project expenses in almost the same amount.

The Group's rolling return on net operating assets decreased to 28.0 % as at 30 June 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

The Bathroom & Wellness Division generated revenue of € 298.9 million in the first half-year of 2023, down 14.0 % on the strong first half-year of the previous year (€ 347.7 million). Revenue declined by 12.2 % on a constant currency basis, with negative currency effects resulting from the Swedish krona and the Chinese yuan in particular.

The downturn in revenue was observed in all business areas. It was particularly pronounced in our ceramic sanitary ware business (€ -21.5 million) due to the economic slowdown in Europe and in our wellness business (€ -14.4 million), where revenue from outdoor hot tubs declined as consumers became more reluctant to invest in light of the political restrictions imposed as a result of the energy crisis. By contrast, new products such as toilets with new flush technology met with a positive market response. Thanks to the sustained strength of our project business, 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 half-year of 2023 with an operating result (EBIT) of € 33.3 million (previous year: € 37.9 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 to 28.9 % (31 December 2022: 35.6 %) as a result of the lower operating result and the increase in rolling net operating assets.

Dining & Lifestyle

The Dining & Lifestyle Division generated revenue of € 137.2 million in the first half-year of 2023, down 2.6 % or € 3.7 million on the previous year (€ 140.9 million).

Our project business with hotel and restaurant customers saw particularly strong growth of € 2.7 million on the back of our pronounced focus on the high-end segment. Revenue with our own retail stores increased slightly year-on-year to € 41.1 million. Our e-commerce business saw a downturn in revenue (€ -8.0 million) in line with the general trend in online retail.

The Dining & Lifestyle Division recorded an operating result (EBIT) of € 5.1 million, slightly above the previous year (€ 4.9 million).

The rolling return on net operating assets decreased to 33.0 % (31 December 2022: 35.4 %) as a result of increased rolling net operating assets.

Capital structure

Our equity decreased by € 6.4 million as against the end of 2022, amounting to € 366.1 million as at 30 June 2023. The main changes were the net income for the first half of the year (€ +25.8 million) and the dividend distribution for 2022 (€ -31.1 million).

At 40.2 %, our equity ratio (including non-controlling interests) was 2.2 percentage points higher than in the previous year (31 December 2022: 38.0 %).

Investments

We invested € 16.1 million in property, plant and equipment and intangible assets in the first half-year of 2023 (previous year: € 10.3 million). The Bathroom & Wellness Division accounted for € 11.8 million, with the remaining € 4.3

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.

The Group had obligations to acquire property, plant and equipment and intangible assets in the amount of € 21.3 million as at the end of the reporting period (previous year: € 16.2 million).

Net liquidity

Taking into account our financial liabilities of € 84.8 million, the cash and bank balances of € 186.5 million resulted in net liquidity of € 101.7 million as at 30 June 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).

We also have unused credit facilities of € 282.0 million at our disposal.

Balance sheet structure

Total assets amounted to € 910.9 million as at the end of the reporting period as against € 980.2 million as at 31 December 2022, a decrease of € 69.3 million.

The share of total assets attributable to non-current assets increased by 1.8 percentage points to 31.1 % (31 December 2022: 29.3 %).

Current assets decreased by € 67.8 million as against 31 December 2022, mainly as a result of the decrease in cash and cash equivalents (€ -40.1 million), trade receivables (€ -26.1 million) and current financial assets (€ -25.0

million), which was partly offset by a increase in inventories (€ 20.9 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 (€ -54.9 million), with mainly a reduction in other current liabilities (€ -41.1 million) and trade payables (€ -10.3 million). Non-current liabilities decreased by a total of € 8.0 million, mainly due to the reduction of other non-current liabilities (€ -4.1 million), pension provisions (€ -2.2 million) and non-current lease liabilities (€ -2.0 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 slowdown in the European construction industry could intensify.

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.

As a result of the downturn in the construction sector in Europe, which is known to be ongoing, the Management Board of Villeroy & Boch AG expects a year-on-year decrease in consolidated revenue of 3.0 % to 6.0 % and of 5.0 % to 10.0 % in operating EBIT for 2023 as a whole. This is taking into account the forecast reservation in the Q1/2023 report and the business performance in the first six months of the year.

The forecasts regarding the return on net operating assets investments remain unchanged.

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 19 July 2023



Frank Göring



Dr Peter Domma



Esther Jehle



Georg Lörz



Gabriele Schupp



Dr Markus Warncke

CONSOLIDATED BALANCE SHEETas of 30 June 2023
in € million

Assets	Notes	30/6/2023	31/12/2022
Non-current assets			
Intangible assets		33.1	33.3
Property, plant and equipment	1	178.5	175.4
Right-of-use assets	2	37.6	41.3
Investment property		5.0	4.6
Investment accounted for using the equity method		2.5	2.4
Other financial assets	3	26.6	29.8
		283.3	286.8
Other non-current assets	6	5.2	3.0
Deferred tax assets		31.3	31.5
		319.8	321.3
Current assets			
Inventories	4	259.3	238.4
Trade receivables	5	103.3	129.4
Financial assets	3	-	25.0
Other current assets	6	29.7	30.4
Income tax receivables		12.3	9.1
Cash and cash equivalents	7	186.5	226.6
		591.1	658.9
Total assets		910.9	980.2
Equity and liabilities			
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		190.4	195.8
Revaluation surplus	8	-79.4	-78.7
		362.6	368.7
Equity attributable to minority interests		3.5	3.8
Total equity		366.1	372.5
Non-current liabilities			
Provisions for pensions		124.7	126.9
Non-current provisions for personnel	9	12.9	13.0
Other non-current provisions	10	19.4	18.8
Non-current financial liabilities	11	75.0	75.0
Non-current lease liabilities	12	27.2	29.2
Other non-current liabilities	13	4.3	8.4
Deferred tax liabilities		5.7	5.9
		269.2	277.2
Current liabilities			
Current provisions for personnel	9	12.2	17.5
Other current provisions	10	30.8	28.4
Current financial liabilities	11	9.8	10.4
Current lease liabilities	12	10.4	12.7
Other current liabilities	13	102.0	143.1
Trade payables		89.1	99.4
Income tax liabilities		21.3	19.0
		275.6	330.5
Total liabilities		544.8	607.7
Total equity and liabilities		910.9	980.2

CONSOLIDATED INCOME STATEMENT

for the period 1 January to 30 June 2023
in € million

	Notes	1/1/2023 - 30/6/2023	1/1/2022 - 30/6/2022
Revenue	14	437.8	490.3
Costs of sales		-246.4	-287.8
Gross profit		191.4	202.5
Selling, marketing and development costs	15	-132.5	-133.7
General administrative expenses		-22.5	-22.7
Other operating income and expenses		2.2	-4.9
Result of associates accounted for using the equity method		0.1	0.1
Operating result (EBIT)		38.7	41.3
Financial result	16	-1.9	-1.1
Earnings before taxes		36.8	40.2
Income taxes	17	-11.0	-12.1
Group result		25.8	28.1
Thereof attributable to:			
Villeroy & Boch AG shareholders		25.7	27.9
Minority interests		0.1	0.2
		25.8	28.1
EARNINGS PER SHARE			in €
Earnings per ordinary share		0.95	1.03
Earnings per preference share		1.00	1.08

During the reporting period there were no share dilution effects.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the period 1 January to 30 June 2023
in € million

	1/1/2023 - 30/6/2023	1/1/2022 - 30/6/2022
Group result	25.8	28.1
Other comprehensive income		
Items to be reclassified to profit or loss:		
Cash flow hedge	3.6	2.5
Gains or losses on translations of exchange differences	-3.7	-2.1
Deferred income tax effect on items to be reclassified to profit or loss	-1.4	0.8
Items not to be reclassified to profit or loss:		
Actuarial gains or losses on defined benefit plans	-0.1	39.1
Other valuation results	0.7	-3.3
Deferred income tax effect on items not to be reclassified to profit or loss	0.0	-11.7
Total other comprehensive income	-0.9	25.3
Total comprehensive income net of tax	24.9	53.4
Thereof attributable to:		
Villeroy & Boch AG shareholders	25.0	53.0
Minority interests	-0.1	0.4
Total comprehensive income net of tax	24.9	53.4

CONSOLIDATED INCOME STATEMENT

for the period 1 April to 30 June 2023
in € million

	Notes	1/4/2023 - 30/6/2023	1/4/2022 - 30/6/2022
Revenue	14	208.5	241.8
Costs of sales		-116.7	-142.5
Gross profit		91.8	99.3
Selling, marketing and development costs	15	-65.3	-65.8
General administrative expenses		-11.3	-10.5
Other operating income and expenses		3.8	-2.2
Result of associates accounted for using the equity method		0.1	0.1
Operating result (EBIT)		19.1	20.9
Financial result	16	-0.6	0.0
Earnings before taxes		18.5	20.9
Income taxes	17	-5.5	-6.3
Group result		13.0	14.6
Thereof attributable to:			
Villeroy & Boch AG shareholders		12.9	14.5
Minority interests		0.1	0.1
		13.0	14.6

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the period 1 April to 30 June 2023
in € million

	1/4/2023 - 30/6/2023	1/4/2022 - 30/6/2022
Group result	13.0	14.6
Other comprehensive income		
Items to be reclassified to profit or loss:		
Cash flow hedge	1.0	-5.5
Gains or losses on translations of exchange differences	-3.3	-1.7
Deferred income tax effect on items to be reclassified to profit or loss	-0.6	0.7
Items not to be reclassified to profit or loss:		
Actuarial gains or losses on defined benefit plans	-0.1	39.2
Other valuation results	0.1	-2.6
Deferred income tax effect on items not to be reclassified to profit or loss	0.0	-11.7
Total other comprehensive income	-2.9	18.4
Total comprehensive income net of tax	10.1	33.0
Thereof attributable to:		
Villeroy & Boch AG shareholders	10.0	32.9
Minority interests	0.1	0.1
Total comprehensive income net of tax	10.1	33.0

INTERIM REPORT ON THE FIRST HALF-YEAR OF 2023

CONSOLIDATED CASH FLOW STATEMENT

for the period 1 January to 30 June 2023
in € million

	1/1/2023 - 30/6/2023	1/1/2022 - 30/6/2022
Group result	25.8	28.1
Depreciation and attribution of non-current assets	23.4	20.6
Change in non-current provisions	-4.6	-5.1
Profit from disposal of fixed assets	-10.6	0.0
Change in inventories, receivables and other assets	-1.3	-56.2
Change in liabilities, current provisions and other liabilities	-43.0	32.2
Other non-cash income/expenses	1.1	-2.9
Cash flow from operating activities	-9.2	16.7
Purchase of intangible assets, property, plant and equipment	-16.1	-10.3
Investment in non-current financial assets	-2.5	-0.9
Cash receipts from disposals of financial assets	25.2	-
Cash receipts from disposals of fixed assets	3.6	-0.8
Cash flow from investing activities	10.2	-12.0
Change in financial liabilities	-0.5	1.6
Cash payments for the principal portion of the lease liabilities	-9.3	-10.4
Dividend paid to minority shareholders	-0.2	-0.2
Dividend paid to shareholders of Villeroy & Boch AG	-31.1	-25.8
Cash flow from financing activities	-41.1	-34.8
Sum of cash flows	-40.1	-30.1
Balance of cash and cash equivalents as at 1 Jan	226.6	264.1
Net increase in cash and cash equivalents	-40.1	-30.1
Balance of cash and cash equivalents as at 30 June	186.5	234.0

INTERIM REPORT ON THE FIRST HALF-YEAR OF 2023

CONSOLIDATED STATEMENT OF EQUITY

for the period 1 January to 30 June 2023
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 1/1/2022	71.9	194.2	-14.5	150.4	-98.6	8	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
As of 1/1/2023	71.9	194.2	-14.5	195.8	-78.7		368.7	3.8	372.5
Group result				25.7			25.7	0.1	25.8
Other comprehensive income						-0.7	-0.7	-0.2	-0.9
Total comprehensive income net of tax				25.7	-0.7		25.0	-0.1	24.9
Dividend payments				-31.1			-31.1	-0.2	-31.3
As of 30/6/2023	71.9	194.2	-14.5	190.4	-79.4		362.6	3.5	366.1

INTERIM REPORT ON THE FIRST HALF-YEAR OF 2023

CONSOLIDATED SEGMENT REPORT

for the period 1 January to 30 June 2023

in € million

	Bathroom & Wellness		Dining & Lifestyle		Transition/Other		Villeroy & Boch-Group	
	1/1/2023 - 30/6/2023	1/1/2022 - 30/6/2022	1/1/2023 - 30/6/2023	1/1/2022 - 30/6/2022	1/1/2023 - 30/6/2023	1/1/2022 - 30/6/2022	1/1/2023 - 30/6/2023	1/1/2022 - 30/6/2022
Revenue								
Segment revenue from sales of goods to external customers	299.0	347.6	136.2	140.5	-	-	435.2	488.1
Segment revenue from transactions with other segments	-	-	-	-	-	-	-	-
Segment revenue from licence business	-0.1	0.1	1.0	0.4	1.7	1.7	2.6	2.2
Revenue	298.9	347.7	137.2	140.9	1.7	1.7	437.8	490.3
Result								
Segment result	33.3	37.9	5.1	4.9	0.3	-1.5	38.7	41.3
Financial result	-	-	-	-	-1.9	-1.1	-1.9	-1.1
Investments and depreciations								
Investments of intangible assets, property, plant and equipment	11.8	5.8	4.3	4.5	-	-	16.1	10.3
Investments of right-of-use assets on leases	2.4	4.5	2.0	8.7	-	-	4.4	13.2
Scheduled depreciation of intangible assets, property, plant and equipment	9.6	9.8	2.6	2.7	-	-	12.2	12.5
Scheduled depreciation of right-of-use assets on leases	2.8	2.7	4.7	4.7	-	-	7.5	7.4
Assets and liabilities	30/6/2023	31/12/2022	30/6/2023	31/12/2022	30/6/2023	31/12/2022	30/6/2023	31/12/2022
Segment assets	408.0	403.3	185.0	198.2	317.9	378.7	910.9	980.2
Segment liabilities	156.9	189.1	70.0	88.7	317.9	329.9	544.8	607.7
Rolling net operating assets								
Rolling operating assets	400.6	400.4	193.4	185.4	-	-	594.0	585.8
Rolling operating liabilities	173.2	189.8	85.2	84.5	-	-	258.4	274.3
Rolling net operation assets	227.4	210.6	108.2	100.9	-	-	335.6	311.5
Rolling operating result (EBIT) *								
Rolling operating result (EBIT) *	65.7	75.0	35.7	35.7	-7.5	-12.5	93.9	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.

INTERIM REPORT ON THE FIRST HALF-YEAR OF 2023

CONSOLIDATED SEGMENT REPORT

for the period 1 April to 30 June 2023

in € million

	Bathroom & Wellness		Dining & Lifestyle		Transition/Other		Villeroy & Boch-Group	
	1/4/2023 - 30/6/2023	1/4/2022 - 30/6/2022	1/4/2023 - 30/6/2023	1/4/2022 - 30/6/2022	1/4/2023 - 30/6/2023	1/4/2022 - 30/6/2022	1/4/2023 - 30/6/2023	1/4/2022 - 30/6/2022
Revenue								
Segment revenue from sales of goods to external customers	148.2	175.6	59.0	65.2	-	-	207.2	240.8
Segment revenue from transactions with other segments	-	-	-	-	-	-	-	-
Segment revenue from licence business	-0.1	0.0	0.5	0.2	0.9	0.8	1.3	1.0
Revenue	148.1	175.6	59.5	65.4	0.9	0.8	208.5	241.8
Result								
Segment result	15.9	20.2	-0.5	1.2	3.1	-0.5	18.5	20.9
Financial result	-	-	-	-	-0.6	0.0	-0.6	0.0
Investments and depreciations								
Investments of intangible assets, property, plant and equipment	7.5	5.8	2.6	2.9	-	-	10.1	8.7
Investments of right-of-use assets on leases	1.1	3.6	0.3	4.8	-	-	1.4	8.4
Scheduled depreciation of intangible assets, property, plant and equipment	4.9	4.9	1.3	1.4	-	-	6.2	6.3
Scheduled depreciation of right-of-use assets on leases	1.3	1.4	2.4	2.3	-	-	3.7	3.7

NOTES TO THE INTERIM FINANCIAL STATEMENTS OF THE VILLEROY & BOCH GROUP ON THE FIRST HALF 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 June 2023. It was approved for publication on 19 July 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. Further information on performance in the first half year 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 June 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 € 15.6 million was acquired in the period under review (previous year: € 9.9 million).

Investment in the Bathroom & Wellness Division focused on international locations. In Hungary, purchases included new toilet pressure casting machines 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. A palletiser and two grinders were acquired for the Merzig site, while a pressure casting machine was replaced and investments were made in reducing the energy consumption of the kilns at the Torgau site.

In addition, € 2.6 million (previous year: € 2.8 million) was invested in the continuation of the “Mettlach 2.0” project.

Depreciation amounts to € 11.2 million (previous year: € 11.5 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 € 20.6 million (31 December 2022: € 19.2 million).

2. Right-of-use assets

Capitalized right-of-use assets decreased by € 3.7 million to € 37.6 million in the reporting period.

This change is mainly due to additions of € 4.4 million (previous year: € 13.2 million) and, offsetting this, depreciation of € 7.5 million (previous year: € 7.4 million) and disposals at carrying amounts of € 0.2 million (previous year: € 2.3 million). Expenses for short-term property leases amounted to € 2.3 million (previous year: € 2.3 million) with € 3.5 million (previous year: € 2.7 million) from variable rental payments for property leases. Expenses for other short-term leases and leases for low-value assets amounted to € 1.4 million (previous year: € 1.1 million).

3. Other financial assets

Other financial assets include:

in € million	30/6/2023	31/12/2022
Securities	-	25.0
Short-term financial assets	-	25.0
Securities	20.9	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	26.6	29.8

INTERIM REPORT ON THE FIRST HALF-YEAR OF 2023

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 € 26.6 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	30/6/2023	31/12/2022
Raw materials and supplies	38.6	40.2
Work in progress	23.9	22.4
Finished goods and goods for resale	196.8	175.8
Inventories (total)	259.3	238.4

5. Trade receivables

Trade receivables are broken down as follows:

by customer domicile/in € million	30/6/2023	31/12/2022
Germany	22.1	29.3
Rest of euro zone	25.8	29.8
Rest of world	60.3	76.1
Gross carrying amount of trade	108.2	135.2
Impairment due to expected losses (level 1)	-0.9	-0.9
Impairment due to objective indications (level 2)	-4.0	-4.9
Impairment losses	-4.9	-5.8
Total trade receivables	103.3	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	30/6/2023		31/12/2022	
	Cur- rent	Non- current	Cur- rent	Non- current
Other tax receivables	7.6	-	8.9	-
Prepaid expenses	3.8	-	2.0	-
Advance payments	3.2	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	4.0	3.2	4.3	1.1
Contract assets	0.3	-	0.6	-
Miscellaneous assets	9.2	-	9.4	-
Other assets (total)	29.7	5.2	30.4	3.0

7. Cash and cash equivalents

Cash and cash equivalents are composed as follows:

in € million	30/6/2023	31/12/2022
Cash on hand incl. cheques	0.2	0.4
Current bank balances	75.3	104.4
Cash equivalents	111.0	121.8
Total cash and cash equivalents	186.5	226.6

The € 40.1 million decrease in cash and cash equivalents is primarily attributable to the dividend payment of the Villeroy & Boch AG over € 31.1 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	30/6/2023	31/12/2022
Items to be reclassified to profit or loss:		
Currency translation of financial statements of foreign group companies	-27.8	-21.2
Currency translation of long-term loans classified as net investments in foreign group companies	-2.6	-5.7
Reserve for cash flow hedges	-0.2	-3.8
Deferred taxes for this category	-2.3	-0.9
Sub-total (a)	-32.9	-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)]	-79.4	-78.7

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 Swedish kronar, 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 changed only to a minor extent.

12. Non-current and current lease liabilities

Non-current and current lease liabilities decreased by € 4.3 million to € 37.6 million in the reporting period. This change mainly results from an addition from new leases of € 4.4 million and € 9.3 million from repayments of principal. Interest expenses for leased right-of-use assets amounted to € 0.6 million in the reporting period.

13. Other non-current and current liabilities

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

in € million	30/6/2023		31/12/2022	
	Cur- rent	Non- current	Cur- rent	Non- current
Bonus liabilities	40.9	-	64.6	-
Personnel liabilities (a)	22.7	-	21.6	-
Other tax liabilities	8.0	-	10.8	-
Contract liabilities	4.7	-	13.6	-
Deferred income	1.1	0.4	0.8	0.4
Liabilities to affiliated, non-consolidated companies	0.2	-	0.2	-
Fair values of hedging instruments	5.1	2.4	2.7	6.5
Miscellaneous other liabilities	19.3	1.5	28.8	1.5
Other liabilities (total)	102.0	4.3	143.1	8.4

(a) seasonal change

Other current liabilities declined to € 102.0 million in the reporting period. This was due mainly to the € 23.7 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	
	H1	Q2	H1	Q2
Bathroom & Wellness	-7.3	-3.6	-7.2	-3.7
Dining & Lifestyle	-2.5	-1.2	-2.3	-1.1
Research and development costs (total)	-9.8	-4.8	-9.5	-4.8

INTERIM REPORT ON THE FIRST HALF-YEAR OF 2023

16. Financial result

The financial result is broken down as follows:

in € million	2023		2022	
	H1	Q2	H1	Q2
Financial expenses	-2.1	-1.1	-1.8	-1.0
Interest expense on lease liabilities	-0.6	-0.3	-0.2	-0.1
Interest expenses for provisions (pensions)	-2.5	-1.2	-0.8	-0.4
Financial income	3.3	2.0	1.7	1.5
Net finance expense (total)	-1.9	-0.6	-1.1	0.0

The interest expense for pension provisions increased by € 1.7 million to € 2.5 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.

17. Income taxes

The main components of income tax expense are as follows:

in € million	2023		2022	
	H1	Q2	H1	Q2
Current income taxes	-12.5	-6.8	-11.3	-5.8
Deferred taxes	1.5	1.3	-0.8	-0.5
Income taxes (total)	-11.0	-5.5	-12.1	-6.3

OTHER NOTES

18. Human resources

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

in € million	2023		2022	
	H1 Staff costs in € million	30/6/ Employees (FTEs)	H1 Staff costs in € million	30/6/ Employees (FTEs)
Bathroom & Wellness	-83.9	4,022	-85.0	4,318
Dining & Lifestyle	-43.7	1,614	-43.8	1,624
Other	-17.7	463	-15.9	442
Total	-145.3	6,099	-144.7	6,384

19. Contingent liabilities, commitments, and financial obligations

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

in € million	30/6/2023	31/12/2022
Obligations to acquire property, plant and equipment	20.6	19.2
Obligations to acquire right-of-use assets	0.0	0.5
Obligations to acquire intangible assets	0.7	0.4
Guarantees	0.8	0.8
Total	22.1	20.9

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	30/6/2023			31/12/2022		
	Carrying amount	Carrying amount at		Carrying amount	Carrying amount at	
		Cost	Fair value		Cost	Fair value
Asset-side items containing financial instruments:						
Assets						
Cash and cash equivalents (note 7)	186.5	186.5	-	226.6	226.6	-
Trade receivables (note 5)	103.3	103.3	-	129.4	129.4	-
Other financial assets (note 3)	26.6	5.7	20.9	54.8	9.7	45.1
Other assets (note 6)	19.9	12.7	7.2	18.9	13.5	5.4
Total asset-side instruments	336.3	308.2	28.1	429.7	379.2	50.5

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

in € million	30/6/2023			31/12/2022		
	Carrying amount	Carrying amount at		Carrying amount	Carrying amount at	
		Cost	Fair value		Cost	Fair value
Liability-side items containing financial instruments:						
Equity and liabilities						
Trade payables	89.1	89.1	-	99.4	99.4	-
Financial liabilities (note 11)	84.8	84.8	-	85.4	85.4	-
Other liabilities (note 13)	69.4	61.9	7.5	104.7	95.5	9.2
Total liability-side instruments	243.3	235.8	7.5	289.5	280.3	9.2

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

22. 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.

23. Events after the end of the reporting period

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

Mettlach 19 July 2023

The Management Board

FINANCIAL CALENDAR

20 October 2023 Report on the first nine months of 2023

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