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VILLEROY & BOCH GUSTAVSBERG AB

Org.nr 556441-9918

ÅRSREDOVISNING 2022

Styrelsen och verkställande direktören för Villeroy & Boch Gustavsberg AB får härmed avge årsredovisning för räkenskapsåret 2022-01-01 -- 2022-12-31.

Årsredovisningen omfattar

Sid 2 **FÖRVALTNINGSBERÄTTELSE**

Sid 3 **RESULTATRÄKNINGAR**

Sid 4 **BALANSRÄKNINGAR**

Sid 6 **FÖRÄNDRINGAR I EGET KAPITAL**

Sid 7 **KASSAFLÖDESANALYSER**

Sid 8 **REDOVISNINGSPRINCIPER OCH NOTER**

Sid 28 **UNDERSKRIFTER**

Fastställelseintyg

Undertecknad styrelseledamot i Villeroy & Boch Gustavsberg AB intygar, dels att denna kopia av årsredovisningen överensstämmer med originalet, dels att resultat- och balansräkning har fastställts på ordinarie bolagsstämma den 30 juni 2023.
Bolagsstämman beslöt även att godkänna styrelsens förslag till vinstdisposition.

Gustavsberg den 11/7 2023

Marianne Jarnhed

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VILLEROY & BOCH GUSTAVSBERG AB

Org.nr 556441-9918

FÖRVALTNINGSBERÄTTELSE

Om inte annat anges redovisas alla belopp i svenska tkr (tkr).

Verksamhetens art och inriktning

Villeroy & Boch Gustavsberg AB är en av norra Europas ledande producenter av badrumsprodukter. I koncernen ingår varumärkena Gustavsberg, Villeroy & Boch och Vatette, med fokus på produkter inom badrum och badrumskopplingar. Utöver detta säljer företaget hushållsporslin från Villeroy & Boch. Bolaget har sitt säte i Gustavsberg.

Villeroy & Boch Gustavsberg AB är främst verksamt i Norden samt Baltikum. Företaget exporterar även till andra länder. I Finland, Norge och Danmark drivs verksamheten som dotterbolag.

Ägarförhållanden

Villeroy & Boch Gustavsberg AB är ett helägt dotterbolag till den tyska koncernen Villeroy & Boch AG, med säte i Mettlach, Tyskland. Därmed tillhör bolaget en av Europas största producenter av badrumsinredningar och hushållsporslin.

Väsentliga händelser under räkenskapsåret 2022

Året 2022 började positivt, slutet på pandemin kunde skönjas och många blickade framåt igen. Tyvärr blev detta kortvarigt när Ryssland i slutet av februari invaderade Ukraina. Kriget präglade sedan året med effekter som ökade energipriser, brist på råvaror och väldigt hög i inflation i många länder. Som en motåtgärd påbörjade centralbankerna räntehöjningar, vilket satte press på hushållens såväl som företagens ekonomier.

För Villeroy & Boch Gustavsberg AB var efterfrågan bra första halvåret, men under andra halvan av 2022 blev effekten av de negativa händelserna kännbara även för företaget, med minskad efterfrågan från marknaden både för Bath & Wellness och för Dining & Lifestyle. Bolaget drabbades, likt andra, dessutom av stora kostnadsökningar på material och energi samt av en svag svensk krona som har gjort våra inköp i utländsk valuta dyrare. Detta medförde att vi var tvungna att genomföra en prisökning för Bath & Wellness även vid halvårsskiftet för att kompensera för delar av kostnadsökningarna. Dining & Lifestyles fokus under året var e-handel, då det endast finns två fysiska butiker kvar i Sverige. Efter sommaren noterades en minskning av e-handeln men glädjande nog en uppgång för Hotell- och restaurangsegmentet.

Resultatet 2022 från den operativa verksamheten blev betydligt lägre än året innan. Det berodde dels på att 2021 var ett rekordår tack vare renoveringsboom i Norden men också på grund av lägre efterfrågan och kostnadsökningar under 2022. Resultatet påverkades positivt av en engångseffekt om 17 MSEK genom en utbetalning av tidigare erlagda försäkringspremier tack vare överkonsolidering hos försäkringsgivaren. Vidare tog bolaget emot utdelningar från dotterbolag om 22 MSEK som redovisas i resultaträkningen som resultat från andelar i koncernföretag.

Under 2022 har utdelning till moderbolaget, i enlighet med vinstdispositionen som beslutades året före, belastat bolagets egna kapital med 73,4 MSEK.

FÖRVALTNINGSBERÄTTELSE

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I slutet av april deltog Bath & Wellness på Nordbygg, den viktigaste mässan i branschen. I montern presenterades produktnyheter under våra varumärken Gustavsberg, Villeroy & Boch och Vatette. Hållbarheten stod i fokus inte enbart på våra produkter, utan även i montern som är utformad på ett sätt som gör att den går att använda om och om igen samt anpassa efter olika behov.

Under 2022 har arbetet med att utveckla en holistisk strategi för hållbarhet för hela Villeroy & Boch koncernen fortlöpt. Flera medarbetare från vår region, Norra Europa, har deltagit i projektet Hållbar utveckling. Regionens redan fastställda hållbarhetsmål hänger väl ihop med de som kommer gälla för hela koncernen.

Ett av våra förbättringsområden för att stärka vår konkurrenskraft har handlat om leveransprecision. Därför startades ett omfattande, tvärfunktionellt, projekt, OTD (On time delivery), som vi har arbetat med intensivt under året. Glädjande har vi kunnat se mycket positiva resultat i förbättrad precision under projektets gång och vi fortsätter under 2023 då vi ska ha kommit hela vägen i mål.

Våra medarbetarundersökningar ger oss viktiga insikter kring förbättringsåtgärder. Det genomfördes en undersökning i psykosocial arbetsmiljö i slutet av 2021 vilket utmynnat i flera initiativ, bl a fastställdes under 2022 en likabehandlingspolicy vilken lanserades för medarbetarna. Vidare har våra chefer utbildats i psykosocial arbetsmiljö och vi har också genomfört workshops för att diskutera relevanta områden. I december 2022 gjordes en koncerntäckande medarbetarundersökning från centralt håll för alla tjänstemän inom Bath & Wellness och för anställda i produktionen kommer den att göras under 2023. Resultaten från dessa kommer vi arbeta vidare med under 2023.

Väsentliga händelser efter räkenskapsårets utgång

Inget speciellt har inträffat efter balansdagen.

Förväntningar på framtiden

Som väntat har vi kommit in i en lågkonjunktur och byggmarknaden och den relaterade badrumsmarknaden prognosticeras bli svagare år 2023-24 i Norden. Detta gäller framförallt Sverige där antal nybyggnationer av bostäder förväntas minska drastiskt. ROT-arbeten, vilket utgör en större påverkan på vår verksamhet, förväntas också minska men inte lika kraftigt.

Under 2023 fortsätter vi fokusera på att göra det yttersta för att möta våra kunders behov och tillsammans lyckas bra trots rådande marknadsläge.

Vi har flera produktlanseringar planerade, bland annat ett helt nytt termostatsortiment som lanserades i Sverige i början av året. Vi kommer fortsätta kommunicera kring vårt sortiment för energieffektiva blandare vilket det finns ett stort behov av.

Vi jobbar med att optimera lagernivåerna efter den minskande efterfrågan för att minska kapitalbindningen.

År 2023 fyller moderbolaget Villeroy & Boch AG 275 år och detta kommer att firas inom koncernen på olika sätt och på olika platser under hela året. Blickar vi ännu längre framåt har vi en jämn födelsedag att fira, nämligen att företaget Villeroy & Boch Gustavsberg AB, fyller 200 år, men det är först 2025.

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FÖRVALTNINGSBERÄTTELSE

Väsentliga risker och osäkerhetsfaktorer

Eftersom verksamheten i Villeroy & Boch Gustavsberg AB är internationell, med både inköp och försäljning i utländska valutor finns en valutarisk. Denna hanterar bolaget genom valutasäkringar.

Verksamheten innehåller också en osäkerhet kring prisutveckling för mässing, då denna råvara används i tillverkningen av kranar och kopplingar i Vårgårda. Risken hanterar bolaget genom mässingsterminer.

Miljöpåverkan

Verksamheten består av två produktionsanläggningar i Gustavsberg Ekobacken och Vårgårda. Verksamheten är certifierad enligt ISO 9001:2015, ISO 14001:2015, ISO 45001:2018 och ISO 50001:2018, verksamheten i Vårgårda är även registrerad enligt EMAS.

Verksamheten i Gustavsberg består av montering, porslinsbearbetning och lager.

Bolaget äger också en sedan tidigare avslutad deponi i Gustavsberg som har övertäckts i enlighet med avslutningsplan, beslutad av Länsstyrelsen i Stockholms län. Övertäckningen av deponin är godkänd av Länsstyrelsen som överlåtit tillsynsansvaret till Värmdö kommun.

Intill deponin finns ytterligare en fastighet som även den övertäckts i enlighet med plan som godkänts av Värmdö Kommun. Det har gjorts en lakvattenutredning i syfte att klargöra hur deponins lakvatten påverkar mottagande recipient, utredningen påvisar inga betydande konsekvenser för recipienten eller omgivande miljö.

Verksamheten i Vårgårda tillverkar sanitets- och teknisk armatur. Fabriken rymmer en komplett produktionskedja och behandlar alla moment i tillverkningen från mässingtacka till färdig produkt.
Verksamhet som bedrivs i Vårgårda är tillståndspliktig enligt miljöskyddslagen. Tillståndet avser VVS-armatur och omfattar tillverkning av kranar/blandare och kopplingar, ytbehandling av dessa samt förbrukning av smältgods.

Produkterna som tillverkas i Vårgårda är mycket strängt kontrollerade. Emissioner av metaller till vatten är testade enligt gällande normer. Alla produkter är tillverkade av 4MS godkända legeringar.
Enligt Nordiska kommittén för Byggbestämmelser (NKB) ligger blandarna under gällande gränsvärden i alla Nordiska länder. För att blandarna ska klara kraven från typgodkännandeorgan i Norden och övriga marknader ska blandarnas övriga ingående material som är i direkt kontakt med dricksvattnet godkännas av KTW (*Kunststoffe im Trinkwasser*), FDA (*Food and Drug Administration*) eller WRAS (*Water Research Center*) eller liknande. Det innebär att samtliga material i blandarna är godkända ur livsmedelssynpunkt.

Hållbarhetsrapportering

Bolaget omfattas av den hållbarhetsredovisning som koncernen upprättar. Rapporten återfinns under https://www.villeroyboch-group.com/en/investor-relations/publications/annual-reports.html

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VILLEROY & BOCH GUSTAVSBERG AB

Org.nr 556441-9918

FÖRVALTNINGSBERÄTTELSE

Flerårsjämförelse *

		2022	2021	2020	2019	2018
Nettoomsättning	tkr	1 062 879	1 142 839	992 106	945 892	943 553
Resultat efter finansiella poster	tkr	98 174	134 222	109 137	65 872	76 070
Balansomslutning	tkr	1 124 463	1 107 435	962 253	832 347	765 059
Soliditet	%	52%	54%	50%	46%	44%
Avkastning på eget kapital	%	17%	25%	25%	18%	25%
Avkastning på sysselsatt kapital	%	13%	19%	18%	14%	21%
Antal anställda	st	317	315	303	316	313

* För definitioner av nyckeltal, se not 39.

Resultatdisposition	**KR**
Från föregående år balanserad vinst	377 521 106
Fond för verkligt värde	1 225 000
Årets vinst	90 948 260
Vinstmedel till förfogande	**469 694 366**
Styrelsens förslag till disposition	
Utdelas till aktieägare	84 780 000
Balanseras i ny räkning	384 914 366
Summa	**469 694 366**

Förslag till beslut om vinstutdelning

Styrelsen föreslår att utdelning lämnas med 84 780 000,00 kr vilket motsvarar 4 239 kr per aktie.

Styrelsen föreslår att utbetalning av utdelningen skall ske i omedlbar anslutning till årsstämman.

Yttrande från styrelsen

Styrelsen anser att den föreslagna vinstutdelningen är försvarlig med hänsyn till de krav som verksamhetens art, omfattning och risker ställer på storleken av det egna kapitalet samt bolagets konsolideringsbehov, likviditet och ställning i övrigt.

Yttrandet ska ses mot bakgrund av den information som framgår av årsredovisningen. Företagsledningen planerar inga väsentliga förändringar av befintlig verksamhet så som väsentliga investeringar, försäljningar eller avveckling.

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VILLEROY & BOCH GUSTAVSBERG AB

Org.nr 556441-9918

RESULTATRÄKNINGAR

TKR	Not	2022-01-01 –2022-12-31	2021-01-01 –2021-12-31
Rörelsens intäkter m.m.			
Nettoomsättning	3	1 062 879	1 142 839
Kostnad för såld vara		-830 812	-854 664
		232 067	**288 175**
Övriga rörelseintäkter	4	25 696	20 259
		257 763	***308 434***
Rörelsens kostnader			
Försäljningskostnader	6	-137 833	-134 928
Administrationskostnader		-21 638	-16 336
Övriga rörelsekostnader	10	-16 027	-12 549
		-175 498	***-163 813***
Rörelseresultat	5, 6, 7, 8	**82 265**	**144 621**
Resultat från finansiella poster			
Resultat från andelar i koncernföretag	9	22 107	0
Ränteintäkter och liknande	11	3 240	681
Räntekostnader och liknande	12	-9 438	-11 080
		15 909	***-10 399***
Resultat efter finansiella poster		**98 174**	**134 222**
Bokslutsdispositioner	13	13 783	12 219
Resultat före skatt		**111 957**	**146 441**
Skatt på årets resultat	14	-21 009	-30 482
Årets resultat		**90 948**	**115 959**

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VILLEROY & BOCH GUSTAVSBERG AB

Org.nr 556441-9918

BALANSRÄKNINGAR

TKR	Not	2022-12-31	2021-12-31
Tillgångar			
Anläggningstillgångar			
Immateriella anläggningstillgångar			
Koncessioner, patent, licenser, varumärken samt liknande rättigheter	15	143	279
		143	*279*
Materiella anläggningstillgångar			
Byggnader och mark	16	88 743	92 308
Maskiner och andra tekniska anläggningar	17	44 205	49 455
Inventarier, verktyg och installationer	18	8 796	9 507
Pågående nyanläggningar och förskott avseende materiella anläggningstillgångar	19	7 173	3 266
		148 917	*154 536*
Finansiella anläggningstillgångar			
Andelar i koncernföretag	20	38 041	38 041
Andra långfristiga värdepappersinnehav	21	14	14
Uppskjuten skattefordran	22	1 647	243
Andra långfristiga fordringar	23	8 650	8 650
		48 352	*46 948*
Summa anläggningstillgångar		**197 412**	**201 763**
Omsättningstillgångar			
Varulager m.m.			
Råvaror och förnödenheter		84 725	63 204
Varor under tillverkning		33 147	35 623
Färdiga varor och handelsvaror		139 511	107 447
		257 383	*206 274*
Kortfristiga fordringar			
Kundfordringar		160 682	167 271
Fordringar hos koncernföretag		365 500	376 375
Aktuell skattefordran		3 142	0
Övriga fordringar		8 838	11 448
Derivat	24	8 386	20 954
Förutbetalda kostnader och upplupna intäkter	25	3 111	3 340
		549 659	*579 388*
Kassa och bank	26, 35	*120 009*	*120 010*
Summa omsättningstillgångar		**927 051**	**905 672**
Summa tillgångar		**1 124 463**	**1 107 435**

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VILLEROY & BOCH GUSTAVSBERG AB

Org.nr 556441-9918

BALANSRÄKNINGAR

TKR	Not	2022-12-31	2021-12-31
Eget kapital och skulder			
Eget kapital			
Bundet eget kapital			
Aktiekapital	27	20 000	20 000
Reservfond		5 000	5 000
Summa bundet eget kapital		***25 000***	***25 000***
Fritt eget kapital			
Fond för verkligt värde		1 225	16 628
Balanserat resultat		377 521	334 912
Årets resultat		90 948	115 959
Summa fritt eget kapital	28	***469 694***	***467 499***
Summa eget kapital		**494 694**	**492 499**
Obeskattade reserver	29	***114 349***	***128 133***
Avsättningar			
Avsättningar för pensioner och liknande förpliktelser	30	4 102	4 112
Uppskjuten skatteskuld	22	1 740	4 317
Övriga avsättningar	31	35 535	37 994
Summa avsättningar		***41 377***	***46 423***
Långfristiga skulder	32		
Skulder till koncernföretag		153 194	141 100
Summa långfristiga skulder		***153 194***	***141 100***
Kortfristiga skulder			
Leverantörsskulder		118 044	105 802
Derivat	24	7 994	1 178
Aktuella skatteskulder		0	16 464
Övriga skulder		21 247	16 625
Upplupna kostnader och förutbetalda intäkter	33	173 564	159 211
Summa kortfristiga skulder		***320 849***	***299 280***
Summa eget kapital och skulder		**1 124 463**	**1 107 435**

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VILLEROY & BOCH GUSTAVSBERG AB

Org.nr 556441-9918

FÖRÄNDRINGAR I EGET KAPITAL

TKR	Aktiekapital	Reservfond	Fond för verkligt värde	Övrigt fritt eget kapital	Summa eget kapital
Belopp vid årets ingång	20 000	5 000	16 628	450 871	492 499
Värdeförändring derivat			-19 399		-19 399
Skatteeffekt värdeförändring derivat			3 996		3 996
Utdelning				-73 350	-73 350
Årets resultat				90 948	90 948
Belopp vid årets utgång	**20 000**	**5 000**	**1 225**	**468 469**	**494 694**

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VILLEROY & BOCH GUSTAVSBERG AB

Org.nr 556441-9918

KASSAFLÖDESANALYSER

TKR	Not	2022-01-01 –2022-12-31	2021-01-01 –2021-12-31
Den löpande verksamheten			
Rörelseresultat		82 265	144 621
Justering för poster som inte ingår i kassaflödet	34	-1 043	32 349
Erhållen ränta		3 240	681
Erhållen utdelning		22 107	0
Betald ränta		2 656	-8 194
Betald inkomstskatt		-44 596	-15 306
Kassaflöde från den löpande verksamheten före förändringar av rörelsekapital		**64 629**	**154 151**
Förändringar av rörelsekapital			
Förändring av varulager/pågående arbete		-51 109	-56 254
Förändring av kundfordringar		6 589	18 095
Förändring av övriga kortfristiga fordringar		26 281	-77 051
Förändring av leverantörsskulder		12 242	-6 964
Förändring av övriga kortfristiga skulder		25 791	15 332
Kassaflöde från den löpande verksamheten		**84 423**	**47 309**
Investeringsverksamheten			
Förvärv av immateriella anläggningstillgångar		0	-200
Förvärv av materiella anläggningstillgångar		-11 074	-12 845
Övriga förändringar finansiella anläggningstillgångar		0	5 735
Kassaflöde från investeringsverksamheten		**-11 074**	**-7 310**
Finansieringsverksamheten			
Upptagna lån		0	0
Amortering lån		0	0
Utbetald utdelning		-73 350	0
Kassaflöde från finansieringsverksamheten		**-73 350**	**0**
Årets kassaflöde/förändring av likvida medel		**-1**	**39 999**
Likvida medel vid årets början		120 010	80 011
Likvida medel vid årets slut	35	**120 009**	**120 010**

REDOVISNINGSPRINCIPER OCH NOTER

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Not 1 Redovisnings- och värderingsprinciper

Företagets årsredovisning har upprättats i enlighet med årsredovisningslagen och BFNAR 2012:1 (K3). Tillämpade principer är oförändrade jämfört med föregående år.

De viktigaste redovisnings- och värderingsprinciperna som har använts vid upprättande av de finansiella rapporterna sammanfattas nedan.

Kassaflödesanalys

Kassaflödesanalysen har upprättats i enlighet med BFNAR 2012:1 (K3) kap. 7 enligt indirekt metod. Kassaflödesanalysen visar företagets förändringar av likvida medel under räkenskapsåret och omfattar endast transaktioner som medfört in- och utbetalningar.

Principer resultaträkningen

Intäkter

Intäkter redovisas till det verkliga värdet av den ersättning som erhållits eller kommer att erhållas, med avdrag för mervärdesskatt, rabatter, returer och liknande avdrag.

Varuförsäljning

Intäkter från försäljning av varor redovisas när varorna levererats och äganderätten har överförts till kunden, varmed samtliga villkor är uppfyllda:

- Företaget har överfört de väsentliga risker och fördelar som är förknippade med varornas ägande,
- företaget inte längre har något sådant engagemang i den löpande förvaltningen som vanligtvis förknippas med ägande och utövar inte heller någon reell kontroll över de sålda varorna,
- inkomsten kan beräknas på ett tillförlitligt sätt,
- de ekonomiska fördelar som är förknippade med transaktionen sannolikt kommer att tillfalla företaget, och
- de utgifter som uppkommit eller som förväntas uppkomma till följd av transaktionen kan beräknas på ett tillförlitligt sätt.

Övriga rörelseintäkter

Övriga rörelseintäkter avser intäkter från aktiviteter utanför företagets huvudsakliga verksamhet.

Försäkringsersättning

Vid driftsstopp, skador och liknande som helt eller delvis täcks av Företagets försäkringsskydd redovisas en beräknad försäkringsersättning när denna kan beräknas på ett tillförlitligt sätt. Försäkringsersättningar redovisas i posten Övriga rörelseintäkter.

Utdelning och ränteintäkter

Utdelningsintäkter redovisas när ägarens rätt att erhålla betalning har fastställts.

Ränteintäkter redovisas fördelat över löptiden med tillämpning av effektivräntemetoden. Effektivräntan är den ränta som gör att nuvärdet av alla framtida in- och utbetalningar under räntebindningstiden blir lika med det redovisade värdet av fordran.

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REDOVISNINGSPRINCIPER OCH NOTER

Leasing
Samtliga leasingavtal redovisas enligt reglerna för operationell leasing vilket innebär att de kostnadsförs linjärt över leasingperioden.

Låneutgifter
Samtliga låneutgifter kostnadsförs i den period som de hänförs till och redovisas i posten *Räntekostnader och liknande.*

Principer balansräkningen

Materiella anläggningstillgångar
Materiella anläggningstillgångar redovisas initialt till anskaffningsvärde inklusive utgifter för att få tillgången på plats och i skick för att kunna användas enligt intentionerna med investeringen. I anskaffningsvärdet ingår inköpspriset och andra direkt hänförliga utgifter såsom utgifter för leverans, hantering, installation, montering, lagfarter och konsulttjänster. Korttidsinventarier och inventarier av mindre värde kostnadsförs löpande. Materiella anläggningstillgångar värderas därefter till anskaffningsvärdet minskat med ackumulerade av- och nedskrivningar.

Avskrivningar
Avskrivning av materiella anläggningstillgångar görs av tillgångens/komponentens avskrivningsbara belopp över dess nyttjandeperiod och påbörjas när tillgången/komponenten tas i bruk. Avskrivning görs linjärt. Följande nyttjandeperioder tillämpas:

	2022	2021
Byggnader	30-33 år	30-33 år
Maskiner och andra tekniska anläggningar	3-20 år	3-20 år
Inventarier, verktyg och installationer	3-20 år	3-20 år

Borttagande från balansräkningen
Materiella anläggningstillgångar tas bort från balansräkningen vid utrangering eller avyttring eller när inte framtida ekonomiska fördelar väntas från användning, utrangering eller avyttring av tillgången.
När materiella anläggningstillgångar avyttras bestäms realisationsresultatet som skillnaden mellan försäljningspriset och tillgångens redovisade värde och redovisas i resultaträkningen i någon av posterna *Övriga rörelseintäkter* eller *Övriga rörelsekostnader* .

Prövning av nedskrivningsbehov av materiella anläggningstillgångar
Per varje balansdag görs en bedömning av om det föreligger någon indikation på att en tillgångs värde är lägre än dess redovisade värde. Finns det en sådan indikation beräknas tillgångens återvinningsvärde. Om återvinningsvärdet understiger redovisat värde görs en nedskrivning som kostnadsförs.

Andelar i dotterföretag
Andelar i dotterföretag värderas till anskaffningsvärde eventuellt minskat med nedskrivningar. Utdelningar från dotterföretag redovisas som intäkt.

REDOVISNINGSPRINCIPER OCH NOTER

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Varulager
Varulagret värderas enligt lägsta värdets princip, dvs till det lägsta av anskaffningsvärdet och nettoförsäljningsvärdet. Anskaffningsvärdet inkluderar alla utgifter som är hänförliga till tillverkningsprocessen samt lämplig andel av tillhörande tillverkningsomkostnader, baserat på normal kapacitet. Anskaffningsvärdet beräknas enligt först in, först ut-principen. Nettoförsäljningsvärdet är det uppskattade pris som varan kan säljas för enligt villkor som är normala i verksamheten minskat med eventuella tillämpliga försäljningskostnader som direkt kan hänföras till försäljningstransaktionen.

Fordringar och skulder i utländsk valuta
Monetära poster i utländsk valuta räknas om till balansdagens kurs och de valutakursdifferenser som uppkommer redovisas i resultaträkningen. Valutakursvinster och -förluster avseende rörelserelaterade fordringar och skulder i utländsk valuta redovisas i posterna *Övriga rörelseintäkter* och *Övriga rörelsekostnader* . Övriga valutakursvinster och -förluster redovisas under rubriken Resultat från finansiella poster.

Finansiella instrument
Finansiella instrument värderas i enlighet med ÅRL 4.14 a-e och kapitel 12. Finansiella instrument redovisas som en finansiell tillgång eller finansiell skuld i balansräkningen när bolaget blir part av instrumentets avtalsmässiga villkor. En finansiell tillgång tas bort från balansräkningen när den avtalsenliga rätten till kassaflödet från tillgången har upphört eller reglerats.

Värdering av finansiella tillgångar och skulder
Finansiella tillgångar och skulder har vid första redovisningstillfället värderats till verkligt värde. De finansiella instrumenten har klassificerats i någon av nedanstående värderingskategorier. Klassificeringen av instrumenten i olika kategorier ligger till grund för hur de finansiella instrumenten ska värderas och hur värdeförändringar ska redovisas. Efterföljande värdering av finansiella instrument sker antingen till verkligt värde eller upplupet anskaffningsvärde. Derivat värderas till verkligt värde baserat på en diskonteringsmodell där observerbara indata används.

• Lånefordringar och kundfordringar är finansiella tillgångar som har fastställda eller fastställbara betalningar men inte är derivatinstrument. Finansiella tillgångar i denna kategori värderas till upplupet anskaffningsvärde.

• Övriga finansiella skulder är finansiella skulder som företaget inte har klassificerat i värderingskategorin "Finansiella tillgångar och skulder som innehas för handel". Finansiella skulder i denna kategori värderas till upplupet anskaffningsvärde.

Nedskrivningar av finansiella anläggningstillgångar
Bedömning görs vid varje balansdag om det finns någon indikation på att de finansiella tillgångar som tillhör värderingskategorin 'Lånefordringar och kundfordringar' har minskat i värde. Nedskrivningsbehovet bedöms individuellt, och om det kan antas att värdenedgången är bestående justeras värdet på tillgången.

REDOVISNINGSPRINCIPER OCH NOTER

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Säkringsredovisning
När det finns en ekonomisk relation mellan säkringsinstrumentet och den säkrade posten som överensstämmer med företagets mål för riskhantering tillämpas säkringsredovisning om kraven för detta är uppfyllda. Säkringsförhållandet är dokumenterat senast när säkringen ingås, där dokumentationen innefattar företagets mål för riskhantering, identifiering av den säkrade posten, säkringsinstrumentet och den säkrade risken samt metod för bedömning av effektivitet. Säkringsförhållandet förväntas vara mycket effektivt för den period som säkringen har identifierats.

Kassaflödessäkringar av prognosticerade transaktioner
För säkring av valutarisk i förväntade kassaflöden används valutaterminer.

För säkring av prisrisk för förändring i mässingpriser hänförlig till prognosticerade inköp av mässing används mässingderivat.

Den del av värdeförändringen på säkringsinstrumentet som bestämts vara en mycket effektiv säkring av ett kassaflöde redovisas i 'Fond för verkligt värde'. Resterande del av värdeförändringen redovisas i resultaträkningen. Värdeförändringar som redovisats i 'Fond för verkligt värde' påverkar resultatet samtidigt som den prognosticerade transaktionen påverkar resultaträkningen alternativt när den inte längre förväntas inträffa.

Inkomstskatter
Inkomstskatt utgörs av aktuell skatt och uppskjuten skatt. Inkomstskatt redovisas i resultaträkningen utom då den underliggande transaktionen redovisas i eget kapital varvid även tillhörande skatteeffekt redovisas i eget kapital. Aktuella skattefordringar och skatteskulder respektive uppskjutna skattefordringar och skatteskulder kvittas i de fall det finns en legal kvittningsrätt.

Aktuell skatt
Aktuell skatt är skattekostnaden för innevarande räkenskapsår som avser årets skattepliktiga resultat och den del av tidigare räkenskapsårs inkomstskatt som ännu inte redovisats. Aktuell skatt värderas till det sannolika beloppet enligt de skattesatser och skatteregler som gäller på balansdagen.

Uppskjuten skatt
Uppskjuten skatt redovisas på temporära skillnader mellan det redovisade värdet på tillgångar och skulder i de finansiella rapporterna och det skattemässiga värdet som används vid beräkning av skattepliktigt resultat. Uppskjuten skatt redovisas enligt den s k balansräkningsmetoden. Uppskjutna skatteskulder redovisas för i princip alla skattepliktiga temporära skillnader, och uppskjutna skattefordringar redovisas i princip för alla avdragsgilla temporära skillnader i den omfattning det är sannolikt att beloppen kan utnyttjas mot framtida skattepliktiga överskott. Obeskattade reserver redovisas inklusive uppskjuten skatteskuld.

Det redovisade värdet på uppskjutna skattefordringar omprövas varje balansdag och reduceras till den del det inte längre är sannolikt att tillräckliga skattepliktiga resultat kommer att finnas tillgängliga för att utnyttjas, helt eller delvis, mot den uppskjutna skattefordran.

Värderingen av uppskjuten skatt baseras på hur företaget, per balansdagen, förväntar sig att återvinna det redovisade värdet för motsvarande tillgång eller reglera det redovisade värdet för motsvarande skuld. Uppskjuten skatt beräknas baserat på de skattesatser och skatteregler som har beslutats före balansdagen.

REDOVISNINGSPRINCIPER OCH NOTER

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Likvida medel

Likvida medel består av kassamedel och disponibla tillgodohavanden hos banker och andra kreditinstitut och andra kortfristiga, likvida placeringar som lätt kan omvandlas till känt belopp och som är utsatta för obetydlig risk för värdefluktuationer. Sådana placeringar har en löptid på maximalt tre månader.

Ersättningar till anställda

Kortfristiga ersättningar

Kortfristiga ersättningar till anställda, exempelvis löner, semesterersättningar och bonus, är ersättningar till anställda som förfaller inom 12 månader från balansdagen det år som den anställde tjänat in ersättningen. Kortfristiga ersättningar värderas till det odiskonterade beloppet som företaget förväntas betala till följd av den outnyttjade rättigheten.

Ersättningar efter avslutad anställning

Företaget tillhandahåller ersättningar efter avslutad anställning i form av pensioner genom olika avgiftsbestämda planer.

Avgiftsbestämda pensionsplaner

Företaget betalar fastställda avgifter till andra juridiska personer avseende flera statliga planer och försäkringar för enskilda anställda. Företaget har inga legala eller informella förpliktelser att betala ytterligare avgifter utöver betalningar av den fastställda avgiften som redovisas som en kostnad i den period där den relevanta tjänsten utförs.

Förmånsbestämda pensionsplaner

Andra pensionsplaner än avgiftsbestämda planer utgör förmånsbestämda pensionsplaner. Företaget behåller här den legala förpliktelsen för eventuella förmåner, även om förvaltningstillgångar har reserverats för finansiering av den förmånsbestämda planen. Förvaltningstillgångar kan innefatta särskilt identifierade tillgångar i en pensionsstiftelse och försäkringsbrev som är förvaltningstillgångar.

Företaget har förmånsbestämda planer i egen regi hos Försäkringsbolaget PRI Pensionsgaranti och värderar därmed denna i enlighet med den erhållna uppgiften. Förpliktelsen värderas till det belopp som PRI beräknar årligen.

Ersättning vid uppsägning

Avsättning för avgångsvederlag redovisas när företaget har en legal eller informell förpliktelse att avsluta anställning före dess upphörande eller att lämna ersättning vid uppsägning genom erbjudande för att uppmuntra frivillig avgång. Avsättning görs för den delen av uppsägningslönen som den anställde får utan arbetsplikt med tillägg för sociala avgifter vilket representerar den bästa uppskattningen av den ersättning som förväntas krävas för att reglera förpliktelsen.

Avsättningar och eventualförpliktelser

Avsättningar

Avsättningar för legala processer, förlustkontrakt eller andra krav redovisas när företaget har en legal eller informell förpliktelse till följd av en inträffad händelse, det är sannolikt att ett utflöde av resurser kommer att krävas för att reglera förpliktelsen och beloppet kan uppskattas på ett tillförlitligt sätt. Tidpunkten eller beloppet för utflödet kan fortfarande vara oviss.

Omstruktureringsreserv

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En avsättning för omstrukturering av verksamhet redovisas då företaget måste fullfölja omstruktureringen till följd av en legal eller informell förpliktelse. En informell förpliktelse föreligger när företaget har en fastställd och utförlig omstruktureringsplan och de som berörs har en välgrundad uppfattning om att omstruktureringen kommer att genomföras.

Eventualförpliktelser
Som eventualförpliktelse redovisas en befintlig förpliktelse till följd av inträffade händelser, men som inte redovisas som skuld eller avsättning eftersom det inte är sannolikt att ett utflöde av resurser kommer att krävas för att reglera förpliktelsen eller förpliktelsens storlek inte kan beräknas med tillräcklig tillförlitlighet.

Obeskattade reserver
Till följd av kopplingen mellan redovisning och beskattning redovisas obeskattade reserver i företaget. Dessa består till 20,6% av uppskjuten skatt.

Kassaflödesanalys
Kassaflödesanalysen visar företagets förändringar av företagets likvida medel under räkenskapsåret. Kassaflödesanalysen har upprättats enligt den indirekta metoden. Det redovisade kassaflödet omfattar endast transaktioner som medfört in- och utbetalningar.

Not 2 Uppskattningar och bedömningar

När finansiella rapporter upprättas måste styrelsen och den verkställande direktören i enlighet med tillämpade redovisnings- och värderingsprinciper göra vissa uppskattningar, bedömningar och antaganden som påverkar redovisning och värdering av tillgångar, avsättningar, skulder, intäkter och kostnader. De områden där sådana uppskattningar och bedömningar kan ha stor betydelse för företaget, och som därmed kan påverka resultat- och balansräkningarna i framtiden, beskrivs nedan.

Osäkerhet i uppskattningen
Nedan följer information om uppskattningar och antaganden som har den mest betydande effekten på redovisning och värdering av tillgångar, skulder, intäkter och kostnader. Utfallet från dessa kan avvika väsentligt.

Nedskrivningar
För att bedöma nedskrivningsbehovet beräknas återvinningsvärdet för varje tillgång eller kassagenererande enhet baserat på förväntade framtida kassaflöde och med användning av en lämplig ränta för att kunna diskontera kassaflödet. Osäkerheter ligger i antaganden om framtida kassaflöde och fastställande av en lämplig diskonteringsränta.

Nyttjandeperioder för avskrivningsbara tillgångar
Per varje balansdag görs en genomgång av gällande bedömningar av nyttjandeperioder för avskrivningsbara tillgångar. Osäkerheten i dessa bedömningar beror på teknisk inkurans som kan förändra användningsperioden.

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Varulager
Per varje balansdag görs en beräkning av nettoförsäljningsvärdet för varulagret varmed de mest tillförlitliga uppgifter som finns tillgängliga beaktas. Det framtida försäljningsvärdet kan påverkas av framtida teknologi och andra marknadsdrivna förändringar som kan minska framtida försäljningspriser.

Miljöåtagande
Per varje balansdag görs en bedömning av bolagets miljöreserv, varmed de mest tillförlitliga uppgifter som finns tillgängliga beaktas.

Garantiåtagande
Per varje balansdag görs en bedömning av bolagets reserv för garantiärenden, varmed de mest tillförlitliga uppgifter som finns tillgängliga beaktas.

Not 3 Nettoomsättning

	2022	2021
Nettoomsättningen fördelas på följande geografiska marknader		
Norden	1 050 467	1 123 377
Europa, exkl Norden	8 530	13 174
Övriga marknader	3 882	6 288
	1 062 879	**1 142 839**

Not 4 Övriga rörelseintäkter

	2022	2021
Provisionsintäkter	6 760	8 838
Återbetalning försäkringspremier	17 396	9 639
Övriga rörelseintäkter	1 540	1 782
	25 696	**20 259**

Not 5 Ersättningar till revisor

	2022	2021
Ernst & Young AB		
Revisionsuppdrag	700	506
	700	**506**

Med revisionsuppdrag avses revisors arbete för den lagstadgade revisionen och med revisionsverksamhet olika typer av kvalitetssäkringstjänster.

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Not 6 Leasingavtal - Operationell leasing leasetagare

	2022	2021
Under året har företagets operationella leasingavgifter uppgått till:	11 191	10 577

Framtida minimileaseavgifter för icke uppsägningsbara leasingavtal, förfaller till betalning enligt följande:

Inom 1 år	7 580	6 630
Mellan 1 år och 5 år	10 410	8 829
Efter 5 år	0	0
	17 990	**15 459**

Företaget är leasetagare genom operationella leasingavtal avseende framför allt butiks- och lagerlokaler, bilar och truckar. Summan av årets kostnadsförda leasingavgifter avseende operationella leasingavtal uppgår till 11 191 tkr (10 577 tkr). I beloppet ingår hyra för lokaler med 5 026 tkr (4 921 tkr).

Not 7 Personal

	2022	2021

Medelantal anställda
Medelantalet anställda bygger på av bolaget betalda närvarotimmar relaterade till en normal arbetstid.

Medelantalet anställda har varit

Kvinnor	114	102
Män	203	213
Totalt för bolaget	**317**	**315**

Löner och ersättningar
Löner, ersättningar, sociala kostnader och pensionskostnader har utgått med följande belopp:

Löner och ersättningar

Styrelse och verkställande direktör	[1]	0	0
Övriga anställda		148 814	152 205
		148 814	**152 205**

[1] Varav tantiem och dylikt	0	0

VD uppbär inte lön från det svenska bolaget.

Sociala kostnader

Pensionskostnader för styrelse och verkställande direktör	0	0
Pensionskostnader övriga anställda	16 729	11 248
Övriga sociala kostnader	47 101	43 505
	63 830	**54 753**

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Könsfördelning i styrelsen och företagsledning

Styrelsen		
Kvinnor	1	1
Män	5	5
Företagsledning		
Kvinnor	3	3
Män	4	4

Not 8 Avskrivningar på immateriella- och materiella anläggningstillgångar

	2022	2021
Avskrivningar per tillgångsslag:		
Koncessioner, patent, licenser, varumärken samt liknande rättigheter	136	147
Byggnader och mark	3 565	3 538
Maskiner och andra tekniska anläggningstillgångar	10 907	10 974
Inventarier, verktyg och installationer	2 221	2 191
	16 829	**16 850**
Avskrivningar per funktion:		
Kostnad för sålda varor	9 486	9 655
Försäljningskostnader	1 807	1 769
Administrationskostnader	5 536	5 426
	16 829	**16 850**

Not 9 Resultat från andelar i koncernföretag

	2022	2021
Utdelning	22 107	0
	22 107	**0**

Not 10 Övriga rörelsekostnader

	2022	2021
Ökning miljöreserv	1 175	7 972
Valutakursförluster på fordringar och skulder av rörelsekaraktär	14 527	2 502
Övriga poster	325	2 075
	16 027	**12 549**

Not 11 Ränteintäkter och liknande

	2022	2021
Ränteintäkter från koncernföretag	810	281
Ränteintäkter från övriga företag	2 430	400
	3 240	**681**

Not 12 Räntekostnader och liknande

	2022	2021
Räntekostnader från koncernföretag	8 214	7 306
Räntekostnader från övriga företag	1 224	888
Valutakursförluster	0	2 886
	9 438	**11 080**

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Not 13 Bokslutsdispositioner

	2022	2021
Skillnad mellan bokförda avskrivningar och avskrivningar enligt plan	139	76
Återföring av periodiseringsfonder	13 644	-12 295
	13 783	**-12 219**

Not 14 Skatt på årets resultat

De huvudsakliga komponenterna i skattekostnaden för räkenskapsåret och förhållandet mellan förväntad skattekostnad baserat på svensk effektiv skattesats och redovisad skattekostnad i resultaträkningen är enligt följande:

	2022	2021
Resultat före skatt	111 957	146 441
Skatt enligt gällande skattesats 20,6%	-23 063	-30 167
Skatteeffekt av:		
Justering av tidigare års skatt	-114	218
Ej avdragsgilla kostnader	-364	-370
Ej skattepliktiga intäkter	4 811	27
Andra skattemässiga justeringar av resultatet	-2 279	-190
Redovisad aktuell skatt	**-21 009**	**-30 482**

Skattekostnaden består av följande komponenter:

Aktuell skatt		
På årets resultat	-21 009	-30 482
Uppskjuten skatt		
Förändring av temporära skillnader	0	0
Redovisad skatt	**-21 009**	**-30 482**

Not 15 Koncessioner, patent, licenser, varumärken samt liknande rättigheter

	2022-12-31	2021-12-31
Ingående anskaffningsvärde	670	470
Inköp	0	200
Utgående ackumulerade anskaffningsvärden	**670**	**670**
Ingående avskrivningar	-391	-244
Årets avskrivningar	-136	-147
Utgående ackumulerade avskrivningar	**-527**	**-391**
Redovisat värde	**143**	**279**

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Not 16 Byggnader och mark	**2022-12-31**	**2021-12-31**
Ingående anskaffningsvärde	123 873	123 673
Inköp	0	200
Utgående ackumulerade anskaffningsvärden	**123 873**	**123 873**
Ingående avskrivningar	-31 565	-28 027
Årets avskrivningar	-3 565	-3 538
Utgående ackumulerade avskrivningar	**-35 130**	**-31 565**
Redovisat värde	**88 743**	**92 308**

Not 17 Maskiner och andra tekniska anläggningar	**2022-12-31**	**2021-12-31**
Ingående anskaffningsvärde	289 450	282 183
Inköp	3 418	9 723
Försäljningar/utrangeringar	0	-3 739
Omklassificeringar	2 239	1 283
Utgående ackumulerade anskaffningsvärden	**295 107**	**289 450**
Ingående avskrivningar	-239 995	-232 760
Försäljningar/utrangeringar	0	3 739
Årets avskrivningar	-10 907	-10 974
Utgående ackumulerade avskrivningar	**-250 902**	**-239 995**
Redovisat värde	**44 205**	**49 455**

Not 18 Inventarier, verktyg och installationer	**2022-12-31**	**2021-12-31**
Ingående anskaffningsvärde	28 460	28 309
Inköp	1 363	866
Försäljningar/utrangeringar	0	-1 176
Omklassificeringar	147	461
Utgående ackumulerade anskaffningsvärden	**29 970**	**28 460**
Ingående avskrivningar	-18 953	-17 932
Försäljningar/utrangeringar	0	1 170
Årets avskrivningar	-2 221	-2 191
Utgående ackumulerade avskrivningar	**-21 174**	**-18 953**
Redovisat värde	**8 796**	**9 507**

Not 19 *Pågående nyanläggningar och förskott avseende materiella anläggningstillgångar*	**2022-12-31**	**2021-12-31**
Ingående anskaffningsvärde	3 266	2 954
Inköp/utbetalningar under året	6 293	2 056
Omklassificeringar	-2 386	-1 744
Redovisat värde	**7 173**	**3 266**

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Not 20 Andelar i koncernföretag	**2022-12-31**	**2021-12-31**
Ingående anskaffningsvärde	56 859	56 859
Utgående ackumulerade anskaffningsvärden	**56 859**	**56 859**
Ingående nedskrivningar	-18 818	-18 818
Utgående ackumulerade nedskrivningar	**-18 818**	**-18 818**
Redovisat värde	**38 041**	**38 041**

	Organisations-nummer	**Företagets säte**	**Antal andelar**	**Kapital-andel**	**Bokfört värde**
Direkt ägda:					
Villeroy & Boch Gustavsberg OY	0369392-2	Helsingfors	5 300	100%	8 524
Villeroy & Boch Danmark A/S	10049032	Rödovre	511	100%	8 940
Villeroy & Boch Norge AS	983367828	Lörenskog	1 800	100%	20 577
					38 041

Tillägg för företag som inte konsolideras:	**Eget kapital**	**Årets resultat**
Villeroy & Boch Gustavsberg OY	73 843	11 601
Villeroy & Boch Danmark A/S	25 720	1 933
Villeroy & Boch Norge AS	65 589	9 500

Not 21 Andra långfristiga värdepappersinnehav	**2022-12-31**	**2021-12-31**
Ingående anskaffningsvärde	14	14
Utgående ackumulerade anskaffningsvärden	**14**	**14**
Redovisat värde	**14**	**14**

Not 22 Uppskjutna skatter	**2022-12-31**	**2021-12-31**
Uppskjutna skatter som uppstår till följd av temporära skillnader:		
Derivat - uppskjuten skattefordran	1 647	243
Derivat - uppskjuten skatteskuld	-1 740	-4 316
	-93	**-4 073**
Uppskjuten skattefordran	1 647	243
Uppskjuten skatteskuld	-1 740	-4 316
	-93	**-4 073**

Skattesatsen för beräkning av uppskjuten skatt uppgår till 20,6 % (20,6%)

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Not 23 Andra långfristiga fordringar

	2022-12-31	2021-12-31
Ingående fordran	8 650	14 385
Aktuariell vinst/förlust	0	114
Erhållen köpeskilling	0	-5 849
Utgående fordran	**8 650**	**8 650**
Redovisat värde	**8 650**	**8 650**

Fordran avser kvarstående diskonterad köpeskilling från fastighetsaffärer som genomförts under 2013 och 2014 .

Not 24 Derivat/säkringsredovisning

Säkringsredovisning tillämpas för de valutaterminer som ingåtts för att säkra bolagets valutarisk. Den säkrade posten utgörs av prognosticerade nettokassaflöden i olika utländska valutor för inköp av insatsmaterial och försäljning i andra länder än Sverige. Nedan presenteras omfattningen och verkliga värdena på de valutaderivat som innehas per respektive balansdag som ingår i en säkringsrelation. Nominella belopp med positiva belopp avser derivat där valutan köps, och negativa nominella belopp avser att valutan säljs i derivatet.

2022-12-31	Nom. belopp (valuta, TCCY) återstående löptid				Redovisat värde (verkligt värde) TKR
	- 1 år	1 - 5 år	5 år -	Totalt	
Finansiella tillgångar (derivat) som ingår i en säkringsrelation					
Valutaderivat (USD/SEK)	2 600			2 600	707
Valutaderivat (EUR/AUD)	200			200	89
Valutaderivat (EUR/NOK)	33 000			33 000	1 432
Valutaderivat (CNY/SEK)	2 000			2 000	52
Finansiella skulder (derivat) som ingår i en säkringsrelation					
Valutaderivat (EUR/DKK)	21 000			21 000	-60

2021-12-31	*Nom. belopp (valuta, TCCY) återstående löptid*				Redovisat värde (verkligt värde) TKR
	- 1 år	1 - 5 år	5 år -	Totalt	
Finansiella tillgångar (derivat) som ingår i en säkringsrelation					
Valutaderivat (USD/SEK)	2 100			2 100	889
Valutaderivat (CNY/SEK)	4 900			4 900	494
Finansiella skulder (derivat) som ingår i en säkringsrelation					
Valutaderivat (EUR/AUD)	500			500	-58
Valutaderivat (EUR/DKK)	24 500			24 500	-20
Valutaderivat (EUR/NOK)	46 000			46 000	-1 095

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Säkringsredovisning tillämpas även för de mässingderivat som ingåtts för att säkra bolagets mässingsrisk. Den säkrade posten utgörs av prognostiserade inköp av mässing. Nedan presenteras omfattningen och de verkliga värdena på de mässingderivat som innehas per respektive balansdag som ingår i en säkringsrelation.

2022-12-31	Nom. belopp (valuta, TCCY) återstående löptid				Redovisat värde (verkligt värde) TKR
	- 1 år	1 - 5 år	5 år -	Totalt	
Finansiella tillgångar (derivat) som ingår i en säkringsrelation					
Mässingsderivat	504	870		1 374	6 106
Finansiella skulder (derivat) som ingår i en säkringsrelation					
Mässingsderivat	576	930		1 506	-7 934

2021-12-31	Nom. belopp (valuta, TCCY) återstående löptid				Redovisat värde (verkligt värde) TKR
	- 1 år	1 - 5 år	5 år -	Totalt	
Finansiella tillgångar (derivat) som ingår i en säkringsrelation					
Mässingsderivat	1 020	288		1 308	19 571
Finansiella skulder (derivat) som ingår i en säkringsrelation					
Mässingsderivat	0	0		0	-5

Not 25 Förutbetalda kostnader och upplupna intäkter

	2022-12-31	2021-12-31
Förutbetalda hyror och leasingavgifter	707	1 197
Upplupen bonus från leverantörer	61	60
Övriga personalrelaterade fordringar	9	259
Övriga poster	2 334	1 824
	3 111	**3 340**

Not 26 Kassa och Bank

	2022-12-31	2021-12-31
Outnyttjad checkräkningskredit uppgår till	0	0

Not 27 Aktiekapital

Aktiekapitalet i företaget består enbart av till fullo betalda stamaktier med ett nominellt värde om 1 tkr per aktie. Alla aktier har samma rätt till utdelning och återbetalning av insatt kapital samt motsvarar en röst på företagets bolagsstämma.

	2022-12-31	2021-12-31
Antal aktier vid årets ingång	20 000	20 000
Antal aktier vid årets utgång	**20 000**	**20 000**

Not 28 Resultatdisposition

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Från föregående år balanserad vinst	377 521
Fond för verkligt värde	1 225
Årets vinst	90 948
Vinstmedel till förfogande	**469 694**

Styrelsens förslag till disposition	
Utdelas till aktieägare	84 780
Balanseras i ny räkning	384 914
Summa	**469 694**

Not 29 Obeskattade reserver

	2022-12-31	2021-12-31
Avskrivningar utöver plan	30 904	31 043
Periodiseringsfonder	83 445	97 090
Summa avsatt till obeskattade reserver	**114 349**	**128 133**
Uppskjuten skatt på obeskattade reserver uppgår till	23 556	26 395

Not 30 Avsättningar för pensioner och liknande förpliktelser

	2022-12-31	2021-12-31
Ingående balans	4 112	4 413
Värdeförändring	-10	-301
Redovisat värde	**4 102**	**4 112**

Avsättningen avser förmånsbestämda planer i egen regi hos Försäkringsbolaget PRI Pensionsgaranti. Förpliktelsen värderas till det belopp som PRI beräknar årligen. Hela avsättningen omfattas av tryggandelagen.

Not 31 Övriga avsättningar

	Om-strukturer-ing	Miljöreserv	Garantier	Övrig avsättning	Summa
Vid årets början 2022-01-01	967	18 268	18 458	301	37 994
Tillkommande avsättningar	0	1 175	19 408	0	20 583
Belopp som tagits i anspråk	-742	-3 824	-18 458	-18	-23 042
Återföring av outnyttjat belopp	0	0	0	0	0
Redovisat värde vid årets slut 2022-12-31	**225**	**15 619**	**19 408**	**283**	**35 535**

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	Om-strukturer-ing	Miljöreserv	Garantier	Övrig avsättning	Summa
Vid årets början 2021-01-01	2 019	14 434	15 458	445	32 356
Tillkommande avsättningar	0	7 972	18 458	0	26 430
Belopp som tagits i anspråk	-1 052	-3 271	-15 458	-144	-19 925
Återföring av outnyttjat belopp	0	-867	0		-867
Redovisat värde vid årets slut 2021-12-31	**967**	**18 268**	**18 458**	**301**	**37 994**

Avsättningar för omstrukturering avser kvarvarande utbetalningar för arbetsbefriad personal. Bolaget har en avsättning för miljöåtaganden. Bolaget har en avsättning för garantiåtaganden för att täcka framtida krav i enlighet med de allmänna villkoren i branschen.

Not 32 Långfristiga skulder

	2022-12-31	2021-12-31
Skulder till koncernföretag		
Inom 2 till 5 år	153 194	141 100
Amortering efter 5 år	0	0
	153 194	**141 100**

Not 33 Upplupna kostnader och förutbetalda intäkter

	2022-12-31	2021-12-31
Upplupna semesterlöner inkl sociala avgifter	23 885	22 244
Upplupen kostnad avseende kundbonus	129 498	117 528
Förpliktelser på realiserade fastighetsförsäljningsavtal	1 767	345
Övriga poster	18 414	19 094
	173 564	**159 211**

Not 34 Justering för poster som inte ingår i kassaflödet

	2022-12-31	2021-12-31
Avskrivningar	16 829	16 850
Orealiserade valutakursvinster/ -förluster	-15 403	10 156
Förändring av övriga avsättningar	-2 469	5 337
Övriga justeringsposter	0	6
	-1 043	**32 349**

Not 35 Likvida medel

	2022	2021
Kassa och bank	120 009	120 010
Belopp vid årets slut	**120 009**	**120 010**

Likvida medel består av kassamedel och disponibla tillgodohavanden hos banken och andra kreditinstitut och andra kortfristiga, likvida placeringar som lätt kan omvandlas till känt belopp och som är utsatta för obetydlig risk för värdefluktuationer. Sådana placeringar har en löptid på maximalt tre månader.

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Not 36 Ställda säkerheter och eventualförpliktelser

	2022-12-31	2021-12-31
Ställda säkerheter	*Inga*	*Inga*
Eventualförpliktelser		
Eventualförpliktelser, FPG/PRI	82	82

Not 37 Koncernuppgifter

Bolaget är moderbolag, men med stöd av ÅRL 7 kap 2 § upprättas inte någon koncernredovisning.

Bolaget är helägt dotterbolag till Villeroy & Boch AG (020/100/0087), med säte i Mettlach, Tyskland, som upprättar koncernredovisning.

Det utländska moderföretagets koncernredovisning finns att tillgå hos Villeroy & Boch AG på adress:

Villeroy & Boch AG Sanitärfabrik
Box 1120
D-66688 Mettlach
Germany

Bolaget upprättar enligt 7 kap 31 a § inte någon lagstadgad hållbarhetsrapport. Hållbarhetsrapporten för koncernen där bolaget ingår upprättas av moderföretaget Villeroy & Boch AG (020/100/00087) med säte i Mettlach och går att finna på följande adress:
https://www.villeroyboch-group.com/en/investor-relations/publications/sustainability-reports.html

Not 38 Inköp och försäljning mellan koncernföretag

	2022	2021
Andel av nettoomsättningen som avser koncernföretag	23,8%	26,7%
Andel av rörelsekostnaderna som avser koncernföretag	25,1%	31,3%

Not 39 Väsentliga händelser efter räkenskapsårets slut

Inget speciellt har inträffat efter balansdagen.

Not 40 Definitioner av nyckeltal

Soliditet
Justerat eget kapital i procent av balansomslutning.

Avkastning på sysselsatt kapital
Resultat efter finansiella poster med tillägg för räntekostnader i relation till sysselsatt kapital.

Sysselsatt kapital
Genomsnittlig balansomslutning minskad med icke räntebärande skulder.

Avkastning på eget kapital
Resultat efter finansiella poster i procent av genomsnittligt justerat eget kapital.

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VILLEROY & BOCH GUSTAVSBERG AB

Org.nr 556441-9918

REDOVISNINGSPRINCIPER OCH NOTER

Värmdö 2023-06-30

Georg Lörz
Ordförande/Verkställande direktör

James Nutting
Vice Verkställande direktör

Marianne Jarnhed
Vice Verkställande direktör

Patrik Rydelius
Arbetstagarrepresentant

Björn Fredblad
Arbetstagarrepresentant

Carl Lejon

Vår revisionsberättelse har lämnats 2023- 06-30

Ernst & Young AB

Annika Engström
Auktoriserad revisor

20230713035523

VILLEROY & BOCH GUSTAVSBERG AB

Org.nr 556441-9918

REDOVISNINGSPRINCIPER OCH NOTER

Värmdö 2023-06-30

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Arbetstagarrepresentant

Björn Fredblad
Arbetstagarrepresentant

Carl Lejon

Vår revisionsberättelse har lämnats 2023-

Ernst & Young AB

Annika Engström
Auktoriserad revisor

Building a better working world

20230713035324

Revisionsberättelse

Till bolagsstämman i Villeroy & Boch Gustavsberg AB, org.nr 556441-9918

Rapport om årsredovisningen

Uttalanden

Vi har utfört en revision av årsredovisningen för Villeroy & Boch Gustavsberg AB för räkenskapsåret 2022-01-01 -- 2022-12-31.

Enligt vår uppfattning har årsredovisningen upprättats i enlighet med årsredovisningslagen och ger en i alla väsentliga avseenden rättvisande bild av Villeroy & Boch Gustavsberg ABs finansiella ställning per den 31 december 2022 och av dess finansiella resultat och kassaflöde för året enligt årsredovisningslagen. Förvaltningsberättelsen är förenlig med årsredovisningens övriga delar.

Vi tillstyrker därför att bolagsstämman fastställer resultaträkningen och balansräkningen.

Grund för uttalanden

Vi har utfört revisionen enligt International Standards on Auditing (ISA) och god revisionssed i Sverige. Vårt ansvar enligt dessa standarder beskrivs närmare i avsnittet *Revisorns ansvar*. Vi är oberoende i förhållande till Villeroy & Boch Gustavsberg AB enligt god revisorssed i Sverige och har i övrigt fullgjort vårt yrkesetiska ansvar enligt dessa krav.

Vi anser att de revisionsbevis vi har inhämtat är tillräckliga och ändamålsenliga som grund för våra uttalanden.

Styrelsens och verkställande direktörens ansvar

Det är styrelsen och verkställande direktören som har ansvaret för att årsredovisningen upprättas och att den ger en rättvisande bild enligt årsredovisningslagen. Styrelsen och verkställande direktören ansvarar även för den interna kontroll som de bedömer är nödvändig för att upprätta en årsredovisning som inte innehåller några väsentliga felaktigheter, vare sig dessa beror på oegentligheter eller misstag.

Vid upprättandet av årsredovisningen ansvarar styrelsen och verkställande direktören för bedömningen av bolagets förmåga att fortsätta verksamheten. De upplyser, när så är tillämpligt, om förhållanden som kan påverka förmågan att fortsätta verksamheten och att använda antagandet om fortsatt drift. Antagandet om fortsatt drift tillämpas dock inte om styrelsen och verkställande direktören avser att likvidera bolaget, upphöra med verksamheten eller inte har något realistiskt alternativ till att göra något av detta.

Revisorns ansvar

Våra mål är att uppnå en rimlig grad av säkerhet om att årsredovisningen som helhet inte innehåller några väsentliga felaktigheter, vare sig dessa beror på oegentligheter eller misstag, och att lämna en revisionsberättelse som innehåller våra uttalanden. Rimlig säkerhet är en hög grad av säkerhet, men är ingen garanti för att en revision som utförs enligt ISA och god revisionssed i Sverige alltid kommer att upptäcka en väsentlig felaktighet om en sådan finns. Felaktigheter kan uppstå på grund av oegentligheter eller misstag och anses vara väsentliga om de enskilt eller tillsammans rimligen kan förväntas påverka de ekonomiska beslut som användare fattar med grund i årsredovisningen.

Som del av en revision enligt ISA använder vi professionellt omdöme och har en professionellt skeptisk inställning under hela revisionen. Dessutom:

- identifierar och bedömer vi riskerna för väsentliga felaktigheter i årsredovisningen, vare sig dessa beror på oegentligheter eller misstag, utformar och utför granskningsåtgärder bland annat utifrån dessa risker och inhämtar revisionsbevis som är tillräckliga och ändamålsenliga för att utgöra en grund för våra uttalanden. Risken för att inte upptäcka en väsentlig felaktighet till följd av oegentligheter är högre än för en väsentlig felaktighet som beror på misstag, eftersom oegentligheter kan innefatta agerande i maskopi, förfalskning, avsiktliga utelämnanden, felaktig information eller åsidosättande av intern kontroll.
- skaffar vi oss en förståelse av den del av bolagets interna kontroll som har betydelse för vår revision för att utforma granskningsåtgärder som är lämpliga med hänsyn till omständigheterna, men inte för att uttala oss om effektiviteten i den interna kontrollen.
- utvärderar vi lämpligheten i de redovisningsprinciper som används och rimligheten i styrelsens och verkställande direktörens uppskattningar i redovisningen och tillhörande upplysningar.
- drar vi en slutsats om lämpligheten i att styrelsen och verkställande direktören använder antagandet om fortsatt drift vid upprättandet av årsredovisningen. Vi drar också en slutsats, med grund i de inhämtade revisionsbevisen, om det finns någon väsentlig osäkerhetsfaktor som avser sådana händelser eller förhållanden som kan leda till betydande tvivel om bolagets förmåga att fortsätta verksamheten. Om vi drar slutsatsen att det finns en väsentlig osäkerhetsfaktor, måste vi i revisionsberättelsen fästa uppmärksamheten på upplysningarna i årsredovisningen om den väsentliga osäkerhetsfaktorn eller, om sådana upplysningar är otillräckliga, modifiera uttalandet om årsredovisningen. Våra slutsatser baseras på de revisionsbevis som inhämtas fram till datumet för revisionsberättelsen. Dock kan framtida händelser eller förhållanden göra att ett bolag inte längre kan fortsätta verksamheten.
- utvärderar vi den övergripande presentationen, strukturen och innehållet i årsredovisningen, däribland upplysningarna, och om årsredovisningen återger de underliggande transaktionerna och händelserna på ett sätt som ger en rättvisande bild.

Vi måste informera styrelsen om bland annat revisionens planerade omfattning och inriktning samt tidpunkten för den. Vi måste också informera om betydelsefulla iakttagelser under revisionen, däribland de eventuella betydande brister i den interna kontrollen som vi identifierat.

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Building a better working world

Rapport om andra krav enligt lagar och andra författningar

Uttalanden

Utöver vår revision av årsredovisningen har vi även utfört en revision av styrelsens och verkställande direktörens förvaltning av Villeroy & Boch Gustavsberg AB för räkenskapsåret 2022-01-01 -- 2022-12-31 samt av förslaget till dispositioner beträffande bolagets vinst eller förlust.

Vi tillstyrker att bolagsstämman disponerar vinsten enligt förslaget i förvaltningsberättelsen och beviljar styrelsens ledamöter och verkställande direktören ansvarsfrihet för räkenskapsåret.

Grund för uttalanden

Vi har utfört revisionen enligt god revisionssed i Sverige. Vårt ansvar enligt denna beskrivs närmare i avsnittet *Revisorns ansvar*. Vi är oberoende i förhållande till Villeroy & Boch Gustavsberg AB enligt god revisorssed i Sverige och har i övrigt fullgjort vårt yrkesetiska ansvar enligt dessa krav.

Vi anser att de revisionsbevis vi har inhämtat är tillräckliga och ändamålsenliga som grund för våra uttalanden.

Styrelsens och verkställande direktörens ansvar

Det är styrelsen som har ansvaret för förslaget till dispositioner beträffande bolagets vinst eller förlust. Vid förslag till utdelning innefattar detta bland annat en bedömning av om utdelningen är försvarlig med hänsyn till de krav som bolagets verksamhetsart, omfattning och risker ställer på storleken av bolagets egna kapital, konsolideringsbehov, likviditet och ställning i övrigt.

Styrelsen ansvarar för bolagets organisation och förvaltningen av bolagets angelägenheter. Detta innefattar bland annat att fortlöpande bedöma bolagets ekonomiska situation och att tillse att bolagets organisation är utformad så att bokföringen, medelsförvaltningen och bolagets ekonomiska angelägenheter i övrigt kontrolleras på ett betryggande sätt. Verkställande direktören ska sköta den löpande förvaltningen enligt styrelsens riktlinjer och anvisningar och bland annat vidta de åtgärder som är nödvändiga för att bolagets bokföring ska fullgöras i överensstämmelse med lag och för att medelsförvaltningen ska skötas på ett betryggande sätt.

Revisorns ansvar

Vårt mål beträffande revisionen av förvaltningen, och därmed vårt uttalande om ansvarsfrihet, är att inhämta revisionsbevis för att med en rimlig grad av säkerhet kunna bedöma om någon styrelseledamot eller verkställande direktören i något väsentligt avseende:

- företagit någon åtgärd eller gjort sig skyldig till någon försummelse som kan föranleda ersättningsskyldighet mot bolaget, eller
- på något annat sätt handlat i strid med aktiebolagslagen, årsredovisningslagen eller bolagsordningen.

Vårt mål beträffande revisionen av förslaget till dispositioner av bolagets vinst eller förlust, och därmed vårt uttalande om detta, är att med rimlig grad av säkerhet bedöma om förslaget är förenligt med aktiebolagslagen.

Rimlig säkerhet är en hög grad av säkerhet, men ingen garanti för att en revision som utförs enligt god revisionssed i Sverige alltid kommer att upptäcka åtgärder eller försummelser som kan föranleda ersättningsskyldighet mot bolaget, eller att ett förslag till dispositioner av bolagets vinst eller förlust inte är förenligt med aktiebolagslagen.

Som en del av en revision enligt god revisionssed i Sverige använder vi professionellt omdöme och har en professionellt skeptisk inställning under hela revisionen. Granskningen av förvaltningen och förslaget till dispositioner av bolagets vinst eller förlust grundar sig främst på revisionen av räkenskaperna. Vilka tillkommande granskningsåtgärder som utförs baseras på vår professionella bedömning med utgångspunkt i risk och väsentlighet. Det innebär att vi fokuserar granskningen på sådana åtgärder, områden och förhållanden som är väsentliga för verksamheten och där avsteg och överträdelser skulle ha särskild betydelse för bolagets situation. Vi går igenom och prövar fattade beslut, beslutsunderlag, vidtagna åtgärder och andra förhållanden som är relevanta för vårt uttalande om ansvarsfrihet. Som underlag för vårt uttalande om styrelsens förslag till dispositioner beträffande bolagets vinst eller förlust har vi granskat styrelsens motiverade yttrande samt ett urval av underlagen för detta för att kunna bedöma om förslaget är förenligt med aktiebolagslagen.

Stockholm den 30 juni 2023

Ernst & Young AB

Annika Engström
Auktoriserad revisor

A member firm of Ernst & Young Global Limited

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GROUP MANAGEMENT REPORT

47 BASIC INFORMATION ON THE GROUP
47 Business model of the Group
49 Controlling System
49 Research, development and innovation
50 Procurement
51 Employees

51 ECONOMIC REPORT
51 General Economic conditions
52 Course of business and position of the Group
52 Results of operations
55 Financial Position
58 Net assets
58 Other financial performance indicators

59 SUSTAINABILITY
59 General explanations
59 Non-financial declaration

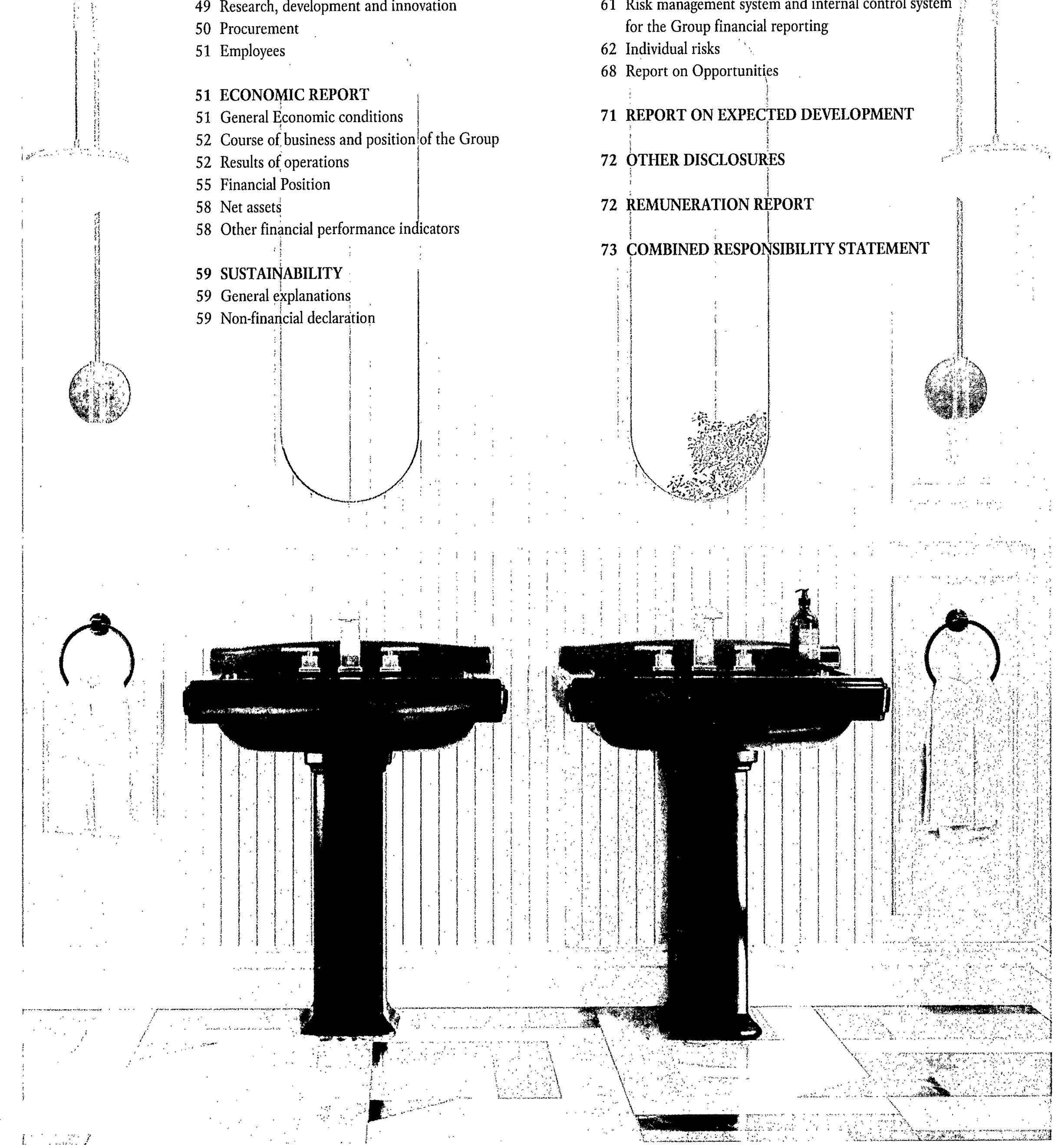
60 REPORT ON RISKS AND OPPORTUNITIES
60 Risk strategy
60 Internal controls and risk management
61 Risk management system and internal control system for the Group financial reporting
62 Individual risks
68 Report on Opportunities

71 REPORT ON EXPECTED DEVELOPMENT

72 OTHER DISCLOSURES

72 REMUNERATION REPORT

73 COMBINED RESPONSIBILITY STATEMENT



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GROUP MANAGEMENT REPORT

Successful business performance continues in the 2022 financial year:

- **Consolidated revenue rises by 5.2 % to € 994.5 million (previous year: € 945.0 million).**
- **EBIT improves by 7.0 % to € 96.8 million (previous year: € 90.5 million).**
- **Group result up significantly year-on-year at € 71.5 million (previous year: € 60.5 million).**

BASIC INFORMATION ON THE GROUP

BUSINESS MODEL OF THE GROUP

Organisational structure of the Group

Villeroy & Boch is a leading international ceramic manufacturer with a company history spanning 275 years. Almost no other premium brand[1] with a global reputation can look back on such a lengthy history of consistent success. On its journey from a small workshop founded in 1748 to the international group it is today, Villeroy & Boch has evolved from a production-oriented ceramics specialist into a comprehensive lifestyle provider. Today the brand shapes and defines the homes of its customers around the world with its products.

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. Group-wide tasks and functions are performed by our central functions.

Villeroy & Boch AG is the Group parent for a total of 51 (previous year: 52) consolidated direct or indirect subsidiaries.

As in the previous year, three subsidiaries were not included in the consolidated financial statements of Villeroy & Boch AG, as these companies have only minor business activities and their overall impact on the financial position and the financial performance of the Group is immaterial. Further information on the basis of consolidation and the investment structure of the Villeroy & Boch Group can be found in notes 2 and 62 of the notes to the consolidated financial statements.

Divisions and sales markets

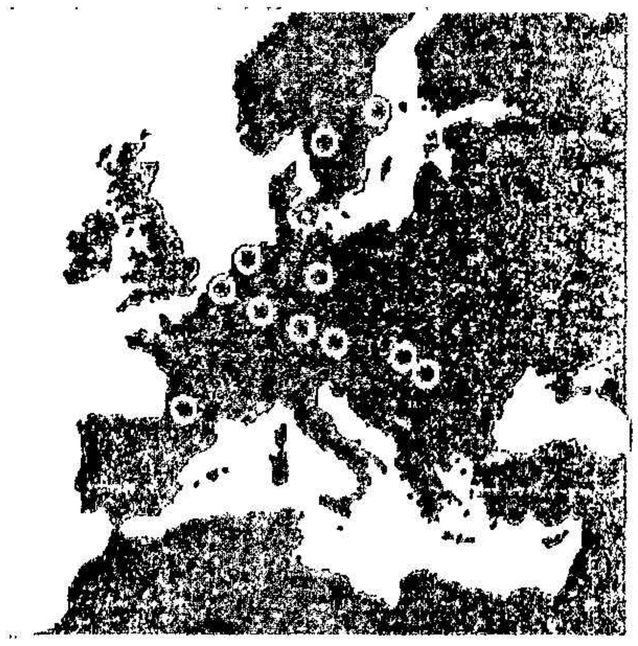
Our products are sold in around 125 countries. Our product range in the Bathroom & Wellness Division includes ceramic bathroom collections in various styles, bathroom furniture, shower, tub and whirlpool systems, fittings, ceramic kitchen sinks and accessories. We typically address end consumers through a two- or three-tier sales channel. Our key target groups are dealers, tradespeople, architects, interior designers and planners. Our products in the Bathroom & Wellness Division are displayed in more than 12,000 showrooms worldwide. We also reach the relevant target groups using different forms of communication. For example, via the Villeroy & Boch app, which provides all the information about our Bathroom & Wellness products at a glance. It can be quickly accessed on a PC, tablet, or smartphone and is always up to date. In addition to detailed information on our products, the app offers a product configurator that can be used to visualise customers' choices during sales conversations and show the product combination live in a 360° view. This means that change requests in planning can be transferred directly from the app. The app supplements the service provided by our website in the professional area especially created for architects, planners and tradespeople.

[1] According to a 2021 representative survey on the awareness and perception of Villeroy & Boch conducted in nine countries with 500 participants per division

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PRODUCTION SITES BY REGION

EUROPE



Gustavsberg and Vargårda (Sweden)

Hódmezövásárhely (Hungary)

Lugoj (Romania)

Merzig, Mettlach, Torgau and Treuchtlingen (Germany)

Mondsee (Austria)

Roden (Netherland)

Roeselare (Belgium)

Valence d'Agen (France)

APAC



Saraburi (Thailand)

With the Bathroom Inspirator, the Bathroom Planner and the Augmented Reality App, end consumers also have access to practical applications allowing them to individually plan and design complete bathrooms in a virtual environment. Furthermore, we are expanding our presence in key social media channels such as Instagram, Pinterest and TikTok with a content campaign to specifically appeal to target groups with an affinity for design.

Our Dining & Lifestyle Division already offers far more than traditional tableware. Tableware accessories are becoming home accessories and gifts. Our fashionable like. range is enjoying growing popularity among the young and trend-conscious target group.

We supply specialist retailers - from large department store chains to specialist porcelain retailers and e-commerce providers. We also reach end customers through our own retail activities, which include 84 Villeroy & Boch stores and more than 500 points of sale at high-profile department stores. We are also continuously working to expand our global online presence as part of our own retail activities. We now sell our Dining & Lifestyle products in more than 15 countries via our online shops. All in all, our products are available at around 4.200 points of sale world-wide. In addition, we supplement our range with licence-based products from the "Living" area. In particular, this includes floor coverings (tiles, wood), lighting, bathroom and kitchen textiles, living room and dining room furniture as well as kitchen furniture.

In the project business of both divisions, we reach our customers via specialised sales units. The main target group for sanitary projects consists of architects, interior designers and planners of public institutions, office buildings, hotels and high-quality residential complexes. Dining & Lifestyle projects are mainly aimed at the investors and operators of hotels and restaurants.

Locations

Villeroy & Boch AG and its headquarters are based in Mettlach in the Saarland region in Germany.

We currently have 13 production sites in Europe and Asia. Our products for the Dining & Lifestyle Division are produced at the Merzig and Torgau plants in Germany. The other eleven plants manufacture products for the Bathroom & Wellness Division. Ceramic sanitary ware is produced at our locations in Mettlach (Germany), Valence d'Agen (France), Hódmezövásárhely (Hungary), Lugoj (Romania), Gustavsberg (Sweden) and Saraburi (Thailand). We manufacture bathroom furniture in Treuchtlingen (Germany) and Mondsee (Austria), bathtubs, shower tubs and whirlpools in Roden (Netherland) and Roeselare (Belgium), and fittings in Vårgårda (Sweden).

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CONTROLLING SYSTEM

The Management Board of Villeroy & Boch AG manages the Group as a whole using a strictly defined management structure and operational targets whose achievement is monitored by way of prescribed key figures. Key financial indicators are supplemented by selected non-financial performance indicators.

The performance of the Group as a whole, and the two divisions individually, is measured using the following key financial indicators: net revenue, earnings before interest and taxes (EBIT) and the rolling operating return on net assets. The latter is calculated as the rolling operating result divided by the average operating net assets for the last twelve months. The operating result used here is the result of operating activities at Group level. Operating net assets are calculated as the total of intangible assets, property, plant and equipment, rights of use, inventories, trade receivables and other operating assets less total liabilities to suppliers, provisions and other operating liabilities (including lease liabilities).

Comprehensive information on the development of the key financial indicators can be found in the economic report.

In addition to key financial indicators, non-financial performance indicators are becoming increasingly important. Specific sustainability targets are enshrined in the remuneration system for the Management Board, such as the ratio of CO_2 emissions attributable to ceramics (in t) to the net production volume (in t) and the degree to which the procurement volume is covered by the Code of Conduct. For further details, please refer to the "Sustainability" and "Remuneration report" sections.

Extensive information on our non-financial performance can be found in the Villeroy & Boch Group's sustainability report. This separate non-financial Group report for the 2022 financial year prepared in accordance with section 315b (3) of the German Commercial Code (HGB) is available online at https://www.villeroyboch-group.com/en/investor-relations/publications/sustainability-reports.html. For further details, *please refer to the "Sustainability" section.*

RESEARCH, DEVELOPMENT AND INNOVATION

Research, development and innovation serve to secure our competitiveness and form the basis for our long-term, sustainable economic success.

Including design development, the Villeroy & Boch Group invested € 19.8 million in research and development in the 2022 financial year (previous year: € 18.7 million). Of this figure, € 15.1 million (previous year: € 13.8 million) was attributable to the Bathroom & Wellness Division and € 4.7 million (previous year: € 4.9 million) was attributable to the Dining & Lifestyle Division.

Our research and development activities in the 2022 financial year again concentrated on the planned future conversion of the ceramic firing process to hydrogen or electricity, as well as the continuous enhancement of our ceramic materials, products and production technologies.

Research partnerships for innovative solutions

Partnerships and projects in the areas of decarbonisation, resource efficiency and digital transformation were planned and realised together with partners from applied research and industrial development.

In order to address the current and future challenges of sustainable production, project ideas for decarbonisation, and especially technological developments in preparation for initial attempts to convert firing processes to non-fossil fuels, were initiated and planned in cooperation with external experts. The test firings of laboratory furnaces using 100 % hydrogen as the fuel gas have taken place and the key properties of the resulting material samples have been intensively examined. At the same time, preparations were made for the installation of an electric test kiln in order to perform test firings to determine the feasibility and the necessary conditions for a potential future shift to green electricity as an energy source.

Further research efforts were also undertaken to improve resource efficiency by including secondary raw materials in ceramic materials (bodies and glaze).

Process-relevant furnace parameters were recorded digitally as part of the "Energy efficient high temperature processes for large and geometrically complex components" (HTPgeox) development project, which is funded by the German Federal Ministry for Economic Affairs and Climate Action (BMWK). This data can now be analysed with modern software tools and used as the basis for numeric computer simulations. Error detection in the process will be automated with the aid of industrial image processing technologies. This digitalisation enables effective process monitoring. The results of a comprehensive thermoanalytical characterisation of the ceramic materials in connection with extended process monitoring were processed in computer simulations of furnace sections. As the project continues, additional sections of the furnace will be simulated in order to create a parameterised digital twin of the ceramic firing process with the aim of making it more efficient.

The use of a sensitive robot to process sanitary ceramic ware was tested as part of an ERDF (European Regional Development Fund) project. The aim of the project is, on the one hand, the development of a prototype and, for later application, the automation of manufacturing steps and, on the other hand, the associated sensor-based quality control. This also involves the use of artificial intelligence (AI) methods.

As well as increasing productivity, the aim is to achieve improvements in occupational safety.

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In 2022, work continued on the "patient room of the future", a research topic of particular scientific and economic importance in the context of pandemics. A demo of the wet room developed as part of the project was installed at an application-oriented research and study lab on the premises of the Städtisches Klinikum in Braunschweig, Germany, in August 2022.

Successful participation in the TOP 100 Innovation Competition 2022

One pleasing development in 2022 was being recognised as one of Germany's most innovative small and medium-sized companies with the award of the TOP 100 label. This was presented at the award ceremony for the TOP 100 Innovation Competition in June 2022, which was attended by over 1,000 participants. A specialist jury headed by Prof. Nikolaus Franke, Director of the Institute for Entrepreneurship and Innovation at Vienna University of Economics and Business, identified the most innovative German companies in an academic selection process. The TOP 100 label was awarded as a recognition for particularly innovative processes, from new product development through to market readiness, and adopting a particularly strong customer focus by making use of the various forms of virtual product presentation.

Internal enhancement of production techniques

As part of the continuous enhancement of our production techniques, we pressed ahead with projects aimed at creating robust processes and achieving material and resource efficiency and standardisation, thereby improving output levels. Advanced manufacturing processes are often needed to make new ideas for designing sophisticated products a reality. Various product and process developments are emerging from the intelligent use and combination of existing technologies. We are also working continuously to optimise our technologies under the umbrella of "Industry 4.0". Newly available methods were evaluated in terms of their potential, and the options for integrating them into existing manufacturing facilities at our production sites were investigated.

Product development

Product-related developments in the Bathroom & Wellness Division included the expansion of the product range to include a universal model of our new TwistFlush technology, which harnesses the physical power of a water vortex to flush extremely thoroughly while also reducing water consumption. We also updated our professional segment with washbasins from the Architectura and O.novo series, whose significantly reduced weight allows them to demonstrate a delicate design language while also benefiting from optimised, resource-efficient production processes.

We offer our customers complete bathrooms from Villeroy & Boch. Our new fittings are perfectly coordinated with our installation-friendly, uncompromisingly high-quality bathroom collections.

The anti-slip, easy-clean surface CeraSoft that was launched in the 2022 financial year was the result of in-house development work combining specially tailored ceramic recipes with high-end process technology.

We have also revolutionised the shower area. With the "Wallway" product, we are presenting the first generation of QuaryI® shower tubs with a wall waste outlet for maximum hygiene and safety in the bathroom. The shower tub boasts an integrated, certified and watertight shower tub system with a seamless shower surface for floor-level installation.

Our development activities in the Dining & Lifestyle Division focused on a new production process for manufacturing cups. As for plate production, more complex items, such as cups with handles, can be efficiently produced by pressing ceramic granules. This technique simultaneously permits more freedom in design, allowing it to serve as the basis for the creation of new and innovative products. Product developments focused on reactive glazes and the introduction and expansion of the coloured slips that are also used in products from the To Go series and the new "La Boule" range.

We are working on innovative applications and design concepts for new decorations and on technical implementation concepts in the area of pottery (effect glazes).

We also work in close cooperation with a research institute and a start-up company in the field of additive manufacturing processes and have made progress in 3D printing for ceramics, thus enabling a high degree of design freedom. Our aim is to continuously optimise printing speed and size in addition to the quality and performance characteristics of the printed ceramic products.

PROCUREMENT

The Villeroy & Boch Group's procurement portfolio encompasses raw materials, energy and supplies for its own production facilities as well as finished and semi-finished goods. The Group also purchases capital goods, packaging materials, transport services and a wide range of additional services. All in all, the value of our procurement volume including investments corresponds to over 60 % of our revenue. The aim of our procurement organisation and procurement strategies is to make a sustained contribution to the company's long-term success by providing the required materials and services in the required quality and volume at the right time and the best possible price. In the 2022 financial year, the procurement markets were only strained at the start of the year as a result of the high level of demand, with production running at close to capacity. Similarly, replacement times from the Asian supply chains are no longer being significantly impacted by

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shipping and container capacity. Instead, the main challenge resulted from the dramatic rise in energy prices, which has led to significant cost increases in terms of direct energy procurement for our production sites as well as for our material suppliers.

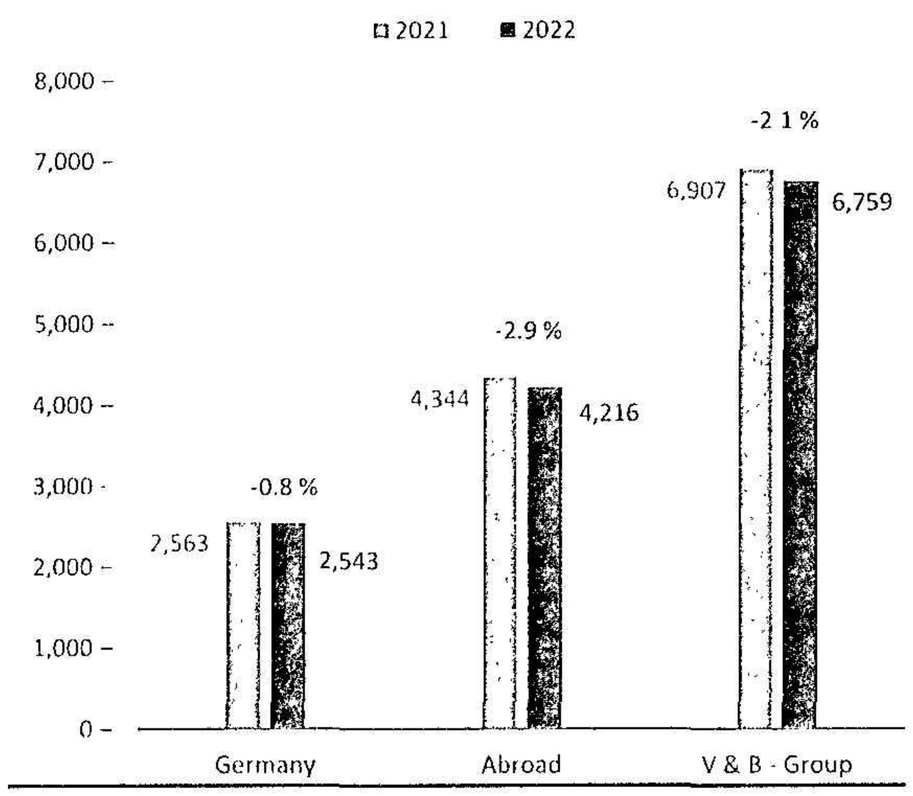
The depreciation of the euro against the US dollar led to negative exchange rate effects, especially for US dollar-denominated goods purchases in Asia. Supplier relationships are extremely important to us. As part of our systematic strategic procurement management, we use a standardised catalogue of criteria to continuously evaluate our suppliers in the categories of quality, cost, logistics, service, technology and environment with a view to furthering our cooperation on this basis. We also aim to structure our supplier relationships so that all risks are minimised to the greatest possible extent. To this end, contracts with suppliers are negotiated, compliance with statutory provisions is pursued and corresponding risk management is practised. In particular, our "Supplier Code of Conduct" requires suppliers to commit to the same standards as our company with regard to integrity, business ethics, work conditions and upholding human rights.

EMPLOYEES

Workforce

The Villeroy & Boch Group had a total of 6,759 employees as at 31 December 2022, a decrease of 148 compared with the end of the previous year (6,907). The Bathroom & Wellness Division accounted for 4,383 employees (previous year: 4,439), while 1,857 people were employed in the Dining & Lifestyle Division (previous year: 1,945) and 519 in central functions (previous year: 523). 37.6 % of the workforce was employed in Germany (previous year: 37.1 %).

NUMBER OF EMPLOYEES (END OF PERIOD)



Taken as an average for the year as a whole, our workforce increased slightly from 6,771 in the previous year to 6,778.

ECONOMIC REPORT

GENERAL ECONOMIC CONDITIONS

The world economy weakened as the year progressed in response to the sustained geopolitical uncertainty and high energy prices. According to the report by the International Monetary Fund (IMF) on 30 January 2023, global growth in 2022 is estimated at 3.4 %.

In spring 2022, growth in the world economy slowed significantly as a result of high inflation, substantial supply bottlenecks and considerable uncertainty, especially in connection with the war in Ukraine. The supply situation improved over the course of the year, while the economic impact of the COVID-19 pandemic also largely receded.

Economic performance in the euro area was impacted in particular by the action taken to eliminate reliance on Russia with regard to the gas and oil supply, as well as the sharp rise in energy prices. According to the latest IMF forecast, the euro area recorded growth of 3.5 %. The US economy also saw moderate growth of 2.0 % on the back of robust domestic demand in particular.

In China, economic activity was impacted by the strict zero-COVID policy and the problems affecting the property sector. After the Chinese economy recovered from the spring lockdowns in the third quarter, there was a further threat to economic performance towards the end of the year as the reversal of the zero-COVID policy led to increased infection rates. The IMF responded by slightly downgrading its growth forecast for China for 2022 to 3.0 %.

Business development in the Bathroom & Wellness Division is largely dependent on the performance of the European residential construction industry. Although rising construction and financing costs had an increasingly negative impact on new orders in the course of 2022, residential construction remained robust on the whole thanks to the high level of orders on hand. However, there were considerable regional variations. In particular, construction activity in our important sales regions of Germany, Austria and Switzerland and the Nordics either stagnated or declined.

A key factor for business performance in the Dining & Lifestyle Division is the consumer climate among private households. Private consumer spending in Germany increased year-on-year, but the available purchasing power of private households was impacted by high energy and food prices. The savings rate among private households was almost at pre-pandemic levels. As activities continued to return

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to normal following the COVID-19 pandemic, consumers' shopping habits shifted in favour of physical retail again.

COURSE OF BUSINESS AND POSITION OF THE GROUP

The Management Board of Villeroy & Boch AG considers the economic position of the Group to be positive.

The Villeroy & Boch Group brought the 2022 financial year to a successful close despite the challenging environment. We achieved our revenue and EBIT targets as well as the planned return on net operating assets for the 2022 financial year.

The table below shows a comparison of the forecast and actual key figures for 2022:

GROUP TARGETS

	Forecast 2022	Actual 2022
Revenue	Increase by 5 – 6 %	€ 994.5 million (+5.2 %)
Operating EBIT	Improvement by 5 – 10 %	€ 98.2 million (+5.8 %)
Return on net operating assets	slightly below previous year (32.9 %)	31.5 %
Investments (without leasing)	at 45 Mio. €[1]	€ 36.7 million

[1] Forecast updated during year (originally: more than € 60.0 million)

Consolidated revenue totalled € 994.5 million in the 2022 financial year (previous year: € 945.0 million). The good revenue performance in the first half of 2022 slowed in the second half of the year due to consumer and investor reluctance on the back of high inflation in particular. While we recorded volume growth in the first half of 2022, our growth in the second half of the year was mainly attributable to price increase effects, meaning that we closed the year with revenue growth of 5.2 %.

We recorded EBIT growth of 7.0 %, with operating EBIT climbing 5.8 % or € 5.4 million to € 98.2 million. This was mainly due to the additional revenue generated, which meant that the absolute gross margin increased by € 7.4 million year-on-year. However, the relative margin was 1.6 percentage points lower than in the previous year. This is because the sales price adjustments implemented during the year will only take full effect with a certain time lag, meaning they were not yet sufficient to offset the dramatic rise in energy and material prices in the past financial year. In terms of our structural costs, we succeeded in largely offsetting the inflation-related increases affecting personnel expenses in particular by reducing non-personnel operating costs in sales, marketing and administration.

The Group's rolling return on net operating assets remained at a high level of 31.5 % at the end of the year, although this represented a slight decrease of 1.4 percentage points compared with the previous year (32.9 %). This was due to the increase in rolling net operating assets to € 311.5 million (previous year: € 282.3 million), which primarily resulted from price increase effects and the additional stocks that were built up as a precautionary measure in light of potential gas shortages that did not materialise.

At € 36.7 million in total (previous year: € 32.8 million), investments in property, plant and equipment and intangible assets fell within the forecast range that was adjusted during the 2022 financial year. The adjustments during the year were prompted in particular by delays due to supply bottlenecks.

Further information on revenue and earnings development in the Bathroom & Wellness Division and the Dining & Lifestyle Division can be found in the following discussion of the Group's results of operations. The development of other key figures is discussed in the "Financial position", "Net assets" and "Other financial performance indicators" sections of the Group management report.

RESULTS OF OPERATIONS

The following information provides an overview of our results of operations in the 2022 financial year.

Consolidated Revenue 2022

Consolidated revenue increased by 5.2 %

In the 2022 financial year, the Villeroy & Boch Group generated consolidated revenue (incl. licence income) of € 994.5 million. This represented an increase of € 49.5 million or 5.2 % on the previous year and was due to higher sales prices. On a constant currency basis, the revenue increase amounted to 4.0 %. Positive currency effects, particularly relating to the Chinese yuan and the US dollar, offset the depreciation of the Swedish krona.

The licence income included in revenue was essentially unchanged year-on-year at € 4.4 million (previous year: 4.6 million).

We recorded revenue growth of 2.2 % in our main region of EMEA (Europe, Middle East, Africa). Notable performers in this area were Southern Europe (+18.0 %) and Eastern Europe (+8.6 %). Russia (-47.0 %) saw a dramatic downturn in revenue. Revenue in Northern Europe also declined as a result of economic and exchange rate developments (-8.6 %).

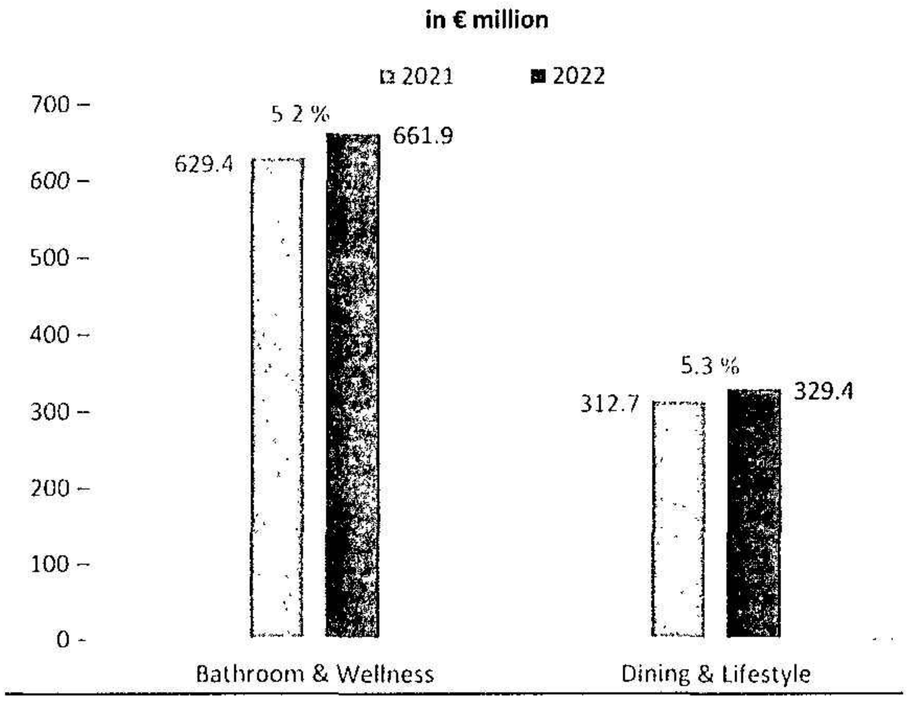
Overseas, we recorded revenue growth of 19.4 % or € 32.0 million. Our revenue in the Asia/Pacific region increased by

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26.1 % or € 30.8 million, thanks in particular to revenue growth in China (+31.8 % or € 22.9 million).

Revenue by division

CONSOLIDATED REVENUE BY DIVISION



The Bathroom & Wellness Division generated revenue of € 661.9 million in the 2022 financial year, up € 32.5 million or 5.2 % on the previous year. On a constant currency basis, revenue increased by 4.4 %. Pleasingly, revenue growth was generated in almost all business areas.

Ceramic sanitary ware saw revenue growth of € 32.4 million or 8.6 %. We achieved substantial revenue growth in Asia, especially in our project business, thanks to market-specific products including our ViClean shower toilets in particular.

We generated revenue growth of € 3.6 million or 5.8 % in our furniture business, largely as a result of the strong performance of new products.

The fittings business area saw year-on-year revenue growth of € 1.8 million or 2.1 %. This development was due in particular to the successful development of Villeroy & Boch kitchen fittings in our largest sales market of Germany, as well as the strong performance of the local brand Vatette in Northern Europe.

By contrast, revenue in our wellness business declined by -6.4 % (€ -5.2 million). This was due to the suspension of our business activities in Russia as well as the downturn in the market for outdoor hot tubs on the back of the energy crisis in Europe.

In the Dining & Lifestyle Division, we generated revenue of € 329.4 million in the 2022 financial year, up € 16.7 million or 5.3 % on the previous year. On a constant currency basis, revenue increased by 3.2 %.

We significantly increased revenue with our retail outlet partners (€ +11.6 million or +13.0 %) and with our own retail stores (€ +7.8 million or +8.3 %) compared with the previous year. Demand shifted back from e-commerce to physical retail as COVID restrictions were lifted. Although this meant our e-commerce revenue declined by € 12.7 million or 12.2 % compared with the extraordinarily strong prior-year figure, it remains well above the pre-COVID level and hence at a high level.

The positive revenue development was driven by the revised product range, marketing and digitalisation strategy as well as successful new products. Last but not least, our hospitality business saw particularly strong growth (€ +10.5 million or +47.1 %), recovering some of the ground that was lost in previous years due to the pandemic.

Orders on hand

The Villeroy & Boch Group's orders on hand declined by € 49.5 million compared with the extremely high prior-year level to € 137.3 million as at 31 December 2022. This development was primarily attributable to the Bathroom & Wellness Division, where a substantial order backlog – some of which was due to exceptional demand – was processed during the year under review. As a result, orders on hand returned to a normal level of € 116.9 million as at 31 December 2022 (previous year: € 165.1 million).

Orders on hand in the Dining & Lifestyle Division were essentially unchanged year-on-year at € 20.4 million (previous year: € 21.7 million).

Consolidated EBIT

We generated EBIT of € 96.8 million in the 2022 financial year, up 7.0 % on the same period of the previous year (€ 90.5 million). This earnings growth was due to the additional revenue generated and the resulting € 7.4 million increase in the absolute gross margin.

At € 568.7 million (previous year: € 526.7 million), the cost of goods sold increased by € 42.0 million year-on-year as a result of the sharp rise in factor costs in particular. The relative margin was 1.6 percentage points lower than in the previous year. This is because the sales price adjustments implemented during the year will only take full effect with a certain time lag, meaning they were not yet sufficient to offset the dramatic rise in energy and material prices in the past financial year.

Selling, marketing and development costs increased only slightly by € 0.9 million year-on-year to € 270.3 million, meaning that we successfully maintained the prior-year level even in the face of inflation-driven cost increases. The same is true for administrative expenses. Net other operating expenses and income amounted to € -9.5 million (previous year: € -8.2 million).

The non-operating result amounted to € -1.4 million compared with € -2.3 million in the previous year. Income from

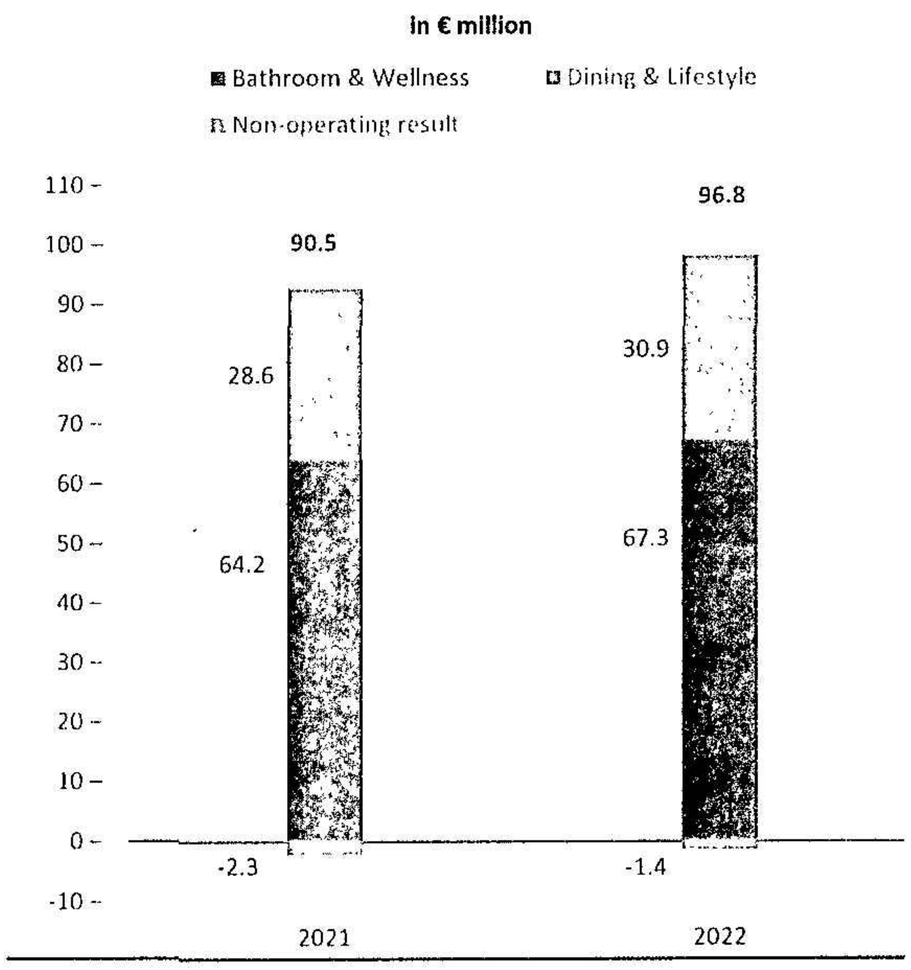
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the disposal of a former plant site in France was offset by restructuring expenses, expenses from the change in provisions for recultivation and restoration obligations, and project expenses.

The prior-year figure mainly included expenses from the continuation of our transformation and efficiency enhancement programme as well as expenses from the change in provisions for recultivation and restoration obligations.

The non-operating result includes all income statement functions, which are assigned to consolidated income statement items as circumstances dictate.

EBIT BY DIVISION



Operating result (EBIT) by Division

Bathroom & Wellness Division

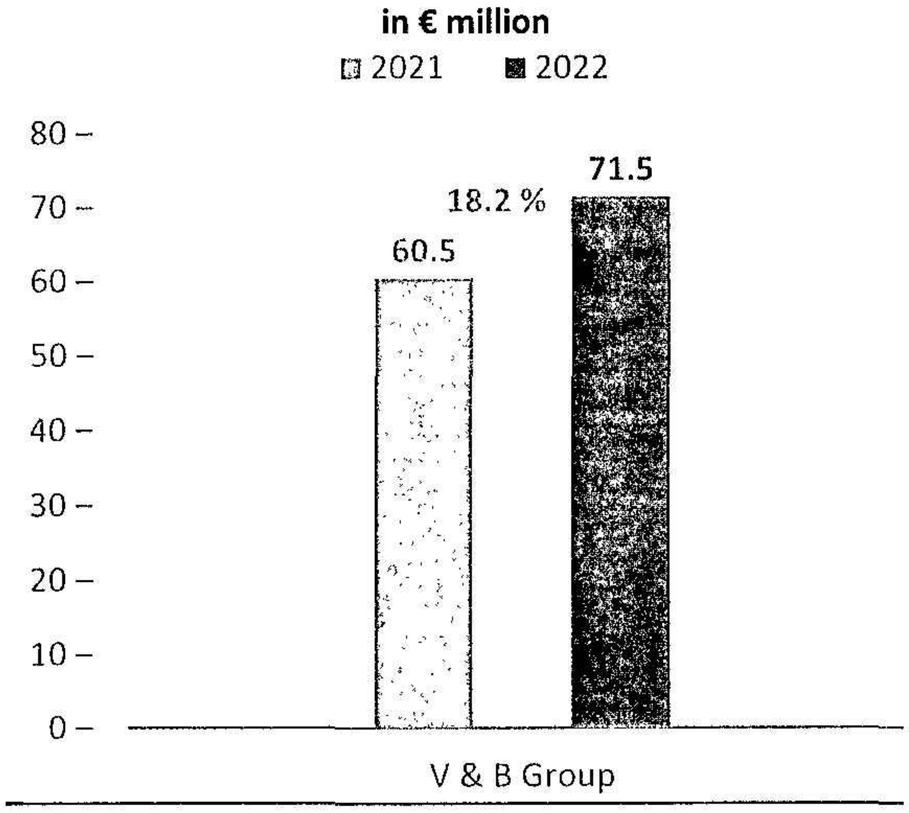
Thanks to the very positive revenue development in the first half year particular, the Bathroom & Wellness Division generated operating EBIT of € 67.3 million (previous year: € 64.2 million), up € 3.1 million or 4.8 % on the previous year.

Dining & Lifestyle Division

As a result of the increase in revenue, the Dining & Lifestyle Division closed the 2022 financial year with an operating EBIT of € 30.9 million (previous year: € 28.6 million), up 8.0 % on the previous year.

Group result

CONSOLIDATED GROUP RESULT



The Group result for the 2022 financial year amounted to € 71.5 million. This represents a substantial increase of € 11.0 million or 18.2 % on the figure for the previous year. Net finance costs improved by € 3.5 million year-on-year to € -1.5 million (previous year: € -5.0 million). This was mainly due to the rise in interest rates and the resulting discounting effects in the measurement of long-term provisions. Income tax expense declined by € 1.2 million year-on-year to € 23.8 million (previous year: € 25.0 million). The tax rate for the 2022 financial year was 25.0 % (previous year: 29.2 %). The main reasons for this change were the utilisation of a corporate action in Mexico for tax purposes and the remeasurement of a tax risk in China.

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Structure of the consolidated income statement (IFRS)

In summary, the results of operations for the 2022 financial year were as follows:

STRUCTURE OF THE CONSOLIDATED INCOME STATEMENT

in € million	2022	% of revenue	2021	% of revenue
Revenue	994.5	100.0	945.0	100.0
Cost of sales	- 568.7	- 57.2	- 526.7	- 55.7
Gross profit	**425.8**	**42.8**	**418.3**	**44.4**
Selling, marketing and development costs	- 270.3	- 27.2	- 269.4	- 28.5
General administrative expenses	- 48.2	- 4.8	- 48.2	- 5.1
Other expenses / income	- 9.5	- 1.0	- 8.2	- 0.9
Result on financial investments accounted according to the equity method	0.4	0.0	0.3	0.0
Operating EBIT	**98.2**	**9.9**	**92.8**	**9.8**
Non-operating result	- 1.4	- 0.1	- 2.3	- 0.2
EBIT	**96.8**	**9.7**	**90.5**	**9.6**
Financial result	- 1.5	- 0.2	- 5.0	- 0.5
Earnings before taxes (EBT)	**95.3**	**9.6**	**85.5**	**9.0**
Income taxes	- 23.8	- 2.4	- 25.0	- 2.6
Group result	**71.5**	**7.2**	**60.5**	**6.4**

Dividend proposal[2]

At the General Meeting of Shareholders on 21 April 2023, the Supervisory Board and the Management Board will propose that the unappropriated surplus of Villeroy & Boch AG be used to distribute a dividend of

€ 1.15 per ordinary share
€ 1.20 per preference share.

This represents a total dividend distribution of € 33.0 million. Based on the unchanged number of preference shares held by the company at the payment date, the total cash outflow will probably be € 31.1 million.

FINANCIAL POSITION

Principles and objectives of financial management

We operate a central financial management system encompassing global liquidity management, cash management and the management of market price risks.

The central Group Treasury department performs uniform financial management for the entire Group. The framework is provided by external statutory and regulatory requirements as well as internal guidelines and limits.

Our liquidity management ensures that we are able to meet our payment obligations at all times. Cash inflows and outflows from our operating business form the basis for daily cash account management and short-term and medium-term liquidity planning.

The resulting financing requirements are generally covered by bank loans. Surplus liquidity is invested on the money market in line with risk/reward considerations. With the proviso that our financial trading partners have a good credit standing, expressed in the form of an investment grade rating, we pursue the aim of ensuring an optimal financial result.

Our cash management is also organised and managed centrally. In order to ensure economic efficiency, priority is given to the centralisation of cash flows via cash pooling. An in-house cash system ensures that intercompany cash flows are always executed via internal clearing accounts where this is possible for legal and tax purposes. Internal offsetting therefore reduces the number of external bank transactions to a minimum. Standardised processes and transmission channels have been established for payment transactions.

The management of market price risks encompasses exchange rate risks, interest rate risks and other price risks.

Our aim is to limit the negative impact of fluctuations on the results of the divisions and the Group. Group-wide risk potential is calculated on a regular basis and corresponding decisions on hedging are taken.

[2] This section is an unaudited part of the Group management report

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Further information on risk management can be found in the "Report on Risks and Opportunities" section of the Group Management Report.

Capital structure

Our financing structure as shown in the table below changed as follows in the 2022 financial year:

CAPITAL STRUCTURE

in € million	31/12/2022	31/12/2021
Equity	372.5	307.1
Non-current liabilities	277.2	361.2
Current liabilities	330.5	293.4
Total equity and liabilities	**980.2**	**961.7**

Equity increased by € 65.4 million year-on-year to € 372.5 million in the period under review. This is largely due to the improved consolidated net profit of € 71.5 million. Our equity was also reduced by the dividend distribution in April 2022 (€ -25.8 million). Equity increased as a result of remeasurement effects recognised in other comprehensive income, especially in connection with the increase in the discount rate for pension obligations (€ +28.7 million), which were accompanied by offsetting currency effects (€ -7.3 million). All in all, our equity ratio increased to 38.0 % compared with 31.9 % in the previous year. 129.9 % of the Group's non-current assets in the amount of € 286.8 million were covered by equity.

Non-current liabilities in the amount of € 277.2 million comprised pension provisions, financial liabilities, lease liabilities, other provisions, provisions for personnel, other liabilities and deferred tax liabilities. Non-current liabilities decreased by € 84.0 million as against the previous year. The decrease is essentially due to the reduction in provisions for personnel (€ -48.6 million), other liabilities (€ -24.1 million) and non-current financial liabilities (€ -10.0 million). The reduction in other liabilities was attributable to the reclassification of the repayment obligation in connection with the sale of our former plant site in Luxembourg, which was previously reported as long-term.

Current liabilities, consisting of other liabilities, trade payables, other provisions, income tax liabilities, personnel provisions, lease liabilities and financial liabilities, increased by € 37.1 million as against the previous year to € 330.5 million. The € 37.3 million increase in other liabilities and the € 16.9 million rise in trade payables were offset by a € 14.9 million reduction in financial liabilities in particular.

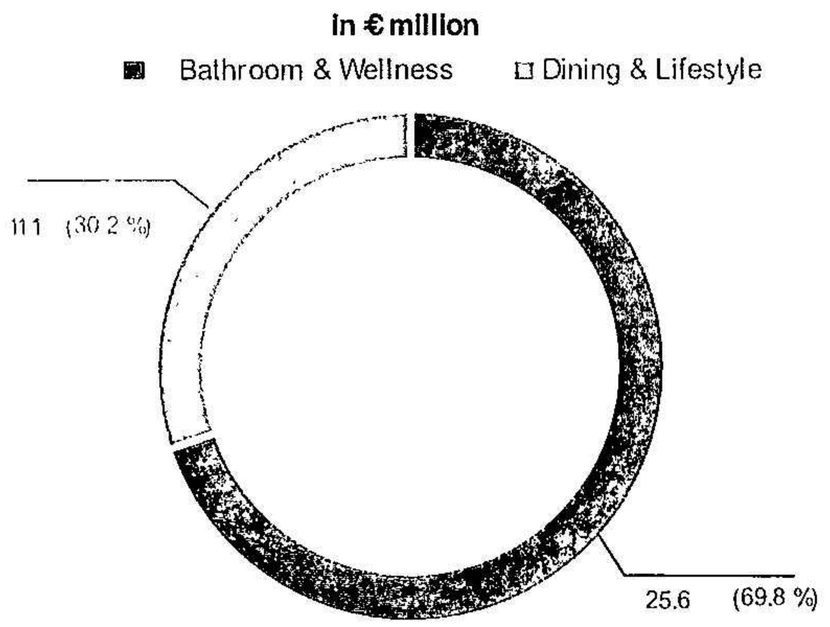
Investments

Investments in property, plant and equipment and intangible assets

In the 2022 financial year, our investments in property, plant and equipment and intangible assets amounted to € 36.7 million (previous year: € 32.8 million). 57 % of this investment was attributable to Germany (previous year: 33 %). At the end of the year 2022, the Group had obligations to acquire property, plant and equipment and intangible assets in the amount of € 19.6 million. Our investment obligations are financed from operating cash flow.

At € 25.6 million or 69.8 %, our investments were concentrated primarily on the Bathroom & Wellness Division. Investment activity focused on the modernisation and automation of production at our locations in Germany and abroad, particularly our ceramic ware plants in Hungary and Romania and our furniture plants in Treuchtlingen and Austria.

BREAKDOWN OF INVESTMENTS BY DIVISION



We invested € 11.1 million in the Dining & Lifestyle Division, corresponding to 30.2 % of the total investment volume. New machinery and tools were acquired for production at our Merzig and Torgau plants. In addition, investments were made in the ongoing optimisation of its retail network, including renovating and opening stores.

Please see note 6 to the consolidated financial statements for further information on the Group's material investing activities in the reporting period.

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Financing

CONDENSED CASH FLOW STATEMENT

in € million	2022	2021
Group result	71.5	60.5
Current depreciation and amortisation of non-current assets incl. reversals	41.4	40.3
Change in non-current provisions	- 14.2	- 3.8
Profit from disposal of fixed assets	- 3.1	0.0
Changes in inventories, receivables, liabilities, current provisions and other assets and liabilities	- 52.6	- 38.3
Other non-cash income / expenses	11.1	15.1
Net cash flow from operating activities	**54.1**	**73.8**
Net cash flow from investing activities	**- 19.2**	**- 75.9**
Net cash flow from financing activities	**- 69.0**	**- 33.5**
Total cash flows	**- 34.1**	**- 35.6**
Balance of cash and cash equivalents on 1 January	**264.1**	**297.8**
Change based on total cash flows	- 34.1	- 35.6
Change due to exchange rate effects	- 3.4	1.9
Balance of cash and cash equivalents on 31 December	**226.6**	**264.1**

Our cash flow from operating activities amounted to € 54.1 million (previous year: € 73.8 million) and was mainly defined by the Group result (€ 71.5 million).
The increase in inventories (€ 49.0 million) and trade receivables (€ 13.0 million) and the change in long-term provisions (€ 14.2 million) were offset by an increase in trade payables (€ 16.9 million) and other liabilities (€ 13.2 million). In addition, tax payments amounted to € 18.2 million in 2022.

The cash flow from investing activities in the amount of € -19.2 million (previous year: € -75.9 million) includes € 36.7 million in investments in intangible assets and property, plant and equipment (previous year: € 25.7 million), as well as € 3.2 million in non-current financial assets. The aforementioned investments were offset by proceeds from the disposal of assets (€ 4.3 million) and proceeds from maturing investments made in the previous year to avoid deposit fees (€ 15.0 million). A further € 25.0 million was invested for this purpose in the previous year.

The cash flow from financing activities amounted to € -69.0 million (previous year: € -33.5 million) and included the payments of principal portion of lease liabilities of € 18.2 million, the dividend payment (€ 25.8 million) and loan repayments of € 24.9 million (previous year: € 4.9 million).

Liquidity

Net liquidity

Our net liquidity amounted to € 141.2 million as at the end of the reporting period (previous year: € 153.8 million). The reduction in net liquidity is due in particular to the lower operating cash flow compared with the previous year, which reflects the change in working capital during the year under review.
Cash and cash equivalents, current financial assets and current and non-current financial liabilities were combined in calculating net liquidity.
At 31 December 2022, we had unutilised credit facilities totalling € 237.8 million (31 December 2021: € 200.4 million) that were not subject to any restrictions.

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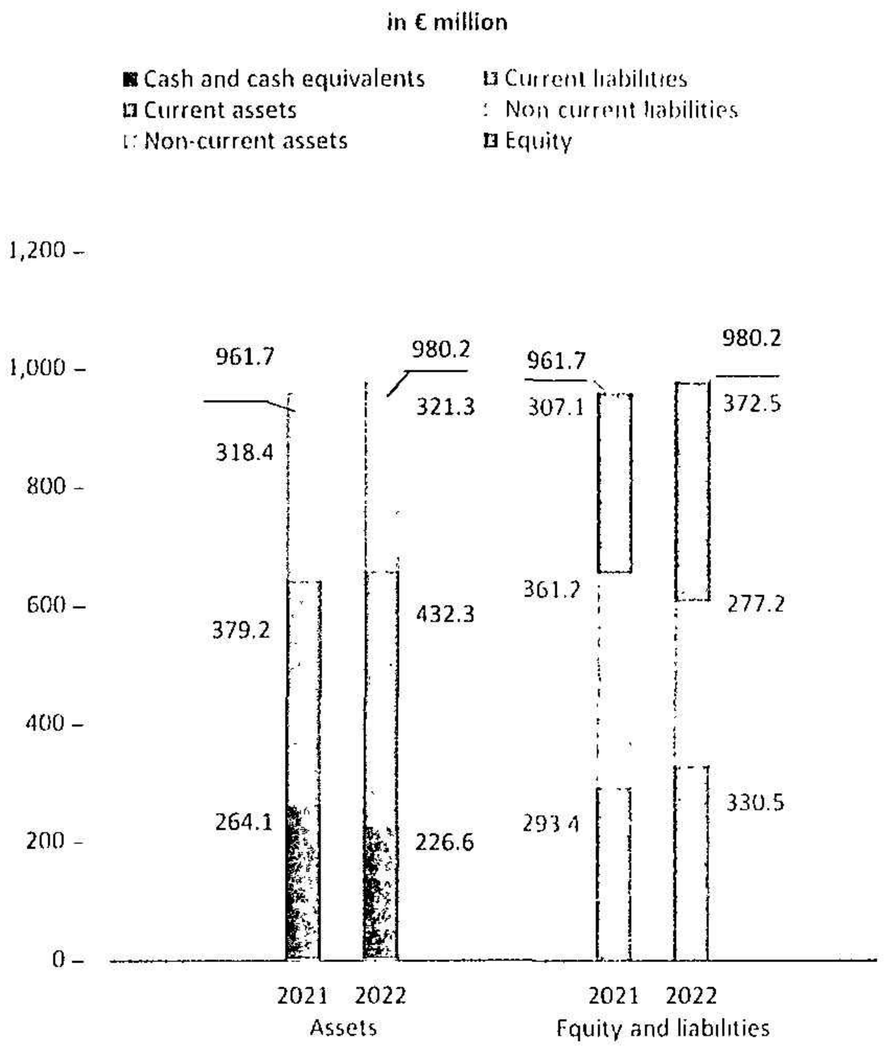
NET ASSETS

Balance sheet

The Villeroy & Boch Group had total assets of € 980.2 million at 31 December 2022 compared with € 961.7 million at the end of the previous year. The balance sheet structure is shown in the graphic below:

Year-on-year comparison of the structure of the balance sheet

BALANCE SHEET STRUCTURE



Non-current assets in the amount of € 321.3 million (previous year: € 318.4 million) comprised non-current fixed assets including right-of-use assets as well as deferred tax assets and other assets. The change is primarily attributable to the increase in property, plant and equipment (€ +9.5 million) and right-of-use assets (€ +4.1 million) as well as the reduction in deferred tax assets (€ -10.7 million).

The share of total assets attributable to non-current fixed assets amounted to 29.3 % (previous year: 28.5 %).

Current assets were mainly composed of inventories, cash and cash equivalents, trade receivables, other current assets and current financial assets. Current assets rose by € 15.6 million year-on-year to € 658.9 million (previous year: € 643.3 million).

Cash and cash equivalents amounted to € 226.6 million, € 37.5 million lower than the prior-year level. This was due to the changes in net operating assets, and in particular the additional stocks that were built up in anticipation of potential gas shortages.

Current assets increased by € 53.1 million, from € 379.2 million to € 432.3 million. This was mainly due to the increase in inventories (€ 49.0 million) and trade receivables (€ 13.0 million) as well as the reduction in other current assets (€ -14.5 million).

The items of the equity and liabilities side of the statement of financial position are discussed in the "Capital structure" section of the Group management report.

OTHER FINANCIAL PERFORMANCE INDICATORS

In addition to the key performance indicators of revenue and earnings before interest and taxes (EBIT), whose development in the past financial year is discussed under "Results of operations", a further focus is on the rolling return on net operating assets. Net operating assets are calculated on the basis of the non-current assets used in operations (comprising intangible assets, property, plant and equipment and right-of-use assets) plus inventories, trade receivables and other operating assets less total liabilities to suppliers, provisions and other operating liabilities (including lease liabilities).

The return on net operating assets is calculated as follows:

RETURN ON NET OPERATING ASSETS

$$\text{Return on net operating assets} = \frac{\text{Operating result (EBIT)}}{\text{Net operating assets (ø 12 months)}}$$

As of 31 December 2022, the rolling net operating assets of the Villeroy & Boch Group were composed as follows:

COMPOSITION OF THE ROLLING RETURN ON NET OPERATING ASSETS

Group in € million	2022	2021
Net operating assets	**311.5**	**282.3**
Property, plant and equipment	218.1	219.5
Inventories	220.4	172.7
Receivables (from third parties)	129.8	127.6
Liabilities	- 99.3	- 84.2
Other assets	- 157.5	- 153.3
Operating result (EBIT)	**98.2**	**92.8**
Return on net operating assets	**31.5 %**	**32.9 %**

The Group's return on net operating assets declined by -1.4 percentage points to 31.5 % as at the end of 2022. The improvement in the operating result was offset by the increase

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in net operating assets, which is primarily reflected in the higher level of inventories.

The rolling net operating assets of the Bathroom & Wellness Division were composed as follows:

COMPOSITION OF THE ROLLING RETURN ON NET OPERATING ASSETS

Bathroom & Wellness

in € million	2022	2021
Net operating assets	**210.6**	**203.7**
Property, plant and equipment	164.8	169.8
Inventories	132.6	104.6
Receivables (from third parties)	95.3	94.3
Liabilities	- 73.3	- 63.7
Other assets	- 108.8	- 101.3
Operating result (EBIT) *	**75.0**	**72.4**
Return on net operating assets	**35.6 %**	**35.5 %**

* Central function earnings components that cannot be influenced by the division are not taken into account in calculating the return on net operating assets.

The return on net operating assets in the Bathroom & Wellness Division increased slightly compared with the previous year. The € 2.6 million improvement in the operating result was offset by an increase in net operating assets due to the higher level of inventories in particular.

The rolling net operating assets of the Dining & Lifestyle Division were composed as follows:

COMPOSITION OF THE ROLLING RETURN ON NET OPERATING ASSETS

Dining & Lifestyle

in € million	2022	2021
Net operating assets	**100.9**	**78.6**
Property, plant and equipment	53.3	49.7
Inventories	87.8	68.1
Receivables (from third parties)	34.5	33.3
Liabilities	- 26.0	- 20.5
Other assets	- 48.7	- 52.0
Operating result (EBIT) *	**35.7**	**32.8**
Return on net operating assets	**35.4 %**	**41.7 %**

* Central function earnings components that cannot be influenced by the division are not taken into account in calculating the return on net operating assets.

Despite the improvement in the operating result, the return on net operating assets in the Dining & Lifestyle Division declined from 41.7 % to 35.4 % as a result of the increase in inventories in particular.

This section is an unaudited part of the Group management report

SUSTAINABILITY

GENERAL EXPLANATIONS[3]

For us, achieving our financial targets is closely connected to the various aspects of sustainability and corporate social responsibility, which ensure that our actions as a company are consistent with not only economic, but also ecological and social considerations. As such, trust-based cooperation with our stakeholders – and particularly our customers, suppliers, employees, social partners and shareholders – and a responsible approach to the environment play a particularly important role within our organisation and our processes.

Sustainable management in the sense of good and transparent corporate governance requires all Villeroy & Boch employees to act with integrity and in accordance with the law in order to ensure the company's long-term success. Compliance with statutory and official provisions and internal guidelines and directives – especially our Code of Conduct, which is required to be observed by all employees – is ensured by means of a Group-wide compliance management system.

As the company's success is also inextricably linked to the dedication of creative, motivated employees, our human resources strategy focuses on ensuring an attractive work environment with healthy and safe working conditions, fair payment, targeted training opportunities and an active commitment to diversity and equal opportunity.

Our customers place their confidence in the high quality of our products – and this is based on stylish design, extremely high durability and maximum product safety in equal measure. We intend to retain this confidence in future with technically superior products and sustainable value creation. This is why the requirements we make of our suppliers and our in-house production are so stringent. Alongside compliance with the law as well as with labour and environmental standards, our aim is to achieve our outstanding product quality with the greatest possible resource and energy efficiency. The use of management systems and standardised processes helps us to achieve this.

NON-FINANCIAL DECLARATION

In accordance with sections 289b, 315b of the Handelsgesetzbuch (HGB – German Commercial Code), Villeroy & Boch AG is required to supplement its (Group) management report with a non-financial declaration. Reportable aspects within the meaning of section 289c HGB include company-related disclosures on environmental, employee and

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social matters, respect for human rights and combating bribery and corruption – meaning they relate directly to our sustainability-related activities in the aforementioned areas. In preparing the non-financial declaration, we exercise the option provided by law of alternatively producing a combined, separate non-financial report for the Villeroy & Boch Group and Villeroy & Boch AG. This is published online at https://www.villeroyboch-group.com/en/investor-relations/publications/sustainability-reports.html. This non-financial report is integrated into our sustainability report for the financial year from 1 January to 31 December 2022, in which we report extensively on our non-financial performance.

REPORT ON RISKS AND OPPORTUNITIES

RISK STRATEGY

Our business policy is aimed at sustainably increasing the performance and earnings strength of our company, and hence its enterprise value, for the benefit of our shareholders and other stakeholders. To this end, the Villeroy & Boch Group's business activities open up a wide range of opportunities, but are also accompanied by risks.

In the course of our business activities, we are exposed to general economic and industry-specific risks as well as the usual financial and economic risks.

In accordance with our approach to risk, potential business risks are identified at an early stage, evaluated and – where possible – minimised or avoided altogether using recognised methods and measures. Risks are consciously accepted when the prospects for success are suitably attractive. The risks in question must also be calculable and manageable in terms of their size. Within our company, we have a functional and effective risk management system that is intended to secure the continued existence of the Group and ensure the achievement of our objectives as a company, and especially our financial, operational and strategic objectives.

INTERNAL CONTROLS AND RISK MANAGEMENT

Principles of the Internal Control and Risk Management System

Our internal control system (ICS) and our risk management system (RMS) are based on the principles, policies and measures introduced by the Management Board with a view to the organisational implementation of Management Board decisions. Our ICS and RMS encompass the management of risks and opportunities in connection with the achievement of business targets, the correctness and reliability of internal and external financial reporting, and compliance with the statutory provisions and regulations that are relevant to Villeroy & Boch. This includes sustainability aspects, which are continuously enhanced to reflect regulatory requirements. Nevertheless, the effectiveness of any ICS or RMS is subject to inherent limitations. For example, no system – not even one that has been assessed and found to be adequate and effective – can guarantee that all actual risks are addressed in advance or that all process violations are ruled out. The purpose of the ICS and RMS is to adequately counteract risks, not to eliminate them altogether.

The risk management system covers all of the areas of our Group and allocates clear responsibilities and duties to all organisational units. In this system, the Management Board defines the principles of the risk policy and risk treatment above and beyond the general principles of Group strategy and ensures that they are implemented. The Code of Conduct limiting the risks of possible breaches of the law and regulations, which applies to all employees and managers throughout the Group, is a further component of this system.

Various coordinated planning, reporting and control processes and early warning systems have been put in place in implementing the system as a whole with the aim of recognising developments that could endanger the Group's continued existence in good time and taking appropriate and effective countermeasures. The risk-bearing capacity of the Villeroy & Boch Group is calculated by comparing its aggregated total value at risk with its current equity.

Our operational risk management covers the entire process, from the early detection of risks to the controlling and handling of risks and, together with the necessary countermeasures, is primarily the responsibility of the process owner, i.e. decentrally at divisional level.

Risk controlling identifies, measures and evaluates all risks. In particular, the involvement of the controlling team for the respective division serves to ensure that risk management is integrated into the decentralised controlling organisation.

Risk management functions are also coordinated centrally in order to guarantee a consistent and seamless workflow throughout the Group.

The internal control system comprises the principles, procedures and measures introduced by management in order to ensure

- the effectiveness and economic efficiency of the Group's business activities,
- the sustainability targets,
- the correctness and reliability of internal and external financial and sustainability reporting and
- compliance with the statutory provisions that are relevant to the company.

The principles, organisational structure, workflows and processes of the internal control and risk management system are set out in Group-wide guidelines and work instructions.

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These specialised provisions are based on laws and regulations as well as supplementary company standards and are adjusted at regular intervals to reflect external and internal developments.

Monitoring of the internal control and risk management processes

The Management Board bears overall responsibility for the internal control and risk management system. The process owners and the managing directors of the Group companies are responsible for compliance with the control objectives and for establishing and maintaining an effective ICS and RMS in their respective area of responsibility.

Based on a mandate delegated by the Management Board, Group Internal Audit regularly examines the efficiency of the workflows and the effectiveness of the internal controls installed in the decentralised divisions and the risk management system. Group Internal Audit reports to the Management Board about the findings of its audits, and especially any control weaknesses and any resulting risks, in a timely manner. It also agrees measures to resolve these weaknesses and ensures their subsequent implementation.

Specifically, our Group Internal Audit Team is responsible for identifying risks in the course of its activities (identification function), independently and objectively evaluating these risks (evaluation function) as well as presenting recommendations for improvement (advisory function) and tracking their implementation (tracking function).

The Audit Committee of the Supervisory Board also monitors the effectiveness of the risk management, internal control and internal audit system and, in particular, the financial reporting process. As part of its annual audit of the consolidated financial statements, our external auditor also confirms that the Management Board has adequately satisfied the requirements of section 91 (2) of the German Stock Corporation Act (AktG), especially with regard to the establishment of a monitoring system, and that this monitoring system is suitable, in all material respects, to identify developments that could endanger the company's continued existence at an early stage and with reasonable assurance.

General internal control and risk management system[1]

The directory of general internal controls serves as the Group-wide basis for the general ICS. It describes all material processes and the resulting risks along with the controls that have been put in place to minimise those risks, meaning that it sets out the control objectives that apply globally. This gives the process owners the tools they need to structure their control environment and achieve their control objectives.

The Management Board assesses the appropriateness and effectiveness of the ICS and the RMS at the end of each financial year. This assessment is based on the annual confirmation by the responsible ICS and RMS officers in the two divisions, supplemented by the confirmations concerning the defined controls in connection with our accounting-related ICS. The purpose of these confirmations is to provide an overview of the key elements of the ICS and RMS at Villeroy & Boch AG and its affiliated companies, to summarise the activities undertaken to assess their appropriateness and effectiveness, and to highlight any critical control weaknesses identified in the course of these activities. The internal control weaknesses identified in the course of this process are evaluated and corresponding countermeasures are initiated by the persons responsible.

The Management Board issues an overall assessment of the appropriateness and effectiveness of the ICS and RMS once a year. Based on this assessment, there was nothing to suggest to the Management Board that, as a whole, the ICS or the RMS were inappropriate or ineffective as at 31 December 2022.

INTERNAL CONTROL SYSTEM AND RISK MANAGEMENT SYSTEM FOR THE GROUP FINANCIAL REPORTING

As Villeroy & Boch AG is a publicly traded corporation within the meaning of section 264d of the Handelsgesetzbuch (HGB – German Commercial Code), it is required to describe the key characteristics of its internal control and risk management system with respect to the Group financial reporting process in accordance with section 315(4) HGB. This includes both appropriateness and effective design. The purpose of this system is to guarantee with reasonable assurance that financial reporting is reliable and that the accounting is consistent with legal requirements, generally accepted principles of proper accounting and internal guidelines.

The accounting-related internal control and risk management system is an integral part of our Group-wide control and risk management system, which allows us to avoid redundancies. It contributes to ensuring efficient business processes and helps to protect company assets and prevent or detect fraudulent activity. It encompasses the organisational, control and monitoring structures that we use to ensure that business transactions and events are properly identified, processed and recognised in financial reporting transparently, correctly, promptly and in full.

The central basis for a proper, uniform and continuous financial reporting process is provided by the relevant laws and standards, applicable accounting principles and internal provisions and principles, which are set out in a Group-wide

[1] This section is an unaudited part of the Group management report

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accounting policy that is continuously updated and that is required to be observed by all consolidated Group companies. In addition, clearly defined procedures are specified in the form of uniform accounting, a uniform chart of accounts for financial reporting, a Group-wide schedule for the preparation of the financial statements and various manuals. Furthermore, there are clear functional and personnel assignments for the functions performed as part of the financial reporting and consolidation process (e.g. Group reporting, controlling, financial accounting, payroll, taxes and treasury) in order to ensure the strict separation of the specific areas of responsibility.

In addition to the assignment of appropriate staff resources, the preparation of the consolidated financial statements is supported by uniform, standardised reporting and consolidation software that contains extensive checking and validation routines. In this respect, the internal control and risk management system relating to financial reporting provides for both preventive and investigative controls. This includes binding Group-wide standards such as automatic and manual reconciliation in the form of regular spot checks and plausibility checks, various risk-, process- and content-related controls in the divisions, the fundamental establishment of functional separations and predefined approval processes, the systematic implementation of the principle of dual control for all material processes relating to financial reporting, and strictly regulated access controls and authorisation concepts for our IT systems to avoid unauthorised data access to accounting content in line with the minimum information principle.

To ensure the functionality and effectiveness of the internal control and risk management system, the Group companies' compliance with the control systems and accounting provisions is regularly monitored by analytical audits, which are performed by the local managing directors and auditors, the central Group reporting department, Group Internal Audit and the external auditor of the consolidated financial statements. This monitoring includes identifying and communicating vulnerabilities, initiating appropriate countermeasures and examining whether vulnerabilities have been resolved. Furthermore, control activities are always adjusted when business circumstances change and the previously defined controls are no longer adequate to the new risk situation. All of the relevant business processes for the internal control and risk management system, including evidence of effective controls, are documented in a uniform, audit-proof manner and presented transparently in an IT application that is used throughout the Group.

INDIVIDUAL RISKS

The following section contains a discussion of the risks that the Villeroy & Boch Group considers to be significant and whose potential occurrence could have a relevant adverse effect on the Group's net assets, financial position and results of operations.

The overview below provides a general summary of the individual risks. Applying a one-year forecast period, it shows the relative importance of the individual risks based on their probability of occurrence and potential financial impact following any risk mitigation measures (net risk).

A probability of less than 30 % is classified as "low", while a probability of more than 60 % is classified as "high". The assessment of the potential financial impact is based on the qualitative criteria "insignificant" (loss < € 1 million), "moderate" (loss between € 1 million and € 5 million) and "significant" (loss > € 5 million).

Compared with the previous year, the potential financial impact of liquidity risks has increased from insignificant to moderate as a result of geopolitical uncertainties such as the war in Ukraine and the associated restrictions on payment transactions. Because we responded to the intensification of the risk situation following the sharp rise in the number of cyber crime incidents by expanding the countermeasures put in place to combat such incidents, there was no change to our risk profile as a result of this development. There were no further changes to the risk profile above and beyond this.

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RISK PROFILE OF THE VILLEROY & BOCH GROUP

	Probability of occurrence			Potential financial impact		
Risk type	**low**	**medium**	**high**	**insignificant**	**moderate**	**significant**
General and industry-specific market risks		X				X
Economic performance risks						
Procurement risks			X			X
Product development risks	X				X	
Production risks		X			X	
Environmental protection risks		X				X
Financial and economic risks						
Inventory risks	X			X		
Default and credit risks	X			X		
Liquidity risks *	X				X	
Exchange rate risks		X			X	
Interest rate risks	X			X		
Other price risks	X			X		
Tax risks		X			X	
Personnel risks		X			X	
Legal risks		X			X	
IT risks		X				X

* Increase in potential financial impact compared with previous year

General and industry-specific market risks

As a globally active company, we currently market our products in around 125 countries. All international business activities typically involve a wide range of general market risks that depend on macroeconomic developments, societal and geopolitical factors and regulatory conditions.

In addition to geopolitical changes, macroeconomic changes such as economic, exchange rate, inflation or interest rate fluctuations can have a particularly direct impact on the propensity of our customers to invest and spend.

In the Bathroom & Wellness Division, we consider the concentration within the sanitary ware industry that has taken place in recent years to be an industry-specific risk, especially with a view to the resulting increased competitive pressure in project business. The lack of installation capacity (shortage of tradespeople) is also curbing development in our core European markets in particular. As in the previous year, the potential slowdown in the Chinese construction sector represents a specific risk in Asia.

In addition to economic sales risks, the Dining & Lifestyle Division remains faced with the challenge of the dynamic shift in our customers' consumer behaviour towards e-commerce; however, we consider this to be more of an opportunity than a risk. To this end, we will further intensify our efforts to optimise our store portfolio and our online strategy, which have proved successful to date.

With regard to the market risks listed, we perform comprehensive risk monitoring by continuously observing and analysing the macroeconomic data and economic and industrial developments that are particularly relevant to our business on a continuous basis. Based on these observations, our operating divisions define, prepare and then implement the adjustments and measures that are necessary both in order to avert potential risks and, more importantly, to exploit opportunities that present themselves.

Economic performance risks

Procurement risks

General procurement risks include the risk of material price developments, the risk that the materials delivered to us will be of poor quality, the risk of supplier insolvency and disruption in supply chains. Suitable countermeasures for these risks have been defined as part of risk management, e.g. the permanent monitoring of markets and the financial stability of key suppliers as well as the definition and implementation of procurement strategies. This also includes preventing single sourcing scenarios to the greatest possible extent. However, in some exceptional cases – including the key area of raw materials – the current circumstances are such that there are hardly any alternative sources available on the market.

The procurement markets settled down as the year progressed, with delivery times and availability largely returning to normal. Our biggest risk in the year under review was

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ensuring the supply of natural gas to our ceramic production plants. In light of the potential for gas shortages as well as a disruption in the power supply and the resulting interruption to production, we prepared by building up additional stocks of internally produced goods and externally purchased products, among other things.

The security of the power supply for the IT infrastructure was improved significantly in cooperation with the IT service providers. The contingency plan that has been put in place ensures the unrestricted availability of the key central systems and the necessary data lines for at least 80 hours in the event of a power outage. This is achieved through the expansion of the autonomous emergency power supply with additional fuel supplies and distributed power feed-in. The contingency plan also defines a targeted load reduction through the controlled shutdown of less important systems in order to ensure the power supply to the central systems.

Our procurement costs have increased significantly on the back of the sharp rise in energy prices and the resulting inflation in terms of our production costs and many of the materials we purchase externally.

Where it is possible and reasonable to do so, we counteract the risk of price changes by engaging in hedging. Further information can be found in the disclosures on financial risks in the "Management of other price change risks" section.

Product development risks

As our competitive position and our revenue and earnings development depend to a large extent on the development of commercially successful products and production technologies, we invest appropriate resources in research and development. Development processes involve an extensive time and resource commitment and are subject to technological challenges and regulatory requirements.

However, these factors and the tough competition mean there is no guarantee that all of the products in our present or future development pipeline will reach the planned market maturity and prove to be commercially successful.

Additional information on our research and development activities can be found in the section of the same name under "Basic Information on the Group".

Production risks

Production risks result from potential interruptions to operations, e.g. due to machine or furnace failures, and can have significant financial consequences and adversely affect our business performance. Accordingly, we have a sufficient maintenance budget to ensure the regular servicing of our production facilities and the necessary replacement investments. Furthermore, a rapid response is guaranteed in the event of any (internal or external) operational problems.

Climate change is becoming increasingly important around the world. Governments are adopting stricter regulations on the reduction of emissions or initiating corresponding legislation. As an example, the European Union's Green Deal has the goal of reducing net greenhouse gas emissions to zero by 2050, thereby becoming the first climate-neutral continent. As CO_2 pricing has already been in place in Germany since 2021 and other countries are expected to introduce similar regulations to make emissions more expensive in the future, this will entail not inconsiderable additional costs for our European production locations with corresponding repercussions for our international competitiveness. Similar challenges are resulting from the current energy crisis and the fluctuations in the market price of electricity and gas as a result of the Russian war on Ukraine. Although we consider these developments to be temporary and expect the situation to ease significantly in the medium term, our future investment activity will focus more on new technologies, especially in the area of firing technology, so that we can integrate ecological and economic business even more strongly than before with a view to achieving our strategic decarbonisation targets.

Environmental protection risks

The environmental impact of production cannot be avoided altogether. In order to prevent the resulting environmental risks, especially in light of increasingly stringent legislation, environmental and occupational safety laws are analysed at regular intervals and organisational measures are subsequently initiated where relevant.

As part of a continuous review of site contamination, appropriate provisions are recognised for existing risks.

We also continuously monitor emission levels at all our locations. As well as analysing the specific environmental impact, this includes taking account of the related occupational safety aspects (e.g. exposure at the respective workplaces). The central basis for continuous monitoring is a dedicated reporting system in which location-related information is bundled and presented for the Group as a whole. We respond by making corresponding investments in environmental and occupational safety as required.

Our employees are another key element of our preventive activities, and we ensure that they are made aware of current environmental and energy-related topics on a regular basis. Employees are included in various operational projects in their respective area in order to leverage potential and minimise risk.

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Financial risks

As an international Group, we are exposed to financial and economic risks. In particular, these are:

- Inventory, default and credit risks,
- Liquidity risks and
- Market price risks (exchange rate, interest rate and
- other price risks).

Financial risk is managed globally by our central Group Treasury unit. There are detailed guidelines and provisions for dealing with financial risk, including the separation of front office and back office functions. Group-wide principles regulate all relevant issues, such as banking policy, financing agreements and global liquidity management.

Management of inventory risks: For property, plant and equipment and inventories, the necessary insurance cover is in place to protect against the various risks of their actual loss. A detailed reporting system exists for the size, structure, range of coverage and changes to individual items, counteracting the risk of loss in value due to limited usability of inventories. Further information can be found in notes 6 and notes 12 of the notes to the consolidated financial statements. There is no significant concentration of inventory risks within the Group. There were no changes in the nature or extent of these risks or the risk management and measurement methods in 2022.

Management of default and credit risks: Default and credit risks describe the uncertainty that a contractual party will fail to meet its contractual obligations. In order to minimise these risks, our guidelines state that business relationships are only entered into with creditworthy business partners and, if necessary, subject to the provision of collateral.
The main receivables from customers are protected by trade credit insurance. The default risk for the remaining uninsured receivables is controlled by way of a limit system and reporting. Compliance with limits is monitored centrally. In come cases, we counteract potential default risks through the collateral deposited by customers, such as guarantees and mortgages, and through prompt collection measures. Specific valuation allowances are recognised for default risks, if necessary, that occur despite this, and particularly in the event of significant financial difficulties on the part of the debtor and impending bankruptcy (see section 13 of the notes to the consolidated financial statements). A potential increase in default risk due to the forecast upturn in insolvency rates (on the back of high inflation, high energy prices and the war in Ukraine) has been taken into account accordingly. For banks, too, minimum requirements with respect to creditworthiness and individual limits for the exposures to be entered into are established based on the ratings issued by international rating agencies and the prices of hedging instruments (credit default swaps) as well as internal examinations of creditworthiness. Compliance with limits is monitored on an ongoing basis. Default risk for investments and derivative financial instruments are low as the Group deals only with contract partners with an investment grade rating from an international rating agency. External security is also ensured for the respective instrument, for example through deposit guarantee systems.
There is no significant concentration of default risks within the Group. There were no significant changes in the nature or extent of these risks, or the methods of risk management and measurement in 2022. We also do not anticipate any significant changes in 2023.

Management of liquidity risks: In order to ensure our permanent solvency and financial flexibility, we control short, medium and long-term liquidity risks by maintaining adequate liquidity reserves and sufficient credit facilities with German and foreign banks and through a medium and short-term liquidity projection. The financing requirements of Group companies are generally met in full by internal lending. This allows the cost-effective and permanently adequate coverage of financial requirements for the Group's business operations and site investments. We utilise international cash pooling systems in order to reduce external finance volumes and optimise our financial result. External loans are provided for the Group companies involved only to the extent that legal, tax or other circumstances do not permit internal lending in exceptional cases. There is no significant concentration of liquidity risks within the Group. The heightened capital transfer risks for dividends from Russia in 2022 did not have an impact on the Group's solvency or its overall liquidity situation. There were no changes to the risk management and measurement methods in 2022. Further information on the management of liquidity risks can be found in note 54 of the notes to the consolidated financial statements.

Management of exchange rate risks: In the course of our global business activities, we are exposed to exchange rate risks arising from transactions in foreign currencies. Currency futures contracted with banks with good credit ratings are predominantly employed as hedging transactions. We generally hedge exchange rate risk over a period of twelve months, though hedges can extend beyond this horizon in exceptional cases. The required hedging volume is first determined by netting receivables and liabilities throughout the Group for each currency pair. As a matter of principle, the remaining exchange rate risk is initially hedged at a level of up to 70 % on the basis of past experience.

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From the conclusion of the contract, it is demonstrated periodically that possible currency fluctuations in the planned hedged item are offset by the opposing effects of the hedge throughout the term of the contract. The volume identity of planned and recognised foreign currency revenues for transactions already settled is also reviewed and documented at the end of each reporting period. There is no significant concentration of exchange rate risks within the Group. There were no changes in the nature of these risks or the risk management and measurement methods in 2022. As in the previous years, however, there is an increased risk due to the volatility of various currencies, for example the US-Dollar, the Norwegian and Swedish krona and the Chinese renminbi. These currencies can be expected to see a heightened exchange rate risk once again in 2023. We use a dynamic hedging approach to address these risks. Further information on the management of exchange rate risks can be found in note 54 of the notes to the consolidated financial statements.

Management of interest rate risks: Interest rate risks occur as a result of interest rate fluctuations on the market when funds are invested or borrowed at fixed- and variable-interest rates. The earnings risk arising from interest rate changes is determined on the basis of sensitivity analyses and controlled by Group Treasury, which maintains an appropriate relationship between fixed- and variable-interest borrowings. The risk of volatile interest markets is limited by way of fixed-interest loan agreements. There were no changes in interest risk positions or the risk management and measurement methods in 2022. As the central banks raised interest rates during 2022, deposit fees and negative interest rates ceased to be relevant. Further information on the management of interest rate risks can be found in section 54 of the notes to the consolidated financial statements.

Management of other price risks: As part of our risk management, we identify price change risks in commodity procurement. We use contractual price fixes with suppliers and energy providers as well as capital market-oriented financial products for hedging purposes. The commodity of brass and some of our gas requirements are currently hedged using commodity swaps with banks with good credit ratings. The requirements in accordance with production planning are generally hedged at a level of 70 % for the coming year on the basis of past experience. For the purpose of risk spreading, hedges are conducted in small tranches over a period of two to three years. In 2022, the volume of hedges was covered by corresponding hedged items on a monthly basis. As such, there is no significant concentration of other price risks within the Group for the hedged raw materials. The turbulence on the energy markets in particular meant that price change risks were substantially higher than usual in 2022. Reflecting this change in the risk situation, we increased the hedging ratios for gas in particular at short notice. Further information on the management of commodity price risks can be found in section 54 of the notes to the consolidated financial statements.

Tax risks

The global business activities of the Villeroy & Boch Group mean it is subject to a wide range of country-specific tax laws and regulations. Changes in the applicable tax law situation could have an adverse effect on the taxation of the Group companies.

The Group companies domiciled in Germany and abroad may be subject to an external audit of their tax declarations and payments by the responsible local fiscal authorities. As a matter of principle, the resulting risks relate to all outstanding assessment periods and arise primarily in connection with differing or more restrictive interpretations of existing provisions by the fiscal authorities, which can result in additional financial burdens.

Tax risks are continuously identified and systematically reviewed and assessed as part of our risk management system. The corresponding technical issues are analysed and evaluated by the central Group tax department in conjunction with external tax consulting firms. Adequate provisions have been recognised for tax risks that are already known.

Personnel risks

The long-term success of the Villeroy & Boch Group depends to a large extent on its committed and skilled employees and managers. In order to secure new talents and expertise for the long term, the Group places great value on a targeted human resources policy which involves the recruitment and training of new, qualified employees and the continuous further education of established staff in the form of management and personality training and specialised learning programmes. A growing challenge for us as an employer is the increasingly tough competition for new employees as societal developments, and especially demographic change, lead to a shift in terms of supply and demand on the employment market. Finding the necessary replacements for qualified employees in key positions involves recruitment processes that can be lengthy. Fluctuation is also increasing as attractive vacancies on the employment market mean specialists and managers are more willing to move. This will lead to capacity bottlenecks as not all vacancies can be filled by external candidates. Among other things, we are counteracting this risk by further supporting internal training and development through job rotation, succession planning and investing in attractive employer branding. Furthermore, in light of digitalisation, we must adapt to the changes in the job profiles that will be required moving ahead. Our new human capital management

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system provides the necessary transparency and systematic support for advancing issues relating to staff development in a targeted manner.

We have pension and pension-related obligations for the provision of retirement benefits to our employees. Changes in the relevant measurement parameters, such as interest rates, mortality rates and the rate of salary growth, constitute a financial risk as they may lead to a change in the volume of these obligations and negatively impact our equity and our earnings. Provisions for pensions are described in note 26 of the notes to the consolidated financial statements.

Legal risks

The progressive internationalisation of our business activities is accompanied by an increase in the number and complexity of the statutory provisions we are required to observe. Accordingly, we are permanently exposed to risks in connection with guarantee obligations and material defects, product liability, competition and antitrust law, industrial property rights and claims arising from breaches of contract. To the extent that it is foreseeable and economically reasonable to do so, we cover the existing legal risks by concluding insurance policies that are typical for the industry and recognise provisions to a sufficient extent for obligations going above and beyond this. To reduce the potential cost of legal risks, we ensure the high quality standards of our products by regularly monitoring production and making continuous improvements. In addition, responsible and legally compliant behaviour is ensured by the compliance organisation established by the Management Board.

On 16 February 2022, the Saarbrücken Higher Regional Court confirmed the rulings of the Saarbrücken Regional Court in connection with the EU's decision on bathroom manufacturer antitrust proceedings, rejected in full the legal remedies in the recourse proceedings against former members of the Management Board and denied the appeal. At its meeting on 9 March 2022 prior to the expiry of the period for appeal, the Supervisory Board decided, having discussed and weighed up the relevant aspects and obtained legal advice, not to file any further appeals against the verdicts of the Higher Regional Court. This brought the proceedings to a conclusion.

IT risks

Generally speaking, a distinction can be made between the following IT risks:

- non-availability of data and IT systems,
- missing or incorrect provision of data,
- loss or manipulation of data,
- cybercrime
- breaches of compliance (data protection provisions, licensing violations, etc.),
- disclosure of confidential data and information.

The detailed Group-wide security policies and provisions for the active management of these risks are regularly examined by external auditors to ensure compliance and effectiveness. Our central IT organisational structure and the use of standardised, Group-wide IT systems and processes are important measures aimed at minimising the probability of risks occurring. We continued to increase the number of employees in our internal IT security organisation in the 2022 financial year; we also worked closely with IT security service providers in the context of a managed security service.

The IT security concept is based on best practice standards (BSI, ISO 27001) and fully includes all IT service providers. The catalogue of measures is supplemented by cyber insurance. We pay strict attention to compliance with the corresponding security certifications when selecting our IT service partners. Annual security tests (known as penetration tests) serve to verify the suitability of the protective measures.

The advancing digitisation of our business and production processes and the further increased risk of cyberattacks in 2022 are accelerating the continuous evolution of the IT security architecture. Further improvements to IT security are focused on production and logistics, as the threat situation in these areas in particular has increased significantly. The partial or complete failure of these control systems would inevitably have a negative impact on our value chains. As well as introducing a business continuity plan containing organisational and technical instructions for maintaining emergency operations, contingency planning has been amended to reflect the change in the threat situation. The partial shift in sales activities from retail outlets to online sales, the associated growing importance of electronic revenue volumes and the further digitalisation of the value chain results in greater potential for losses. All Group locations are effectively protected using standardised, centrally managed firewall technology, extensive protective measures for stationary and mobile devices, spear phishing e-mail filtering including user training, additional alarm systems and the segmentation of internal data networks. The impact of partial electricity blackouts on the IT systems was examined and IT failure risks were reduced by implementing additional measures.

Overall risk position

The Management Board of Villeroy & Boch AG regularly examines the risk situation of the Group and has satisfied itself as to the effectiveness of the risk management system. In the 2022 financial year, the risk profile did not change materially compared with the previous year.

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In the opinion of the Management Board, based on the probability of occurrence and potential impact of the risks described above, they do not represent a risk to the continued existence of the Group either in isolation or cumulatively. The individual risks are controlled using the risk management system and sufficient risk cover is available. The Management Board does not expect this to have a material influence on the Group's net assets, financial position and results of operation.

REPORT ON OPPORTUNITIES

The Villeroy & Boch Group has a wide range of opportunities to secure its long-term future business success. The following section describes the material opportunities available to the Group involving additional earnings potential.

Opportunities through ceramic expertise

Expertise with ceramic materials is in Villeroy & Boch's DNA and a key factor in our successful 270-year history as a company. We focus on combining product design and raw material and production expertise with product functionality and quality. With successful products like the rimless DirectFlush WC and innovations such as the state-of-the-art ViClean-I 100 shower toilet, in which all the technology is integrated inside the WC's ceramic, we are underlining our claim to innovation leadership in ceramic sanitary ware. Another example is TwistFlush, our latest flush technology, which harnesses the physical force of water vortexes for perfect cleanliness while also guaranteeing lower water consumption, thereby promoting sustainability in the bathroom. Further examples include innovative materials like TitanCeram, which combines selected natural materials such as feldspar, quartz, clay and titanium dioxide for particularly delicate yet stable washbasins, and our matte TitanGlaze, which gives the ceramic a very scratch- and impact-resistant finish thanks to a high-purity, crystalline aluminium oxide. In our successful Artis surface-mounted washbasin family, we now offer a BiColour look in addition to classic white. This allows us to follow the latest colour trends with the help of our many years of ceramic colour expertise. We are working on the ceramics of the future at our own development centre and in cooperation with selected research partners, and we are confident that this will allow us to continue to set ourselves apart from the competition in future.

Opportunities through addressing current trends in society

One key opportunity in the Dining & Lifestyle Division involves identifying at an early stage trends in society with regard to how people enjoy food and drink so that we can benefit by offering a corresponding product range. Our products help customers to design their homes in line with their personal wishes and preferences and turn them into something special. In addition to focusing on the perfectly laid table, we offer designer products for home decoration. Many of our products make ideal gifts for various occasions and are marketed accordingly. By establishing and expanding our range of gifts, we also give customers the opportunity to find the right gift for every occasion and share the joy with others.

Opportunities through growth markets

While our activities in the markets of Europe are primarily focused on expanding our market share, our approach in the growth regions is geared towards increasing brand awareness and hence establishing our position on the respective market. As before, the biggest growth potential in the Bathroom & Wellness Division lies on our Chinese market. Market investments in China include more intensive marketing and the expansion of the logistics infrastructure with the aim of accelerating growth and increasing awareness of the Villeroy & Boch brand. In ceramics, we are expanding our capacities for the one-piece toilets that are performing well on the market, as well as for market-specific washbasins. The development and marketing of shower toilets and fittings from the Villeroy & Boch brand are also growth drivers. Market cultivation in other countries, such as in Southeast Asia and Australia, is being expanded via distributors and by introducing new ranges of fittings.

In the Dining & Lifestyle Division, a differentiated product range policy is helping us to continue to strengthen the existing retail structure, especially on the US market and selected European markets. Strengthening the domestic market (Germany, Austria and Switzerland) and further growth, especially in France and Italy – not least by expanding e-business – are also key areas.

Opportunities through project business

We believe that there is still good potential for increasing the sales volume in our global project business in the Bathroom & Wellness Division. The investments in the hotel business that were postponed during the pandemic are increasingly seeing renewed momentum. We see the areas of health and care, and residential construction as offering particularly strong potential for continued growth.

We are boosting the work of our national project sales operations and our central organisational work "Global Projects", headquartered in London, through which we manage and coordinate our reach-out activities with top interior designers, international hotel groups and international project developers, by using the CRM system Salesforce. The main markets for our project business are Central Europe, the Middle East and China. Global cooperation agreements are in place with

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leading hotel chains and operator companies to significantly increase our chances of success in this area.

Additionally, ranges such as furniture and front wall installation will contribute more than before to growth in project business.

Opportunities through licence partnerships

Granting brand licences is another instrument we use to position the Villeroy & Boch brand outside our core business areas. Accordingly, licence business is a way of attracting new target groups and expanding our product range. In the brand licence area, our licensing partners currently offer tiles, fittings, lighting, blankets and plaids, furniture for living and dining rooms, kitchen furniture, kitchen and bathroom textiles and laminate under the Villeroy & Boch brand.

Opportunities through digitalisation

Opportunities of digitalisation for marketing

In recent years, we have massively upgraded our structures and investment in digitalisation, and are gearing our online activities towards providing our customers with innovative, needs-driven concepts, both offline and online. Our aim is to have a presence wherever customers look for us and to provide them with a consistent information and shopping experience. The steady rise in the use of digital channels meant that our online services continued to gain in significance. As we believe that customers' internet usage behaviour has changed for good, we expect interest in our online services to increase further even after the COVID-19 pandemic subsides. In order for us to reflect this accelerated development and fully leverage the available potential, it will also become increasingly important for us to continuously improve our website and online shops, intensify our social media activities, increase the use of online marketing channels and optimise our web content for search engines. In this context, in recent years we have continuously optimised the content of the Villeroy & Boch website and added extra functions. Additionally, funds have increasingly been allocated to online marketing measures so that we can advertise our products to the appropriate target groups using state-of-the-art targeting. As a result, Villeroy & Boch's visibility and presence in digital channels has been increased significantly in all regions. A key aspect of our online strategy is now also to activate existing customers through channels such as e-mail marketing. This also involves a focus on the increased use of our cloud-based omnichannel and CRM solution Salesforce so that we can activate existing customers even more effectively and in a more targeted and personalised manner. We are continuing to expand the necessary technical and organisational skills, with the increased and more professional use of marketing automation and artificial intelligence playing an important role in this respect.

E-commerce is a strategically important sales channel for our Dining & Lifestyle Division. This encompasses our own online shops as well as the sales platforms operated by other providers. With growth having accelerated in the previous year due to the COVID-19 pandemic in particular before returning to normal levels, we anticipate good growth rates in online business in the years ahead and assume that this sales channel will continue to develop dynamically. Although we were unable to maintain the prior-year revenue level – which was disproportionately high as a result of the pandemic – in the 2022 financial year, the steady expansion and continuous professionalisation of our e-commerce activities remains a major priority for the division in light of the aforementioned forecast of further dynamic development and growth opportunities in this channel. As well as being an important pillar of this process, our own online shops enable direct interaction with our customers and provide us with important insights into their behaviour.

Villeroy & Boch is a strong and innovative partner in digital business. Whether for raising the visibility of the brand in general or providing high-quality data and content in the digital sector – both in the online shop and when assisting our customers with the relevant data in the professional and portal area. In the context of digitalisation, we offer a dealer search on our website and send varied digital newsletters to our partners. Digital training with corresponding tools and virtual trade fairs are taking place regularly and successfully. The networking of online and offline is constantly being advanced and the customer experience improved, which supports the success of our own online business on the one hand while also raising the visibility of our brand among our retail partners.

In the Bathroom & Wellness Division, digital services and tools play a primary role. With tools like our Bathroom Planner, Bathroom Inspirator, Style Finder and Augmented Reality App, consumers can plan their ideal bathroom and project the selected products into a video of the allocated room using a smartphone or tablet for a lifelike 3D view. In this way, the use of new technologies generates additional benefit for customers. Digital channels can also be used to reach both end customers and business customers (including architects, planners and plumbers) in a targeted and efficient manner. This allows us to generate valuable leads with additional revenue potential that we pass on to our dealers with the customer's permission. Additional contact paths via digital channels are continuously being established and enhanced to further optimise lead processing with our dealers. The Villeroy & Boch app is a digital solution that provides our partners with all information at a glance on their smartphone or tablet, including current prices, measurements and

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installation instructions. Last but not least, social media platforms such as Pinterest, Instagram and TikTok offer considerable opportunities for making extensive contact with new target groups. Our focus in this area is on the creation of digital content that illustrates Villeroy & Boch's design expertise across different social media platforms.

Opportunities of digitalisation for production

The digital transformation holds vast potential for our production sites. Initial pilot projects have already become established as best methods and standards, which will enable them to be rapidly scaled for other areas of application. The simultaneous expansion of standardised, consistent IT systems and the networking of machines within the production process remain the basis for further uses of digitalisation. At some plants, machines are already using modern IoT (Internet of Things) technology to deliver data for evaluation in our cloud-based data lake.

We are continuing to leverage the available potential for improvement through statistical fault analysis and the stabilisation of process parameters. For example, predictive analytics is an area of digitalisation that can be harnessed to improve earnings. The basis for leveraging the resulting potential is provided by recording and collecting all of the relevant data for a product within the manufacturing process. At sanitary ware factories, all products are initially identified at measurement stations using barcodes. Quality-related data for each product is then stored in a central analysis system. This data may relate to ceramic composition, material flow, and the climatic conditions, tools used and process parameters applied in the production systems. The aim is to connect the data recorded in order to identify the influence, critical value ranges and interdependencies of the process parameters in the first instance, thereby allowing predictions about the risk of a faulty product at the end of the production process to be made as reliably as possible in the long term. In processes controlled using defined thresholds, products are discarded at an early stage if the probability of failure exceeds a predefined level. This prevents unnecessary process costs and improves energy efficiency, particularly with regard to the energy-intensive firing process. We expect the successive roll-out and continuous improvement of these analysis systems at all our plants to result in relevant long-term improvements in earnings. We have also increasingly made use of artificial intelligence since 2022. For instance, digital twins are used in parts of development and production in order to further optimise processes in a sustainable manner while conserving resources, and automated image recognition is already helping to identify product faults in areas such as production.

Another important element of this process is the establishment of a knowledge database so that we can collect the insights gained from process digitalisation and combine it with our expertise. This knowledge database combines simple handling, an AI-powered search engine and the automated linking of related content (video, audio, images, documents from various sources). Thanks to a multi-language approach, the available knowledge is secured for the long term and accessible for users around the world. Among other things, this means that new employees can be trained more quickly and easily and solutions can be shared across all plants. State-of-the-art technologies are also being examined, such as the use of collaborative robots for largely manual and physically demanding steps within the production process. To this end, we are working in close cooperation with robot manufacturers and research institutions.

Opportunities of digitalisation for administration

Last but not least, digitalisation is having a positive effect in terms of efficiency in our administrative areas. The use and performance enhancement of uniform IT systems as well as new technologies are making a significant contribution to continuous efficiency improvement. The optimisation potential lies in the Group-wide harmonisation and standardisation of repetitive processes across all areas of activity. For the HR departments in particular, the introduction of a cloud-based platform has laid the foundations for modern human resources management. The use of standardised processes and uniform IT systems is a prerequisite for expanding the bundled processing of business transactions at shared service centres in the areas of human resources, procurement and finance. The further digitalisation of processes using new digital tools, such as robotic process automation, process mining and bots, is aimed at improving the performance and quality of our processes while also increasing efficiency.

Opportunities through digital transformation

In addition to the fields of application already mentioned and the opportunities of digitalisation that lie therein, the company continues to strengthen its own organisational unit that drives the digital transformation of the entire Group and thus makes the opportunities of digitalisation usable in day-to-day work. This will focus, for instance, on activities to establish the company's own new digital business models within the company or investments in digital start-ups to tap new business areas and sales opportunities, or the development of methods and expertise in the field of data science, such as using big data or artificial intelligence in all value-added processes. The projects that have already been implemented in this area serve to demonstrate the benefits of these initiatives, and these areas of activity will be expanded in future. In addition, there is an increased focus on internal programs and initiatives to accompany the digital transformation and cultural change in the company.

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Opportunities through acquisitions

In addition to organic growth, acquisitions also offer potential for the expansion of our business activities. Accordingly, we are continuously observing our environment and evaluating with due care any additions that might prove to be beneficial. We are currently analysing potential acquisitions in both the Bathroom & Wellness Division and the Dining & Lifestyle Division.

Non-operating earnings potential

Outside our operating business, we believe that there is earnings potential in the development and marketing of properties that are no longer required for operating purposes.

The development of our property in Luxembourg offers additional earnings potential. Barring the area of the chateau, the property was sold in 2019. The result that can be generated from this is dependent on the building rights that can be secured. Together with the buyers and the City of Luxembourg, we are working on the selective modification of the existing land use plan and preparing a development plan for the entire Rollingergrund site, which is to be developed into an attractive and energetic residential and working district with a high share of housing.

The responsible bodies in Luxembourg resolved the preparation of the development plan in early January 2022. The local council approved the development plan in December 2022. In order for it to become effective, the content of the development plan is first subject to a review by the Luxembourg Minister of the Interior, who must decide within three months of receiving the documents whether the development plan can be published and subsequently enacted. We expect the Minister of the Interior to come to a decision in the first half of 2023. If the decision is positive, this would likely result in the recognition of corresponding income of more than € 20 million.

Further property projects with high seven-figure income potential over a longer period of time are also still in development.

REPORT ON EXPECTED DEVELOPMENT

We expect global economic growth to be weak on the whole in 2023. The war in Ukraine and the interest rate hikes by central banks to combat inflation are continuing to stifle economic activity. However, we expect global inflation to decline. Economic performance in the euro area is likely to be moderate, with the German economy set to deteriorate considerably.

By contrast, we anticipate moderate growth overseas. This includes the Chinese economy, which should benefit from the lifting of the zero-COVID policy.

Risks to global economic development could arise from the development of the war in Ukraine, especially in the event of an escalation of hostilities, while a dramatic rise in COVID infections in China could hinder the country's economic upturn. Furthermore, a renewed escalation of the trade dispute and the political conflict between the US and China cannot be ruled out. Geopolitical tension and protests criticising the government in various countries could also curb economic performance.

We expect European residential construction, a key indicator for business development in the Bathroom & Wellness Division, to record slight growth as a whole in the forecast period. In contrast to other European countries, we expect Germany to see a below-average growth rate. We believe the Chinese construction industry could see an upturn following the real estate crisis in the previous year.

Private consumer spending remains one of the key factors in our Dining & Lifestyle business. In light of the expected economic environment, we expect consumer sentiment to be muted, especially with a view to inflation.

The forecasts for the development of macroeconomic and industry-specific conditions presented here are based on the figures published by various research institutions and our own estimates.

Revenue, earnings and investments in the Group

Based on the expected economic environment, our goal for the 2023 financial year is to achieve organic growth in consolidated revenue of between 4 % and 7 %, especially with a view to price increase effects. We expect our operating EBIT to remain at the prior-year level due to inflation.

Our investments in property, plant and equipment and intangible assets are forecast to amount to more than € 50 million in the 2023 financial year.

The intensification of our investing activities includes the strategic expansion of the two divisions as well as investments to reduce CO_2 emissions.

Most of our total investment will take place in the Bathroom & Wellness Division, where investmens will include an expansion of our one-pice capacities at the Thai production site. We also plan to make further investments in the "Mettlach 2.0" site development project.

Because of this and the inflation-related increase in current assets, our return on net operating assets is expected to decline by more than five percentage points in 2023.

The forward-looking statements contained in this management report are based on assessments made by the

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Management Board of Villeroy & Boch AG to the best of its knowledge at the preparation date of the consolidated financial statements. They are subject to various risks and uncertainties as a matter of principle. Accordingly, actual results could deviate from expectations of future performance if any of the uncertainties listed in the report on risks and opportunities or other uncertainties were to occur or if the assumptions underlying the statements proved to be inaccurate.

OTHER DISCLOSURES

Disclosures on the acquisition of treasury shares

Disclosures on the acquisition of treasury shares in accordance with section 160 (1) no. 2 of the German Stock Corporation Act (AktG) can be found in note 19 of the notes to the consolidated financial statements.

Takeover disclosures in accordance with section 315a HGB and explanatory report

The disclosures relevant to takeovers in accordance with section 315a(1) HGB can be found in note 17 and note 25 to the consolidated financial statements, with the exception of the information pursuant to § 315a(1)(6) HGB.

The appointment and dismissal of members of the Management Board are governed by sections 84 and 85 of the Aktiengesetz (AktG - German Stock Corporation Act) and section 31 of the Mitbestimmungsgesetz (MitbestG - German Codetermination Act). In accordance with Article 6(1) of the Articles of Association, the Management Board consists of at least two members: the exact number is determined by the Supervisory Board according to the company's requirements. The Supervisory Board can appoint a member of the Management Board as the Chairman of the Management Board. An amendment of the Articles of Association requires a resolution of the Annual General Meeting in accordance with section 179 AktG. The authority to make amendments that affect the wording only is conferred on the Supervisory Board in accordance with Article 7(8)(2) of the Articles of Association.

In accordance with section 179(2) AktG, resolutions by the Annual General Meeting that amend the Articles of Association require a majority of at least three quarters of the share capital represented in the resolution, unless a different capital majority is stipulated by the Articles of Association. Article 8(2)(b) of the Articles of Association states that resolutions by the Annual General Meeting require a simple majority of the votes cast and, if a capital majority is required, a simple majority of the share capital represented, unless a larger majority is required by law.

Group declaration on corporate governance

With regard to the Group declaration on corporate governance required by section 315d in conjunction with section 289f of the German Commercial Code (HGB), reference is made to the version printed in the 2022 Annual Report, which is available online at https://www.villeroyboch-group.com/en/investor-relations/financial-news/declaration-on-corporate-governance.html.

REMUNERATION REPORT

Remuneration System

Information on the main features of the remuneration system can be found in the remuneration report in accordance with section 162 AktG in the 2022 Annual Report and on the Internet at https://www.villeroyboch-group.com/en/investor-relations/corporate-governance/remuneration-system-for-the-management-board-of-villeroy-boch-aktiengesellschaft.html.

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COMBINED RESPONSIBILITY STATEMENT[5]

To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the 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.

Mettlach, 17 February 2023



Frank Göring



Dr Peter Domma



Esther Jehle



Georg Lörz



Gabriele Schupp



Dr Markus Warncke

This section is an unaudited part of the Group management report

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CONSOLIDATED FINANCIAL STATEMENTS

75 CONSOLIDATED BALANCE SHEET

77 CONSOLIDATED INCOME STATEMENT

78 CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

79 CONSOLIDATED STATEMENT OF EQUITY

80 CONSOLIDATED CASH FLOW STATEMENT

81 NOTES

81 General Information

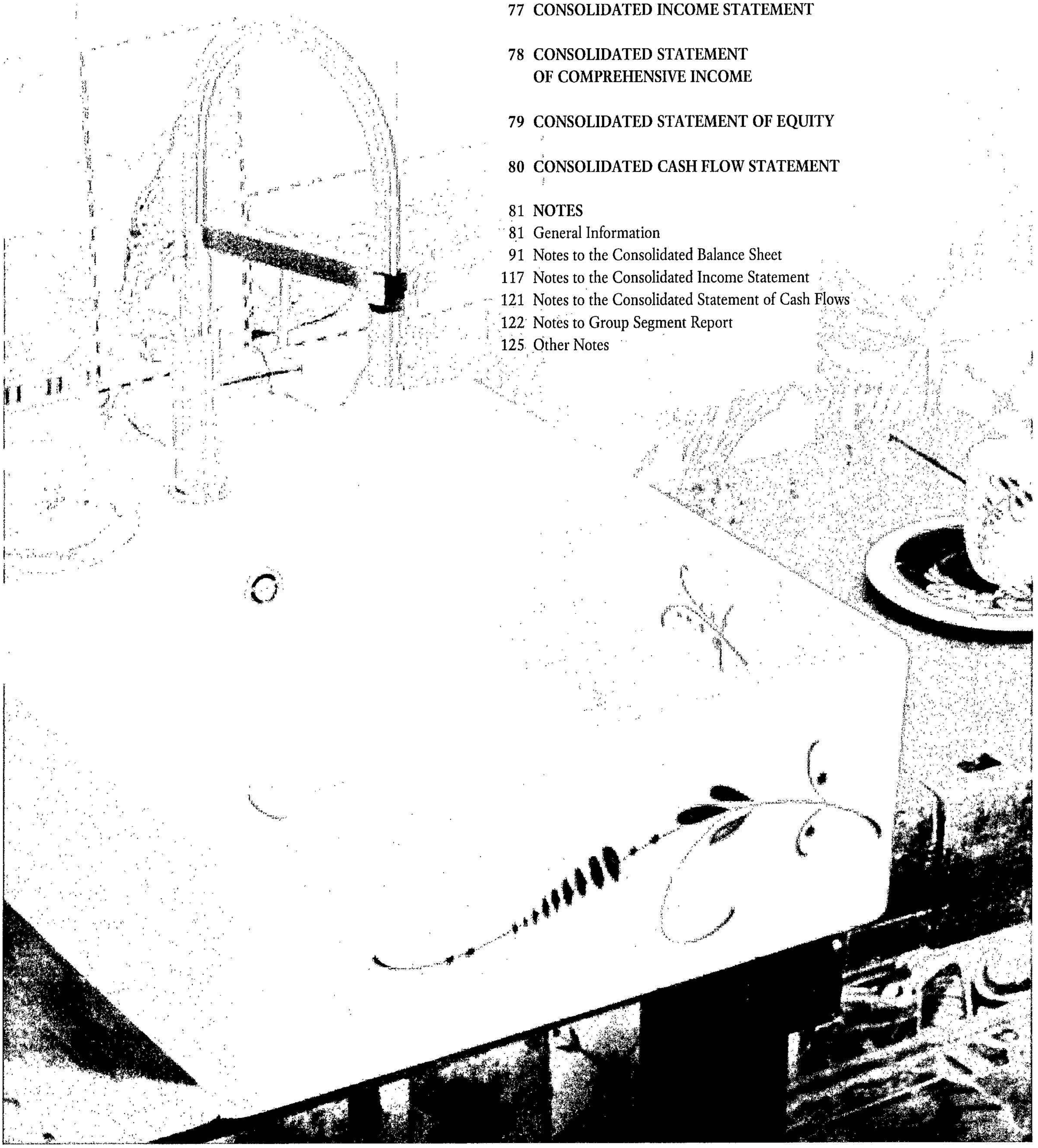
91 Notes to the Consolidated Balance Sheet

117 Notes to the Consolidated Income Statement

121 Notes to the Consolidated Statement of Cash Flows

122 Notes to Group Segment Report

125 Other Notes



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CONSOLIDATED BALANCE SHEET

as of 31 December 2022

in € million	Notes	31/12/2022	31/12/2021
Assets			
Non-current assets			
Intangible assets	5	33.3	35.1[1]
Property, plant and equipment	6	175.4	165.9
Right-of-use assets	7	41.3	37.2
Investment property	8	4.6	5.1
Investments accounted for using the equity method	9	2.4	2.0
Other financial assets	10	29.8	28.9
Fixed assets		**286.8**	**274.2**
Other non-current assets	14	3.0	2.0
Deferred tax assets	11	31.5	42.2
		321.3	**318.4**
Current assets			
Inventories	12	238.4	189.4
Trade receivables	13	129.4	116.4
Other financial assets	10	25.0	25.1
Other current assets	14	30.4	44.9
Income tax receivables	15	9.1	3.4
Cash and cash equivalents	16	226.6	264.1
		658.9	**643.3**
Total assets		**980.2**	**961.7**

1) Change in accounting in accordance with IAS 12 (see explanations in section 2.1 Accounting policies)

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in € million	Notes	31/12/2022	31/12/2021
Equity and Liabilities			
Equity			
Equity attributable to Villeroy & Boch AG shareholders			
Issued capital	17	71.9	71.9
Capital surplus	18	194.2	194.2
Treasury shares	19	- 14.5	- 14.5
Retained earnings	20	195.8	150.4
Revaluation surplus	21	- 78.7	- 98.6[1]
		368.7	**303.4**
Equity attributable to minority interests	22	3.8	3.7
		372.5	**307.1**
Non-current liabilities			
Provisions for pensions	26	126.9	175.5
Non-current provisions for personnel	27	13.0	15.9
Other non-current provisions	28	18.8	22.6[1]
Non-current financial liabilities	29	75.0	85.0
Non-current lease liabilities	30	29.2	25.5
Other non-current liabilities	31	8.4	32.5
Deferred tax liabilities	11	5.9	4.2
		277.2	**361.2**
Current liabilities			
Current provisions for personnel	27	17.5	20.8
Other current provisions	28	28.4	27.0
Current financial liabilities	29	10.4	25.3
Current lease liabilities	30	12.7	12.4
Other current liabilities	31	143.1	105.8[1]
Trade payables	32	99.4	82.5
Income tax liabilities		19.0	19.6
		330.5	**293.4**
Total liabilities		**607.7**	**654.6**
Total equity and liabilities		**980.2**	**961.7**

[1] Changes in accounting for emission allowances recognised in accordance with IAS 8.14 (for explanations see section 6.1 Accounting policies)

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CONSOLIDATED INCOME STATEMENT

for the period 1 January to 31 December 2022

in € million	Notes	01/01/2022 – 31/12/2022	01/01/2021 – 31/12/2021
Revenue	33	**994.5**	**945.0**
Costs of sales	34	- 569.0	- 526.7
Gross profit		**425.5**	**418.3**
Selling, marketing and development costs	35	- 271.7	- 269.7
General administrative expenses	36	- 48.4	- 48.3
Other operating income	37	16.6	17.8
Other operating expenses	38	- 25.6	- 27.9
Result of associates accounted for using the equity method	39	0.4	0.3
Operating result (EBIT)		**96.8**	**90.5**
Interest income and other finance income	40	6.0	1.5
Interest expenses and other finance expenses	41	- 7.5	- 6.5
Financial result		**- 1.5**	**- 5.0**
Earnings before taxes (EBT)		**95.3**	**85.5**
Income taxes	42	- 23.8	- 25.0
Group result		**71.5**	**60.5**
Thereof attributable to:			
Villeroy & Boch AG shareholders		71.2	60.2
Minority interests	43	0.3	0.3
Group result		**71.5**	**60.5**
Earnings per share		**in €**	**in €**
Earnings per ordinary share	44	2.67	2.25
Earnings per preference share	44	2.72	2.30

During the reporting period there were no dilution effects.

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the period 1 January to 31 December 2022

in € million	Notes	2022	2021
Group result		**71.5**	**60.5**
Other comprehensive income			
Items to be reclassified to profit or loss:			
Gains or losses on translations of exchange differences	21	- 7.3	- 3.5
Gains or losses on cash flow hedges	21	1.0	- 3.2
Deferred income tax effect on items to be reclassified to profit or loss	21	- 0.5	6.9
Items not to be reclassified to profit or loss:			
Actuarial gains or losses on defined benefit plans	21	40.1	9.9
Gains or losses on value changes of securities	21	- 1.9	0.8[1)]
Deferred income tax effect on items not to be reclassified to profit or loss	21	- 11.5	- 1.9
Total other comprehensive income		**19.9**	**9.0**
Total comprehensive income net of tax		**91.4**	**69.5**
Thereof attributable to:			
Villeroy & Boch AG shareholders		91.1	69.2
Minority interests		0.3	0.3
Total comprehensive income net of tax		**91.4**	**69.5**

1) Change in accounting for emissions allowances recorded pursuant to IAS 8.14 (for explanations see section 6.1.1 Accounting policies)

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CONSOLIDATED STATEMENT OF EQUITY

for the period 1 January to 31 December 2022

	Equity attributable to Villeroy & Boch AG shareholders							
in € million	Issued capital	Capital surplus	Treasury shares	Retained earnings	Revaluation surplus	Total	Equity attributable to minority interests	Total equity
Notes	17	18	19	20	21		22	
As of 01/01/2021	**71.9**	**193.6**	**- 15.0**	**104.0**	**- 107.6**	**246.9**	**4.8**	**251.7**
Group result				60.2		60.2	0.3	60.5
Other comprehensive income					9.0[1)]	9.0		9.0
Total comprehensive income net of tax				**60.2**	**9.0**	**69.2**	**0.3**	**69.5**
Employee share program		0.6	0.5			1.1		1.1
Dividend payments				- 13.8		- 13.8	- 1.4	- 15.2
As of 31/12/2021	**71.9**	**194.2**	**- 14.5**	**150.4**	**- 98.6**	**303.4**	**3.7**	**307.1**
As of 01/01/2022	**71.9**	**194.2**	**- 14.5**	**150.4**	**- 98.6**	**303.4**	**3.7**	**307.1**
Group result				71.2		71.2	0.3	71.5
Other comprehensive income					19.9	19.9		19.9
Total comprehensive income net of tax				**71.2**	**19.9**	**91.1**	**0.3**	**91.4**
Dividend payments				- 25.8		- 25.8	- 0.2	- 26.0
As of 31/12/2022	**71.9**	**194.2**	**- 14.5**	**195.8**	**- 78.7**	**368.7**	**3.8**	**372.5**

1) Change in accounting for emissions allowances in accordance with IAS 8.14 that explain terms see section 6.1 Accounting policies

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CONSOLIDATED CASH FLOW STATEMENT

for the period 1 January to 31 December 2022

in € million	Notes	01/01/2022 – 31/12/2022	01/01/2021 – 31/12/2021
Group result		71.5	60.5
Depreciation of non-current assets	45	41.4	40.3
Change in non-current provisions		- 14.2	- 3.8
Profit from disposal of fixed assets		- 3.1	–
Change in inventories, receivables and other assets		- 68.8	- 35.9
Change in liabilities, current provisions and other liabilities		36.5	12.6
Taxes paid / received in the financial year		- 18.2	- 12.8
Interest paid in the financial year		- 3.2	- 2.5
Interest received in the financial year		1.1	0.3
Other non-cash income / expenses	49	11.1	15.1
Cash flow from operating activities	**49**	**54.1**	**73.8**
Purchase of intangible assets, property, plant and equipment		- 36.7	- 25.7
Investment in non-current financial assets and cash payments		- 3.2	- 15.7
Investment in current financial assets and cash payments		–	- 25.0
Proceeds/investments from/in other current assets		15.0	- 15.0
Proceeds from the sale of subsidiaries and other business units		1.4	0.5
Proceeds from the disposal of fixed assets		4.3	5.0
Cash flow from investing activities	**50**	**- 19.2**	**- 75.9**
Cash repayments of amounts borrowed	29	- 24.9	- 4.9
Cash repayments of lease liabilities	30	- 18.2	- 14.4
Dividends paid to minority shareholders	22	- 0.1	- 1.3
Cash proceeds from the issue of minority interests	19	–	0.9
Dividends paid to shareholders of Villeroy & Boch AG	23	- 25.8	- 13.8
Cash flow from financing activities	**51**	**- 69.0**	**- 33.5**
Sum of cash flows		**- 34.1**	**- 35.6**
Balance of cash and cash equivalents as of 01.01.		**264.1**	**297.8**
Change based on total cash flows		- 34.1	- 35.6
Changes due to exchange rates		- 3.4	1.9
Net increase in cash and cash equivalents		**- 37.5**	**- 33.7**
Balance of cash and cash equivalents as of 31.12.	**16+52**	**226.6**	**264.1**

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NOTES

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 in Germany under 63610. The Villeroy & Boch Aktiengesellschaft (AG) 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.

In line with section 315e of the HGB (German Commercial Code), the consolidated financial statements as at 31 December 2022 were prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union. The consolidated financial statements are supplemented by additional explanatory notes in accordance with section 315e HGB.

The financial year is the calendar year. The consolidated financial statements were prepared in euro. Unless stated otherwise, all amounts are disclosed in millions of euros (€ million).

The annual financial statements of Villeroy & Boch AG and the consolidated financial statements of Villeroy & Boch AG are published in the register of companies.

The Management Board of Villeroy & Boch AG approved the consolidated financial statements for submission to the Supervisory Board on 17 February 2023. The Supervisory Board is responsible for examining the consolidated financial statements and declaring whether it approves the consolidated financial statements.

Effects of the Ukraine War

Society, politicians and business are currently faced with multifaceted and, in some cases, interdependent challenges resulting mainly from the war in Ukraine, which are leading to considerable uncertainty and risk. The impact on this interim report is summarised as follows.

Due to the cancellation of orders and the termination of distribution contracts, the war in Ukraine led to a downturn in revenue in Russia and Belarus. We have since scaled back our staff structure in these markets accordingly.

Energy prices in Europe have also risen sharply in response to the war in Ukraine. This effect was reinforced by Russia's decision to suspend gas deliveries to several EU member states. With this in mind, additional gas hedges were concluded in the 2022 financial year (see note 54). The risk of gas shortages in the EU also serve to increase the probability of a recession. Inflation rose sharply in the 2022 financial year, with the situation being exacerbated by the war in Ukraine. To counteract this development, the European Central Bank raised interest rates considerably in the course of the 2022 financial year. This led to a substantial reduction in the present value of pension obligations compared with the 2021 financial year (see note 26).

In light of the uncertain gas supply situation, the Management Board decided to increase inventories in order to avoid potential supply bottlenecks. Among other things, the annual holiday at the plants in Germany and Hungary was moved from summer to December (see note 12). We also recognised an appropriate increase in loss allowances as part of the continuous risk assessment of our receivables (see note 13). Further explanations on the performance in the 2022 financial year can be found in the above economic report (see Group-management report).

The following section describes the main IFRS accounting policies as adopted by the Villeroy & Boch Group in accordance with the relevant provisions.

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1. ACCOUNTING POLICIES

Modifications due to the adoption of accounting prinicples

With the exception of the IFRS regulations requiring mandatory application for the first time in the financial year, the accounting policies applied are essentially the same as those applied in the previous year. The changes to the IFRS regulations effective for the first time in the 2022 financial year are presented under note 63 and had no material effect on the accounting policies of the Villeroy & Boch Group.
In addition, various new financial reporting standards were published that are not mandatory for reporting periods ending 31 December 2022. The Villeroy & Boch Group has not adopted these early. The effects of these new regulations on current and future reporting periods, and on foreseeable transactions, are not considered material. Information on developments within the IFRS Framework can be found in note 63.

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, with the consideration being recognised in deferred income as a government grant. The revaluation model in accordance with IAS 38.75 et seq. was applied to subsequent measurement. The respective CO_2 emissions resulted in the utilisation of the allocated emission allowances through other comprehensive income. The government grants recognised as deferred income were subsequently reversed against the provision for the restoration obligation in line with utilisation.

Where fewer harmful gases were released in a financial year than had been allocated by the responsible authority for this period, the unutilised allowances were either sold and the proceeds recognised in profit or loss or utilised through other comprehensive income in subsequent periods. This issue affects Romania and Hungary.

Due to the sharp rise in the price of the emission certificates in subsequent measurement, 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 and only represent a transitional item for the Villeroy & Boch Group, the accounting treatment has been voluntarily converted to the net liability method with effect from 30 June 2022 with reference to IAS 8.14. This accounting treatment delivers reliable information in the same way as the revaluation method, as both methods are based on the same central input parameters. The use of the net liability method makes better economic sense because it avoids the need to extend the balance sheet. It also more closely corresponds to standard accounting practice insofar as it reflects the prevailing accounting treatment for emission allowances at DAX and MDAX companies, thereby enabling a more relevant comparison for the readers of the financial statements.

As long as the emission allowances allocated free of charge are sufficient to cover the emissions made, changes in the price of emission allowances will have no effect on the consolidated financial statements in the future.

Under the net liability method, emission allowances allocated free of charge are not recognised as intangible assets and government grants are not recognised as deferred income. A provision is recognised only when the actual emissions exceed the emission allowances allocated through other comprehensive income. In this case, the emission costs are reported in cost of sales.

As we consider the impact of this change in accounting to be more relevant, we have decided to amend the accounting treatment with retrospective effect. On the asset side of the consolidated statement of financial position, this serves to reduce intangible assets by € 11.2 million (31 December 2021: € 10.7 million). Conversely, it reduces the revaluation surplus by € 5.8 million (31 December 2021: € 6.5 million), other non-current provisions by € 0.5 million (31 December 2021: € 1.3 million) and other current liabilities by € 4.9 million (31 December 2021: € 2.9 million). Accordingly, the new accounting treatment did not lead to an adjustment of earnings per share.

Intangible assets

Acquired intangible assets are capitalised at the cost necessary to bring the asset to its working condition. Internally generated intangible assets are only capitalised in the year of their creation if they meet the requirements of IAS 38. Initial measurement is at cost including attributable overheads.
Items with a limited useful life are reduced by straight-line amortisation over their useful life. Amortisation only begins when the assets are placed in service. Useful lives are generally between three and six years. Amortisation is essentially included in general and administrative expenses.
Assets with an indefinite useful life, such as goodwill, are only written down if there is evidence of impairment. To determine whether this is the case, the historical cost is compared

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with the recoverable amount. The recoverable amount is defined as the higher of the net selling price and the value in use of the respective asset. The net selling price represents the proceeds that could be generated in an arm's length transaction after deduction of all disposal costs incurred. The value in use is calculated by discounting the (net) cash flows attributable to the asset using the discounted cash flow method, applying an appropriate long-term interest rate before income taxes. Rates of revenue and earnings growth are taken into consideration in the underlying calculations. The cash flows recognised are derived from current medium-term planning, with payments in the years beyond the planning horizon derived from the situation in the final year of the planning period. Planning premises are based on current information. Reasonable assumptions on macroeconomic trends and historical developments are also taken into account.
Any impairment losses identified are recognised in profit or loss. If the reason for the recognition of an impairment loss ceases to exist in a future period, the impairment loss is reversed accordingly. The reversal of impairment losses on capitalised goodwill is prohibited. Annual impairment testing for capitalised goodwill is performed at divisional level.

Government-allocated and purchased emission allowances are recognised as intangible assets. They are carried at cost, which amounts to zero in the case of emission allowances allocated free of charge. A provision is recognised in profit or loss if the actual emissions exceed the emission certificates allocated free of charge. The measurement of the provision takes into account the cost of purchased certificates and the fair value of emission certificates at the respective measurement date.

Property, plant and equipment
Property, plant and equipment are carried at cost less depreciation in accordance with the useful life. Acquisition cost includes all net costs necessary to bring the asset to its working condition. Production cost is determined on the basis of the directly attributable costs of the asset plus the pro rata materials and manufacturing overheads. Maintenance and repair costs for property, plant and equipment are recognised in profit or loss.
If an asset consists of several components with significantly different useful lives, the individual elements are depreciated in accordance with their individual service potential. Property, plant and equipment are depreciated on a straight-line basis over their useful life.
The following useful lives are applied, unchanged from the previous year, throughout the Group:

ASSET CLASS	Useful life in years
Buildings (predominantly 33 years)	20 – 50
Operating facilities	10 – 20
Kilns	5 – 15
Technical equipment and machinery	5 – 12
Vehicles	4 – 8
IT equipment	3 – 6
Other operating and office equipment	3 – 10

The estimated useful lives are reviewed regularly.
In addition to ordinary depreciation, impairment losses are recognised on property, plant and equipment if the value in use or the net realisable value of the respective asset concerned has fallen below the depreciated cost. If the reasons for the recognition of an impairment loss cease to exist in a future period, the impairment loss is reversed accordingly.
Property, plant and equipment under construction are carried at cost. Finance costs that arise directly during the creation of a qualifying asset are capitalised. Depreciation on assets under construction only begins when the assets are completed and used in operations.

Leases
A lease is a contract that establishes the right to use an asset (the lease asset) for an agreed period in return for payment of a fee.
If the Villeroy & Boch Group leases assets for a total period of fewer than twelve months, or if these are low-value assets, the lease payments are recognised as an expense on a straight-line basis over the lease term.
For all other leases in which the Villeroy & Boch Group is the lessee, the present value of the future leasing payments is carried as a liability. Lease payments are divided into payments of principal and interest in accordance with the effective interest method. Correspondingly, the right to use the lease asset is capitalised at the inception of the lease, generally at the present value of the liability plus directly attributable costs and restoration and demolition obligations. Payments made prior to the inception of the lease and rental incentives granted by the lessor are also included in the carrying amount of the right-of-use asset.
The right-of-use asset is depreciated on a straight-line basis over the shorter of the term of the lease and the useful life of the lease asset. The regulations for calculating and recognising impairment losses on assets also apply to capitalised right-of-use assets.
The liability is remeasured if the expected lease payments change, e.g. as a result of index-linked fees or new assessments of contractual options. The new carrying amount is

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adjusted in equity with a corresponding adjustment of the capitalised carrying amount of the right-of-use asset.

Variable lease payments not linked to an index or interest rate are recognised as an expense when incurred. The present value of the lease payments is calculated using the incremental borrowing rate derived from the interest reference rates for the money market yields in the transaction currency. These interest reference rates are supplemented by a risk premium dependent on the term of the lease that reflects the company's credit rating and is based on the difference in yield to first-class bonds with a term of up to 15 years. All facts and circumstances that offer an economic incentive to exercise renewal options or not to exercise termination options are taken into account when determining the term of leases. Changes in the term of a lease as a result of exercising or not exercising such options are only taken into account when they are reasonably certain.

Leases in which the Villeroy & Boch Group is the lessor and does not transfer the significant risks and rewards of the use of the asset to the partner are recognised as operating leases. The lease asset continues to be reported under non-current assets and the lease payments are recognised as rental income on a straight-line basis over the lease term. If the lessee receives the significant risks and rewards of the use of the asset, the present value of the outstanding minimum lease payments is recognised as a finance lease receivable. Payments by the lessee are recognised as payments of principal or interest income. Interest income is recognised over the lease term using the effective interest method.

Government grants

Government grants are measured at fair value and not recognised until the Group has complied with the conditions attaching to it and the grant has been received. Grants and subsidies received for the acquisition or construction of property, plant and equipment and intangible assets reduce their cost insofar as they can be allocated to the individual assets; otherwise, they are recognised as deferred income and subsequently reversed depending on the degree of fulfilment.

Investment property

Land and buildings held to earn regular rental income (investment property) are reported separately from assets used in operations. Mixed-use property is classified proportionately as a financial investment if the leased portion of the building could be sold separately. If this criterion is not met, the entire property is classified as investment property if the owner-occupied portion is insignificant. Investment property is carried at amortised cost. Depreciation is performed in the same way as for property, plant and equipment used in operations. Market values are calculated by independent experts and by in-house staff. The experts contracted typically calculate market values using the gross rental method. In these cases, the market value is also calculated using the asset value method as a control. The basis for the internal determination of market values are mainly the official comparative prices from the land value maps of expert committees, supplemented by property-specific fair values for the respective structures.

Investments accounted for using the equity method

An associate is a company over which the Villeroy & Boch Group has significant influence. The Villeroy & Boch Group has significant influence when it has the opportunity to participate in the financial and operating policy decisions of the investee without control or joint management. Investments in associates are accounted for using the equity method, under which the cost at the acquisition date is adjusted to reflect the proportionate future results of the respective associate, among other factors. Resulting changes in equity are reported in the operating result in the statement of comprehensive income.

Financial instruments

Financial instruments arise from contracts which lead to a financial asset or financial liability or an equity instrument. They are recognised in the statement of financial position as soon as the Villeroy & Boch Group concludes a contract to this effect. In accordance with IFRS 9, based on the characteristics of the contractual cash flows and the nature of the respective business model, each financial instrument is allocated to one of four measurement categories in accordance with the classification described in note 54 and, depending on the category chosen, measured either at amortised cost or fair value. Financial instruments are derecognised when the claim for settlement expires.

Inventories

Inventories are carried at the lower of acquisition or production costs and net realisable value. The production costs of inventories include the directly allocable direct costs (e.g. material and labour costs allocable to construction) and overheads incurred in the production process. Measurement is performed using the standard cost method. For the majority of raw materials, supplies and merchandise, acquisition cost is determined using the moving average method and contains all expenses incurred in order to bring such inventory items to their present location and condition. Value allowances are recognised to an appropriate extent for inventory risks arising from the storage period and/or impaired realisability. Net realisable value is defined as the proceeds that are expected to be realised less any costs incurred prior to the sale. In the event of an increase in the net realisable value of inventories written down in prior periods, write-downs are reversed in

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profit or loss as a reduction of the cost of goods sold in the statement of comprehensive income.
Increases in production costs per unit due to production stoppages or underutilisation are accounted for by an appropriate cost adjustment for idle capacity.

Receivables

On recognition, trade receivables and other current receivables are carried at their transaction price less expected losses over the agreed payment period. An additional impairment loss is recognised if there are objective indications that a receivable may be defaulted on. The loss allowances to be recognised are calculated in the amount of the expected losses over the total remaining term.
Non-current receivables are initially measured at cost using the effective interest method. A provision is recognised for the potential risk of default that could arise within the next 12 months. If the credit risk increases significantly during the term of the contract, the impairment loss is increased by the amount of a possible default over the total remaining term. Examples of indications include a deterioration in the rating or becoming past due by more than 90 days. The impairment loss is increased if there are further objective indications that a receivable may be defaulted on, such as filing for insolvency. Impairment is used to adequately reflect the default risk, while actual cases of default result in the derecognition of the respective asset.

Cash and cash equivalents

Cash and short-term investments (cash equivalents) are defined as cash on hand, PayPal balance, demand deposits and time deposits with an original term of up to three months. Cash is carried at its amortised cost.

Treasury shares

Treasury shares reduce equity in the amount of their original cost.

Pension obligations

Provisions equal to the defined benefit obligations (DBO) already earned are recognised for obligations under defined benefit pension plans. The expected future increase in salaries and pensions are also taken into account. If pension obligations are covered in full or in part by fund assets, the market value of these assets is offset against the DBO if these assets are classified as trust assets and administered by third parties. Actuarial gains and losses, such as those arising from the change in the discounting factor or assumed mortality rates, are recognised in the revaluation surplus. Of the annual pension costs, the service cost is reported in staff costs and the interest cost in net other finance costs.
Provisions are not recognised for defined contribution plans as the payments made are recognised in staff costs in the period in which the employees perform the services granting entitlement to the respective contributions.

Other provisions

Provisions are recognised for legal or constructive obligations to third parties arising from past events where an outflow of resources is likely to be required to settle the obligation and the amount of this outflow can be reliably estimated. Provisions are carried at the future settlement amount based on a best estimate. Provisions are discounted as necessary.

Liabilities

Financial liabilities and other liabilities are recognised at fair value and subsequently measured at amortised cost.

Contingent liabilities

Contingent liabilities are possible obligations, predominantly arising from guarantees, which were established in the past but whose actual existence is dependent on the occurrence of a future event and where recourse is not likely as at the end of the reporting period. Contingent liabilities are not recognised in the statement of financial position.

Revenue recognition

Revenue from the sale of goods is recognised when the related performance obligation has been fulfilled by transferring the goods to the customer. Goods are deemed to have been transferred when the customer gains control of them. For wholesale transactions, the time at which this occurs must be assessed based on the individually agreed terms of delivery. For consignment or commission agency models, revenue is recognised at the time of resale to the end customer. In the Group's retail outlets, revenue is recognised immediately at the time of the transaction when the goods are paid for, whereas in the Group's online shops, revenue is recognised when goods are delivered to customers.
Regarding the key terms of payment, the Group grants commercial customers terms of payment specific to their country and industry, though these do not usually exceed 90 days. Similarly, the agreement of advance and down payments is not uncommon for individual customer groups. The underlying contracts do not include significant financing components in either scenario.
The amount of revenue to be recognised is determined by the transaction price, i.e. the amount of consideration that Villeroy & Boch is expected to receive in exchange for the transfer of goods – less trade discounts, rebates, and customer bonuses. Unlike trade discounts and rebates, bonuses are not granted on invoices – rather, they are subsequent, performance-based repayments made to customers. As soon as it is

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assumed that the customer has satisfied the agreed terms for granting bonuses, this amount is deferred as a revenue deduction by way of a corresponding liability. Projections for customers bonuses deferred over a year are prepared on the basis of data specific to the customer and country (the most likely amount method). Some contracts allow customers to return products within a set period. These rights of return give rise to variable consideration, which is recognised at its expected value. Estimates of variable consideration are not limited as the uncertainty regarding the amounts to be included is only temporary because projections are constantly updated.
Furthermore, Villeroy & Boch also generates revenue from licensing its brand rights to third parties. The underlying performance obligation is fulfilled by the licensee during the term of the contract by way of production under the label of the Villeroy & Boch Group. The resulting sales-based licence income is recognised on an accrual basis in accordance with the terms of the licence agreement.

Recognition of miscellaneous income and expenses
Dividend income is recognised when a legal claim to payment arises. Interest income is deferred on the basis of the nominal amount and the effective interest method. Rental income from investment property is recognised on a straight-line basis over the term of the relevant lease. Revenue from intercompany transactions is only realised when the assets ultimately leave the Group. Operating expenses are recognised in profit or loss as incurred economically. Rental expenses from short-term leases, i.e. contracts with a term of not more than 12 months, and rental expenses from contracts for low-value assets are recognised on a straight-line basis over the agreed period.
Rental expenses on the basis of variable lease payments that were not taken into account in the measurement of the right-of-use asset are recognised in profit or loss.

Research and development costs
Research costs arise as a result of original and planned investigation undertaken in order to gain new scientific or technical knowledge or understanding. In accordance with IAS 38, they are expensed as incurred. Development costs are expenses for the technical and commercial implementation of existing theoretical knowledge. Development ends with the start of commercial production or utilisation. Costs incurred during development are capitalised if the conditions for recognition as an intangible asset are met. Due to the risks existing until market launch, these conditions are regularly not met in full.

Taxes
Income tax expense represents the total of current and deferred taxes. Current and deferred taxes are recognised in income unless they are associated with items taken directly to equity. In these cases, the corresponding taxes are also recognised directly in equity.
Current tax expense is determined on the basis of the taxable income for the financial year. Taxable income differs from the result for the year reported in the statement of comprehensive income, as it excludes those income and expense items that are only taxable or tax-deductible in prior/subsequent periods or not at all. The current tax liabilities of the Villeroy & Boch Group are recognised on the basis of the applicable tax rates. Deferred taxes are calculated in the individual countries on the basis of the expected tax rates at the realisation date. These comply with the legislation in force or substantially enacted as at the end of the reporting period.

Rounding of amounts
Unless stated otherwise, all amounts reported in the financial statements and the notes are rounded to full millions of euro with one decimal place.

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SUMMARY OF SELECTED VALUATION METHODS

Item	Measurement methods
ASSETS	
Intangible assets	
Goodwill	*(Amortised) cost (Subsequent measurement: Impairment test)*
Other acquired intangible assets	(Amortised) cost
Internally generated intangible assets	(Amortised) manufacturing cost (direct costs and directly attributable overheads)
Property, plant and equipment	(Amortised) cost
Right-of-use asstes	(Amortised) cost
Investment property	(Amortised) cost
Financial assets	
Loans and receivables	(Amortised) cost using the effective interest method
Securities (Debt instrument)	At fair value in OCI with realisation of gains or losses on disposal or at fair value through profit or loss
Securities (Equity instrument)	At fair value in OCI without realisation of gains or losses on disposal or at fair value through profit or loss
Hedging instruments	At fair value in OCI (Ineffective parts: at fair value through profit or loss)
Inventories	Lower of cost or net realisable value
Trade receivables	(Amortised) cost using the effective interest method
Cash and cash equivalents	Nominal value
EQUITY AND LIABILITIES	
Provisions	
Provisions for pensions	Projected unit credit method
Provisions for personnel	
Termination benefits	Discounted settlement amount (most likely)
Other long-term employee benefits	Projected unit credit method
Other provisions	Discounted settlement amount (most likely)
Financial liabilities	
Other liabilities	(Amortised) cost
Lease liabilities	(Amortised) cost using the effective interest method
Hedging instruments	At fair value in OCI (Ineffective parts: at fair value through profit or loss)
Trade payables	(Amortised) cost using the effective interest method

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Management estimates and assumptions

In preparing the consolidated financial statements, assumptions and estimates were required to a certain extent that affected the reporting and the amount of the recognised assets, liabilities, income, expenses and contingent liabilities. These affect, for example, the assessment of control options for determining the basis of consolidation, impairment testing for the assets recognised in the statement of financial position, the Group-wide determination of economic lives, the assessment of the contractual term of leases, the timing of the settlement of receivables, the amount of variable purchase prices (see note 31), assessments of the risk of default and the expected loss given default, the evaluation of the utilisation of tax loss carryforwards and the recognition of provisions.

The main sources of estimate uncertainty are future measurement factors such as interest rates, assumptions of future financial performance and assumptions on the risk situation and interest rate development. The underlying assumptions and estimates are based on the information available when these consolidated financial statements were prepared. At the end of the year under review, there were no assumptions concerning the future or other major sources of estimation uncertainty at the end of the reporting period with a significant risk of requiring a material adjustment to the carrying amounts of assets and liabilities within the next financial year. These also include estimation uncertainty in conjunction with the war in Ukraine and the COVID-19 crisis, which manifests, for example, in uncertainty in forecasts or the calculation of probabilities of default. Changes are recognised as soon as better information becomes available. The carrying amounts of the affected items are presented separately in the respective notes.

2. BASIS OF CONSOLIDATION

In addition to Villeroy & Boch AG, the consolidated financial statements include 14 (previous year: 14) German and 38 (previous year: 39) foreign subsidiaries that Villeroy & Boch AG – directly or indirectly – controls and has included in consolidation. The change in the basis of consolidation of the Villeroy & Boch Group was as follows:

VILLEROY & BOCH AG AND CONSOLIDATED COMPANIES:

	Germany	Abroad	Total	Previous year
As at 1 Jan. 2022	**14**	**39**	**53**	**53**
Disposals due to liquidation (a)	–	- 1	- 1	–
As at 31 Dec. 2022	**14**	**38**	**52**	**53**

(a) Disposal due to liquidation:

In order to optimize the Group structure, Villeroy & Boch Czech s.r.o., Prague, was liquidated on February 16, 2022.

Other disclosures

The primary purposes and registered offices of the individual companies of the Villeroy & Boch Group are as follows:

NUMBER OF GROUP COMPANIES

	Germany	Abroad	2022	Germany	Abroad	2021
Shareholding: 100 %						
Division						
Bathroom & Wellness	3	23	26	3	24	27
Dining & Lifestyle	4	20	24	4	20	24
Other business purposes	8	2	10	8	2	10
Reconciliation	- 1	- 9	- 10	- 1	- 9	- 10
Total	**14**	**36**	**50**	**14**	**37**	**51**
Shareholding: 50 % to 99 %						
Bathroom & Wellness	–	2	2	–	2	2
Group total	**14**	**38**	**52**	**14**	**39**	**53**

Property and operator companies for restaurants in the Villeroy & Boch Group are shown in the "Other business purposes" category. Some companies, such as Villeroy & Boch AG, operate in both divisions. Multiple entries are eliminated in the "Reconciliation" line.

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Details of the subsidiaries not wholly owned in which the Villeroy & Boch Group holds significant non-controlling interests can be found in note 22. Further information on the structure of the Villeroy & Boch Group can be found under "Business model of the Group" in the management report.
Furthermore, the Villeroy & Boch consolidated financial statements include one associate accounted for using the equity method (see note 9). The most recent annual financial statements available in accordance with local law were used as the basis for accounting using the equity method.
As at 31 December 2022, the Villeroy & Boch Group recognises immaterial shares in three Group companies as financial assets (see note 10(a)). These unconsolidated subsidiaries are not material to the presentation of the earnings, asset and financial situation of the Villeroy & Boch Group, either individually or cumulatively (see note 62).
The list of shareholdings in accordance with section 313(2) HGB is shown in note 62.
The Villeroy & Boch Group uses the following national options as regards the audit and disclosure of annual financial statement documents:

The Villeroy & Boch Group is exercising the exemption from the preparation, audit and disclosure of separate financial statements and, if applicable, a separate management report provided for by section 264(3) HGB for nearly all German subsidiaries in the 2022 financial year. The formal requirements have been satisfied by the respective Group company and by Villeroy & Boch AG. The companies in question are indicated accordingly in the list of shareholdings (see note 62). The consolidated financial statements of Villeroy & Boch AG are the exempting consolidated financial statements for these companies.
The two Dutch companies Ucosan B.V., Roden, and Villeroy & Boch Tableware B.V., Oosterhout, exercise the options relating to the preparation, publication and auditing of annual financial statements in accordance with Article 2:403(1b) of the Dutch Civil Code. The accounting data of both companies, as consolidated subsidiaries, are included in the consolidated financial statements of Villeroy & Boch AG, which have been filed with the Dutch commercial register.
In accordance with section 314 of the Luxembourg Commercial Code, no consolidated financial statements or Group management report are prepared for Villeroy & Boch S.à.r.l., Faïencerie de Septfontaines-lez-Luxembourg. The accounting data of the company is included as a consolidated subsidiary in the consolidated financial statements of Villeroy & Boch AG, which have been filed with the Luxembourg commercial and companies register.

3. CONSOLIDATION PRINCIPLES

The annual financial statements of the companies included in the Villeroy & Boch Group's consolidated financial statements are prepared in accordance with uniform Group accounting principles and included in the consolidation. The end of the reporting period for the consolidated companies is the same as for Villeroy & Boch AG as the ultimate parent company. The consolidated financial statements include the transactions of those companies that are considered subsidiaries and associated companies to the Villeroy & Boch AG at the reporting date.
Subsidiaries are those companies in which the Villeroy & Boch AG can determine the relevant business activities unilaterally – either directly or indirectly. The relevant business activities include all activities that have an essential influence on the profitability of the company.
Domination is given only if the Villeroy & Boch AG can control the relevant activities of the subsidiary company, has a legal claim to variable returns on investment in the subsidiary company and can influence the amounts of dividends. In general, domination within the Villeroy & Boch Group is given when the Villeroy & Boch AG holds a direct or indirect majority of the voting rights. Potential substantial voting rights are also taken into account. Consolidation begins on the date on which control becomes possible and ends when this possibility no longer exists.
As part of capital consolidation, the acquisition costs of the subsidiaries at the acquisition date are offset against the remeasured equity interest attributable to them. Any positive differences arising are recognised as goodwill (see note 1 – Accounting policies: Intangible assets). Negative differences are recognised immediately in profit or loss after being checked again. Incidental costs of acquisition for business combinations are recognised in other operating expenses. Any hidden reserves and liabilities identified as a result of subsequent consolidation are carried forward in the same way as the corresponding assets and liabilities.
Non-controlling interests in the acquired company are measured in the amount of the corresponding share of the identifiable net assets of the acquired company and reported in equity under "Non-controlling interests" in the consolidated statement of financial position of Villeroy & Boch AG (see note 22). Transactions with non-controlling interests that do not result in a loss of control are recognised as an equity transaction. For a business acquisition achieved in stages, the acquirer's previously held equity interest in the acquiree as at the time it achieves control is remeasured in profit or loss. Subsequent adjustments of contingent purchase price components are recognised in profit or loss.
With respect to the elimination of intercompany balances, the reconciled receivables and liabilities of the companies included in consolidation are offset against each other.

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Revenue, income and expenses between the consolidated companies are eliminated, as are intercompany profits and losses from non-current assets and inventories. The results of subsidiaries acquired or sold in the course of the year are included in the consolidated statement of comprehensive income from the actual acquisition date or until the actual disposal date accordingly.
If any differences in tax expenses are expected to reverse in later financial years, deferred taxes are recognised for consolidation measures in profit or loss.When including an associated company in consolidation for the first time, the differences arising from initial consolidation are treated in accordance with the principles of full consolidation.
Shares in affiliates companies of minor significance are recognised at amortised costs (see note 10 (d)).

In this financial year, the composition of the consolidated entity was examined regularly. The Villeroy & Boch AG dominates all subsidiaries up to this date. The consolidation principles applied in the previous year were retained.

4. CURRENCY TRANSLATION

On the basis of the single-entity financial statements, all transactions denominated in foreign currencies are recognised at the prevailing exchange rate at the date of their occurrence. They are measured at the closing rate as at the end of the respective reporting period. The single-entity statements of financial position of consolidated companies prepared in foreign currencies are translated into euro in accordance with the functional currency concept. For all foreign Group companies, the functional currency is the respective national currency, as these companies perform their business activities independently from a financial, economic and organisational perspective. For practical reasons, assets and liabilities are translated at the middle rate at the end of the reporting period, while all statement of comprehensive income items are translated using average monthly rates. Differences resulting from the translation of the financial statements of foreign subsidiaries are recognised outside profit or loss (see note 21(a)). Currency effects arising from net investments in foreign Group companies are also reported in the revaluation surplus (see note 21(b)). They continue to be reported in this item of the statement of financial position even in the event of a partial repayment of the net investment. When consolidated companies leave the consolidated Group, any exchange rate differences previously not affecting the net income are reversed to profit or loss.
The euro exchange rates of key currencies changed as follows during the past financial year:

CURRENCY

€1 =		Exchange rate at end of reporting period		Average exchange rate	
		2022	2021	2022	2021
Swedish krona	SEK	11.12	10.24	10.58	10.13
Chinese renminbi	CNY	7.35	7.22	7.08	7.68
US dollar	USD	1.07	1.13	1.06	1.19
Australian dollar	AUD	1.57	1.56	1.51	1.58
Thai baht	THB	36.84	37.87	37.02	37.76
Norwegian krone	NOK	10.51	9.97	10.07	10.20
Hungarian forint	HUF	400.87	370.15	390.72	359.11
Mexican peso	MXN	20.86	23.24	21.32	24.08
Romanian leu	RON	4.95	4.95	4.93	4.91

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NOTES TO THE CONSOLIDATED BALANCE SHEET

5. INTANGIBLE ASSETS

Intangible assets developed as follows:

in € million	Patents, licences and similar rights	Goodwill	Total
Accumulative cost			
As at 1 Jan. 2021	**21.3**[1]	**40.4**	**61.7**
Currency adjustments	–	- 0.1	- 0.1
Additions	1.7[1]	–	1.7
Disposals	- 0.4[1]	–	- 0.4
Reclassifications	0.1	–	0.1
As at 1 Jan. 2022	**22.7**	**40.3**	**63.0**
Currency adjustments	–	- 0.3	- 0.3
Additions	1.1	–	1.1
Disposals	- 0.3	- 0.6	- 0.9
Reclassifications	–	–	–
As at 31 Dec. 2022	**23.5**	**39.4**	**62.9**
Accumulative amortisation and impairment			
As at 1 Jan. 2021	**17.2**	**8.8**	**26.0**
Currency adjustments	–	–	–
Amortisation	1.7	–	1.7
Impairment losses	0.5	–	0.5
Disposals	- 0.3	–	- 0.3
As at 1 Jan. 2022	**19.1**	**8.8**	**27.9**
Amortisation	1.7	–	1.7
Impairment losses	0.3	–	0.3
Disposals	- 0.3	–	- 0.3
As at 31 Dec. 2022	**20.8**	**8.8**	**29.6**
Residual carrying amounts			
As at 31 Dec. 2022	**2.7**	**30.6**	**33.3**
As at 31 Dec. 2021	3.6	31.5	35.1

(1) Change in accounting for emission allowances in accordance with IAS 8.14 (for explanations, see section 6.1.1 Accounting policies)

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The asset group "Concessions, patents, licences and similar rights" essentially includes key money capitalised by subsidiaries for rented retail space worth € 0.8 million (previous year: € 1.1 million), capitalised software licences in the amount of € 1.6 million (previous year: € 2.4 million). Write-downs on key money of € 0.3 million were recognised in the financial year.

Goodwill in the amount of € 30.6 million (previous year: € 31.5 million) was allocated to the Bathroom & Wellness Division as the relevant cash-generating unit. The key figures for the Bathroom & Wellness Division are presented in the segment report in note 53. Capitalised goodwill was tested for impairment on the basis of the calculation of value in use. To do so, the present value of future excess cash flows from this division was determined in line with planning. The forecast cash flows are discounted over the detailed planning period until 2026 using an interest rate before income tax of 9.4 % p.a. (previous year: 6.1 % p.a.), while subsequent cash flows are discounted using an interest rate before income tax of 8.5 % p.a. (previous year: 5.4 % p.a.) and applying a growth rate. The forecast cash flows are expected to remain at a similar level to the 2022 financial year. Moderate growth is shown by applying a growth discount of 1.0 %. The present value calculated in this way was greater than the net assets of the division, so that no impairment loss was required to be recognised on this item. Management does not currently consider any change in a key measurement parameter possible that would result in a write-down.

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6. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment used in operations developed as follows in the year under review:

in € million	Land and buildings	Technical equipment and machinery	Other equipment, operating and office equipment	Property, plant and equipment under construction	Total
Accumulative cost					
As at 1 Jan. 2021	**197.7**	**361.5**	**91.3**	**14.3**	**664.8**
Currency adjustments	- 1.2	- 2.6	0.5	- 0.1	- 3.4
Additions	1.2	5.5	5.4	11.8	23.9
Disposals	- 0.3	- 1.1	- 5.0	- 0.1	- 6.5
Reclassifications	1.5	7.1	1.3	- 9.8	0.1
As at 1 Jan. 2022	**198.9**	**370.4**	**93.5**	**16.1**	**678.9**
Currency adjustments	- 1.4	- 3.6	- 0.2	- 0.4	- 5.6
Additions	1.0	5.6	6.0	23.0	35.6
Disposals	- 8.9	- 5.1	- 4.8	–	- 18.8
Reclassifications	0.6	6.8	1.3	- 8.7	–
As at 31 Dec. 2022	**190.2**	**374.1**	**95.8**	**30.0**	**690.1**
Accumulative depreciation and impairment					
As at 1 Jan. 2021	**130.9**	**289.4**	**77.8**	**–**	**498.1**
Currency adjustments	- 0.6	- 2.0	0.4	–	- 2.2
Depreciation	3.4	14.0	5.5	–	22.9
Impairments	–	–	0.2	–	0.2
Disposals	- 0.2	- 1.1	- 4.7	–	- 6.0
Reclassifications	–	–	–	–	–
As at 1 Jan. 2022	**133.5**	**300.3**	**79.2**	**–**	**513.0**
Currency adjustments	- 0.4	- 2.9	- 0.3	–	- 3.6
Depreciation	3.0	14.4	5.7	–	23.1
Impairments	0.1	0.2	–	–	0.3
Disposals	- 8.7	- 5.0	- 4.4	–	- 18.1
Reclassifications	–	–	–	–	–
As at 31 Dec. 2022	**127.5**	**307.0**	**80.2**	**–**	**514.7**
Residual carrying amounts					
As at 31 Dec. 2022	**62.7**	**67.1**	**15.6**	**30.0**	**175.4**
As at 31 Dec. 2021	65.4	70.1	14.3	16.1	165.9

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Property, plant and equipment amounting to € 35.6 million (previous year: € 23.9 million) was acquired in the financial year. Of this figure, € 7.7 million related to the Mettlach 2.0 site development project. These investments were allocated to the two divisions on a pro rata basis. The Bathroom & Wellness Division accounted for investments of € 24.9 million (previous year: € 16.8 million). We mainly invested in the modernisation and automation of our production. The focus was on sanitary ware production in Hódmezövásárhely (Hungary) and Lugoj (Romania). At the furniture plants in Mondsee and Treuchtlingen, investments were made in an edge banding machine and an assembly line. Further investments related to bathtub and shower tub moulds in Roden (Netherlands) and Roeselare (Belgium). We invested € 10.7 million (previous year: € 7.1 million) in the Dining & Lifestyle Division. New machinery and tools valued at € 5.4 million (previous year: € 4.3 million) were acquired for production at our Merzig and Torgau plants. Furthermore, the Group invested in the ongoing optimisation of its retail network, for example by renovating and opening stores in Germany (Ingolstadt) and the Netherlands (Roermond).

Facilities worth € 8.7 million were completed and integrated into operational value added in the re-porting period (previous year: € 9.8 million). € 3.5 million related to Hungary, where investment primarily focused on pressure casting and toilet bowl glazing. In addition, assets worth € 1.4 million went live in Romania. This mainly related to the installation of a new glazing line and improvements to fire safety. Assets worth a total of € 1.6 million were completed in Germany. This includes the modernisation of slip and glaze preparation at our sanitary ware plant, the expansion of the fittings test centre, and the purchase of an isostatic press and a pottery glazing line for the Torgau plant. In the previous year, new facilities were used for the first time mainly in Germany (€ 1.0 million), Hungary (€ 3.7 million) and Thailand (€ 1.8 million).The disposals in the financial year of € 18.8 million (previous year: € 6.5 million) and the cumulative depreciation of € 18.1 million (previous year: € 6.0 million) predominantly result from a sale of property in France and the scrapping of assets already written down in full that can no longer be used. Property in Germany in the amount of € 0.1 million was reclassified from investment property to property, plant and equipment in the previous year (see note 8).

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7. RIGHT-OF-USE ASSETS

The Villeroy & Boch Group leases (as the lessee) sales premises, warehouses, office space, other facilities and movable assets. Capitalised right-of-use assets developed as follows in the year under review:

in € million	Land and buildings	Other equipment, operating and office equipment	Total
Accumulative cost			
As at 1 Jan. 2021	**61.0**	**10.2**	**71.2**
Currency adjustments	1.2	–	1.2
Additions	9.0	1.8	10.8
Disposals	- 3.0	- 1.7	- 4.7
As at 1 Jan. 2022	**68.2**	**10.3**	**78.5**
Currency adjustments	- 0.2	- 0.1	- 0.3
Additions	18.5	3.0	21.5
Disposals	- 5.0	- 1.0	- 6.0
As at 31 Dec. 2022	**81.5**	**12.2**	**93.7**
Accumulative amortisation and impairment			
As at 1 Jan. 2021	**24.6**	**5.9**	**30.5**
Currency adjustments	0.6	0.0	0.7
Depreciation	11.8	2.6	14.4
Disposals	- 2.5	- 1.7	- 4.2
As at 1 Jan. 2022	**34.5**	**6.8**	**41.3**
Currency adjustments	- 0.3	- 0.1	- 0.4
Depreciation	12.6	2.6	15.2
Disposals	- 2.8	- 0.9	- 3.7
As at 31 Dec. 2022	**44.0**	**8.4**	**52.4**
Residual carrying amounts			
As at 31 Dec. 2022	**37.5**	**3.8**	**41.3**
As at 31 Dec. 2021	33.7	3.5	37.2

In the financial year, we capitalised new right-of-use assets worth € 21.5 million (previous year: € 10.8 million). Additions in the financial year mostly result from the renewal and extension of existing leases.

The disposals in the financial year predominantly resulted from the premature termination of contracts.

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Straight-line depreciation of € 15.2 million (previous year: € 14.4 million) is based on the following useful lives of the assets:

in € million	2022	2021
Land and buildings	1 – 27 years	1 – 27 years
Other equipment, operating and office equipment	1 – 7 years	1 – 7 years

The right-of-use assets capitalised at the inception of a lease are offset by corresponding current and non-current lease liabilities (see note 30), which are repaid by ongoing rental payments. Long-term lease liabilities accrue interest (see note 30).

The Villeroy & Boch Group exercises both options of not capitalising leases with a total term of not more than twelve months or leases for low-value assets. Expenses for leases and lease payment components not capitalised break down as follows in the financial year:

in € million	31/12/2022	31/12/2021
Expenses for variable payments for property leases	- 8.5	- 7.9
Expenses for short-term property leases	- 1.3	- 1.1
Expenses for leases of low-value assets	- 1.2	- 1.2
Expenses for short-term leases for movable assets	- 0.9	- 0.7
Expenses for variable payments for leases for movable assets	- 0.1	- 0.1
Expenses for retrospective amendments to leases	–	0.3
Expenses for leases not included in capitalisation	**- 12.0**	**- 10.7**

Expenses from variable rental payments mostly result from the rental of retail space for which the rent is wholly or partially dependent on the revenue generated on the respective space. Only the variable portion of the revenue-based rent is recognised directly in profit or loss. Contractually agreed minimum revenue-based rent is recognised as part of the cost of the respective right-of-use asset.

The Villeroy & Boch Group currently leases (as the lessor) selected free land and buildings that are capitalised as property, plant and equipment (see note 6). The significant risks and rewards of these properties remain with Villeroy & Boch. Income of € 1.5 million (previous year: € 1.4 million) was generated from these operating leases. We expect the following future minimum lease payments from our lessees:

in € million	2022	2021
Due within next 12 months	0.4	0.9
Due between 13 and 24 months	0.3	0.4
Due between 25 and 36 months	0.3	0.3
Due between 37 and 48 months	0.2	0.3
Due between 49 and 60 months	0.2	0.2
Due between 61st month and end of contract	2.4	2.3
Total expected lease payments	**3.8**	**4.4**

Income of € 0.5 million was generated from subletting unused properties held under uncancelled leases (previous year: € 0.5 million). Any ancillary costs and other obligations are borne by the sublessees. The subleases end before or at the expiry date of the Group's lease on the respective property. We expect the following future minimum lease payments from our sublessees:

in € million	2022	2021
Due within next 12 months	0.4	0.4
Due between 13 and 24 months	0.0	0.3
Due between 25 and 36 months	0.0	0.1
Due between 37 and 48 months	0.0	0.0
Due between 49 and 60 months	0.0	0.0
Due between 61st month and end of contract	0.1	0.0
Total expected incoming payments from leases	**0.5**	**0.8**

The Villeroy & Boch Group also leases (as the lessor) selected space in investment property (see note 8).

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8. INVESTMENT PROPERTY

Investment property developed as follows:

in € million	Land	Buildings	Asset not used for business purposes 2022	2021
Accumulative cost				
As at 1 Jan.	**0.3**	**62.8**	**63.1**	**63.2**
Transfer	–	–	–	- 0.2
As at 31 Dec.	**0.3**	**62.8**	**63.1**	**63.0**
Accumulative depreciation				
As at 1 Jan.	**–**	**58.0**	**58.0**	**57.4**
Depreciation	–	0.5	0.5	0.5
As at 31 Dec.	**–**	**58.5**	**58.5**	**57.9**
Residual carrying amounts				
As at 31 Dec.	**0.3**	**4.3**	**4.6**	**5.1**

This item includes property in Saarland, France and Hungary.

The market value of all the properties reported in this item is € 11.5 million as at 31 December 2022 (previous year: € 10.1 million). These market values are categorised in level 3 of the fair value hierarchy of IFRS 13.

The Group generated the following amounts from its investment property:

in € million	31/12/2022	31/12/2021
Rental income	1.4	0.7
Property management and similar expenses	0.1	0.1

Rent is expected to develop as follows:

in € million	31/12/2022	31/12/2021
Due within next 12 months	0.7	0.5
Due between 13 and 24 months	0.7	0.5
Due between 25 and 36 months	0.3	0.5
Due between 37 and 48 months	0.3	0.5
Due between 49 and 60 months	0.3	0.5
Due between 61st month and end of contract	1.9	4.4
Total expected lease payments	**4.2**	**6.9**

Future rents rise in line with the trend in the consumer price index applicable at the time. The tenants usually bear all maintenance expenses.

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9. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

The Villeroy & Boch Group continues to account for one company using the IAS 28 equity method.

The unlisted company still recognised, which is domiciled in Germany and to which section 313(3) HGB applies, is not allocated to any division.

10. OTHER FINANCIAL ASSETS

Other financial assets include:

in € million	31/12/2022	31/12/2021
Securities (a)	25.0	25.1
Short-term financial assets	**25.0**	**25.1**
Securities (a)	20.1	18.9
Equity investments (b)	2.1	2.1
Loans (c)	1.2	1.5
Shares in non-consolidated affiliated companies (d)	6.4	6.4
Long-term financial assets	**29.8**	**28.9**
Total financial assets	**54.8**	**54.0**

a) The Villeroy & Boch Group has held both short-term and long-term securities since the 2021 financial year.
These items are categorised in level 1 of the fair value hierarchy of IFRS 13.
Derivatives and money market funds are recognised as short-term investments at their current market value. Changes in the value of money market funds are recognised in equity in the revaluation surplus (see note 21(f)) and reclassified in profit or loss on the disposal of the respective security. Changes in the value of derivatives are recognised directly in profit or loss. Listed bonds, equities and investment funds are recognised as long-term investments at their current market value. Changes in the value of bonds and investment funds that have passed the SPPI test are recognised in equity in the revaluation surplus (see note 21(f)) and reclassified to profit or loss on disposal of the respective security. Changes in the value of other bonds and investment funds are recognised directly in profit or loss. Changes in the value of shares acquired for trading purposes are recognised directly in profit or loss. As they are intended to be held for the long term, changes in the value of other equities are recognised in equity in the revaluation surplus (see note 21(f)) and reclassified directly to retained earnings on disposal of the respective security. Equities with a fair value of € 0.5 million reported in this item were sold for portfolio optimisation reasons. The corresponding loss on disposal of € 0.4 million was reclassified directly to retained earnings. Dividend income from securities recognised at fair value through other comprehensive income amounted to € 0.1 million in the financial year under review.

The investments break down as follows:

in € million	31/12/2022	31/12/2021
Special assets provided by the ordinary shareholders	1.5	1.5
Other free assets	43.6	42.5
Residual term up to 1 year	25.0	25.1
Residual term over 1 year	18.6	17.4
Total	**45.1**	**44.0**

On the occasion of the 100-year anniversary of the Mettlach mosaic factory on 17 January 1970, the ordinary shareholders provided a fund intended to pay for the professional education and training of employees of the Villeroy & Boch Group and their families, the promotion of research and science and for the Investor Relations and Corporate Governance of the Villeroy & Boch Group. The capital is invested to achieve an optimal return.
All changes in the value of special funds are recognised in equity in the revaluation surplus (see note 21(f)).

b) A 2.29 % holding in the share capital of A & B Fliesen GmbH, Merzig, with a carrying amount of € 2.1 million (previous year: € 2.1 million) is reported under equity investments.

c) Loans to third parties primarily include mandatory government loans in France.

Loans to third parties mature as follows:

in € million	2022	2021
Gross carrying amount as at 31 Dec.	**1.2**	**1.5**
Of which: Neither impaired nor past due as at end of reporting period	1.2	1.5
Due within one year	0.2	0.2
Due in two to five years	0.2	0.2
Due in more than five years	0.8	1.1

d) This balance sheet item includes the shares in Villeroy & Boch Innovations GmbH, Mettlach (see note 2). The business relations with this company were presented in note 57.

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11. DEFERRED TAX ASSETS AND LIABILITIES

The following deferred taxes are reported in the statement of financial position:

in € million	31/12/2022	31/12/2021
Deferred tax assets from temporary differences	20.8	32.4
Deferred tax assets from tax loss carryforwards	10.7	9.8
Deferred tax assets	**31.5**	**42.2**
Deferred tax liabilities	**5.9**	**4.2**

		Deferred tax assets		Deferred tax liabilities	
in € million	Notes	31/12/2022	31/12/2021	31/12/2022	31/12/2021
Intangible assets	5	0.3	0.3	1.0	2.2
Property, plant and equipment	6	1.3	1.6	1.9	3.0
Rights of use	7	0.0	0.0	7.7	7.0
Financial assets	10	0.5	0.2	1.8	0.8
Inventories	12	4.0	4.1	0.0	0.0
Other assets	14	1.8	1.3	1.4	0.6
Special tax items		0.0	0.0	3.8	4.4
Provisions for pensions	26	8.6	22.9	0.0	0.0
Other provisions	28	5.3	6.6	0.1	0.7
Lease liabilities	30	7.9	7.2	0.0	0.0
Other liabilities		3.2	3.1	0.3	0.0
Write-downs		0.0	- 0.4	0.0	0.0
Subtotal		**32.9**	**46.9**	**18.0**	**18.7**
Offsetting of deferred tax assets/liabilities		- 12.1	- 14.5	- 12.1	- 14.5
Deferred taxes from temporary differences		**20.8**	**32.4**	**5.9**	**4.2**

The € -11.6 million change in deferred tax assets from temporary differences to € 20.8 million (previous year: € 32.4 million) is essentially attributable to the decrease in deferred taxes on provisions for pensions of € 14.3 million (see note 26).

Deferred tax assets are recognised only to the extent that it is probable that the corresponding tax benefit will be recovered. In addition to the past results of operations and the respective business expectations for the foreseeable future, the assessment of probability also takes into account the tax loss carryforwards subject to restrictions on offsetting.

Deferred tax assets from tax loss carryforwards amounted to € 10.7 million (previous year: € 9.8 million) and relate to loss carryforwards at foreign Group companies.

Deferred taxes from temporary differences are due to different carrying amounts in the consolidated statement of financial position and the tax base in the following items:

Deferred tax assets not likely to be recovered decreased from € 14.6 million to € 11.8 million in the current financial year. As at the end of the financial year, the company reported tax loss carryforwards subject to restrictions on offsetting of € 55.0 million (previous year: € 62.9 million).

Villeroy & Boch AG did not recognise deferred tax liabilities for taxable temporary differences in connection with shares in subsidiaries, associates and joint ventures in the amount of € 4.8 million (previous year: € 4.8 million), as it is able to control the timing of the reversal and the temporary differences are not expected to reverse in the foreseeable future.

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12. INVENTORIES

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

in € million	31/12/2022	31/12/2021
Raw materials and supplies	40.2	31.1
Work in progress	22.4	20.3
Finished goods and goods for resale	175.8	138.0
Carrying amount	**238.4**	**189.4**

Inventories were broken down between the individual divisions as follows:

in € million	31/12/2022	31/12/2021
Bathroom & Wellness	140.8	118.3
Dining & Lifestyle	97.6	71.1
Total	**238.4**	**189.4**

The significant increase in inventories in the Dining & Lifestyle Division of € 26.5 million to € 97.6 million is due to a change in the inventory approach to avoid supply shortages as well as higher input prices. The rise in inventories in the Bathroom & Wellness Division of € 22.5 million to € 140.8 million is also due to a change in the inventory approach to avoid supply shortages, higher input-prices and also serves to improve the service level.

A valuation allowance of -€ 33.3 million was recognized for inventory risks arising from the storage period or reduced usability. This increased by € 9.4 million in the financial year.

13. TRADE RECEIVABLES

Trade receivables are carried at their transaction price less expected losses over the agreed payment period on first-time recognition. Villeroy & Boch grants its customers country- and industry-specific payment terms. The geographical allocation of these receivables by customer domicile was as follows:

in € million	31/12/2022	31/12/2021
Germany	28.7	20.5
Rest of euro zone	29.8	27.1
Rest of world	76.1	73.5
Gross carrying amount	**134.6**	**121.1**
Write-down due to expected losses (level 1)	- 0.9	- 0.8
Write-down due to objective indications (level 2)	- 4.9	- 3.9
Write-downs	**- 5.8**	**- 4.7**
Total trade receivables	**129.4**	**116.4**

€ 90.5 million (previous year: € 79.8 million) of trade receivables relate to the Bathroom & Wellness Division and € 38.9 million (previous year: € 36.6 million) to the Dining & Lifestyle Division.

Receivables from unconsolidated affiliated companies amounted to € 0.6 million (previous year: € 0.0 million) (see note 57).

Impairment losses are recognised using a two-stage approach as the individual receivables are mainly short-term and therefore do not contain significant financing components. The risk of default on un-impaired receivables is essentially covered by insurance.

In the first stage, the loss expected by the agreed payment date is recognised as an impairment loss. Uninsured receivables are managed by using limits based on insurance classification and an internal rating. Expected losses are calculated primarily on the basis of external and internal customer ratings and the associated historic probabilities of default. An additional impairment loss is recognised if there are objective indications that a customer may default on a receivable (stage 2). The loss allowances to be recognised are calculated in the amount of the expected losses over the total remaining term. The following table shows the current level of receivables and the associated write-downs. This is based on observed past loss rates, supplemented by future-oriented estimates.

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in € million	2022 Gross	2022 Write-downs	2021 Gross	2021 Write-downs
Stage (1) Generally impaired but not past due	104.4	- 0.8	94.2	–
Stage (1) Generally impaired but past due	7.9	- 0.1	8.7	–
Stage (2) Individually impaired but not past due [1]	16.7	- 1.2	11.3	- 0.4
Stage (2) Individually impaired and past due	6.2	- 3.7	6.9	- 4.3
Customer in default for 90 days or less	2.3	- 0.3	2.2	- 0.1
Customer in default between 91 and 360 days	1.6	- 1.2	1.2	- 0.8
Customer in default for 361 days or more	2.3	- 2.2	3.5	- 3.4
Total gross amount	**135.2**	**- 5.8**	**121.1**	**- 4.7**
Write-downs	- 5.8	–	- 4.7	–
Net carrying amount	**129.4**	**–**	**116.4**	**–**

[1] Receivables not covered by credit insurance

There is trade credit insurance for trade receivables. This covers most of the Villeroy & Boch Group's receivables. The cover note or recoverable collateral are limited by limits defined for customers or customer groups. The risk on uninsured receivables that are not individually impaired is taken into account by a general flat-rate write-down derived from past data and experience. If there were objective indications of a possible default as a result, in the second step an additional impairment loss was recognised, and the receivable was reported as impaired and past due.

Impairment developed as follows in the two stages:

in € million	2022 Level 1	2022 Level 2	2022 Total	2021 Level 1	2021 Level 2	2021 Total
As at 1 Jan.	0.8	3.9	4.7	0.7	4.6	5.3
Additions	0.1	2.7	2.9	0.1	1.5	1.6
Currency adjustments	–	0.1	0.1	0.0	0.2	0.2
Utilisation	–	- 1.0	- 1.0	0.0	- 0.8	- 0.8
Reversals	- 0.1	- 0.8	- 0.9	–	- 1.6	- 1.6
As at 31 Dec.	0.9	4.9	5.8	0.8	3.9	4.7

Write-downs account for 4.3 % of the total amount of trade payables (previous year: 3.9 %). There are no significant concentrations of default risks within the Group as such risks are distributed across a large number of customers. The risk of a potential increase in insolvency rates due to the current economic situation (including high inflation) was taken into account in step 1 impairment.

In addition, there were specific indications of potential default as a result of the war in Ukraine. Corresponding write-downs of € 0.8 million were recognised as appropriate valuation allowances (level 2). The further assessment of the effects of current economic conditions and the forecast direction of developments as at the end of the reporting period did not result in an additional increase in the expected loss rates for trade receivables compared with the previous year.

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14. OTHER NON-CURRENT AND CURRENT ASSETS

Other assets are composed as follows:

in € million	Carrying amount	Remaining term		Carrying amount	Remaining term	
	31/12/2022	Less than 1 year	More than 1 year	31/12/2021	Less than 1 year	More than 1 year
Deposits	2.6	0.8	1.8	2.4	0.7	1.7
Fair values of hedging instruments	5.4	4.3	1.1	3.4	3.1	0.3
Other financial assets	10.9	10.9	–	27.2	27.2	–
Total financial instruments (*)	**18.9**	**16.0**	**2.9**	**33.0**	**31.0**	**2.0**
Other tax receivables	8.9	8.9	–	9.5	9.5	–
Advance payments	3.0	2.9	0.1	1.5	1.5	–
Contract assets	0.6	0.6	–	0.3	0.3	–
Prepaid expenses	2.0	2.0	–	2.6	2.6	–
Total other assets	**33.4**	**30.4**	**3.0**	**46.9**	**44.9**	**2.0**

(*) Financial instruments are described in note 54.

As at the end of the reporting period, the Group's hedging instruments comprised currency futures (€ 4.1 Mio. € million; previous year: € 0.9 million) and commodity hedges for brass and gas (€ 1.3 million; previous year: € 2.5 million).

Capitalised security deposits in the amount of € 2.6 million (previous year: € 2.4 million) were provided to the respective lessors in cash. The fair value of these deposits is equal to their carrying amounts.

Contract assets comprise licence claims included but not yet invoiced of € 0.6 million (previous year € 0.3 million). € 0.3 million of the assets recognised as at the end of the previous year (previous year: € 1.2 million) were invoiced to licensees in the 2022 financial year and new claims of € 0.6 million (previous year € 0.3 million) were recognised.

"Miscellaneous other assets" decreased by € 16.3 million year-on-year from € 27.2 million to € 10.9 million due to the expiry of investments totalling € 15 million to avoid deposit fees.

Moreover, "miscellaneous other assets" mainly include receivables from the sale of the non-current assets of our former sanitary ware plant in Mexico, refund claims on returned goods, rent receivables, creditors with debit balances and a number of individual items.

Other tax receivables in the amount of € 8.9 million (previous year: € 9.5 million) primarily include VAT credit of € 6.4 million (previous year: € 7.2 million).

Prepaid expenses mainly include rent payments and insurance premiums as well as accruals for licence purchase invoices.

In cases of doubt regarding the collectability of receivables, write-downs were recognised and offset directly against the carrying amounts by the persons responsible for the respective portfolios. Loss allowances for current assets are recognised using the simplified, two-stage approach. As in the previous year, there were no past due receivables in this item as at 31 December 2022. There are no significant concentrations of default risks within the Group as such risks are distributed across a large number of contractual partners.

15. INCOME TAX RECEIVABLES

The income tax receivables of € 9.1 million (previous year: € 3.4 million) primarily include outstanding corporate income tax assets. € 3.8 million (previous year: € 2.5 million) of this figure relates to foreign Group companies.

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16. CASH AND CASH EQUIVALENTS

Cash and cash equivalents were composed as follows as at the end of the reporting period:

in € million	31/12/2022	31/12/2021
Cash on hand incl. cheques	0.4	0.3
Current bank balances	104.4	100.4
Cash equivalents	121.8	163.4
Total cash and cash equivalents	**226.6**	**264.1**

Cash is held solely in the short term and at banks of good credit standing that are predominantly members of a deposit protection system (see note 54). Accordingly, we do not anticipate any de-faults within the next twelve months. We continually observe the creditworthiness of our banking partners in order to counteract any significant increase in default risk.

17. ISSUED CAPITAL

The issued capital of Villeroy & Boch AG as at the end of the reporting period was unchanged at € 71.9 million and is divided into 14,044,800 fully paid-up ordinary shares and 14,044,800 fully paid-up non-voting preference shares. Both share classes have an equal interest in the share capital.

The holders of non-voting preference shares receive a dividend from the annual unappropriated surplus that is € 0.05 per share higher than the dividend paid to holders of ordinary shares, or a minimum preferred dividend of € 0.13 per preference share. If the unappropriated surplus in a given financial year is insufficient to cover the payment of this preferred dividend, any amount still outstanding shall be paid from the unappropriated surplus of subsequent financial years, with priority given to the oldest amounts outstanding. The preference dividend for the current financial year is only paid when all amounts outstanding are satisfied. This right to subsequent payment forms part of the profit entitlement for the respective financial year from which the outstanding dividend on preference shares is granted. Each ordinary share grants one vote.

The numbers of different shares outstanding were as follows:

Number of shares	2022	2021
Ordinary shares		
Ordinary shares outstanding	14,044,800	14,044,800
Preference shares		
Ordinary shares issued	14,044,800	14,044,800
Treasury shares, as at 31 December	1,627,199	1,627,199
Shares outstanding	12,417,601	12,417,601

A resolution of the General Meeting of Shareholders on 26 March 2021 authorised the Management Board of Villeroy & Boch AG to acquire and to use ordinary treasury shares and/or preference treasury shares in accordance with the following rules:

a) Until 25 March 2026 inclusively, the Management Board is authorised to acquire ordinary or preference shares of the company up to an amount of ten percent of the share capital of the company at the time this authorisation becomes effective or, if lower, ten percent of the share capital of the company at the time this authorisation is exercised. The authorisation to acquire treasury shares granted to the company by the General Meeting of Shareholders on 23 March 2018 will be revoked after the new authorisation takes effect, to the extent that it has not yet been utilised. The shares acquired on the basis of this authorisation together with other treasury shares already acquired by the company and still owned or attributable to it in accordance with sections 71a et seq. of the German Stock Corporation Act (AktG) must not account for more than 10 % of the share capital. The acquisition can be restricted to the shares of just one class.
At the discretion of the Management Board, preference treasury shares can be acquired either
   - on the stock exchange or
   - on the basis of a public offer to all preference shareholders or on the basis of an invitation to all preference shareholders to submit offers to sell in accordance with the principle of equal treatment.

   At the discretion of the Management Board, ordinary treasury shares can be acquired either
   - on the basis of a public offer to all ordinary shareholders or on the basis of a public invitation to all ordinary shareholders to submit offers to sell in accordance with the principle of equal treatment or
   - from individual ordinary shareholders by disapplying the put options of the other ordinary shareholders

b) The Management Board is authorised to use the shares acquired on the basis of the above authorisation under a) or one or more prior authorisations for all legally permitted purposes. The treasury shares can be sold on the stock market or on the basis of an offer to all shareholders in accordance with the principle of equal treatment and used for the following purposes in particular, including with shareholders' subscription rights disapplied:

   - sale in exchange for cash consideration;
   - sale in exchange for non-cash consideration;
   - distribution in kind in addition to or instead of a cash distribution;

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- sale in connection with share-based remuneration or employee share schemes issued to persons currently or previously employed by the company or dependent enterprises or enterprises majority owned by the company.

The Management Board is also authorised to redeem treasury shares without such redemption or its execution requiring a further resolution by the General Meeting of Shareholders.

c) The Supervisory Board is authorised to issue the preference treasury shares acquired on the basis of the above authorisation under a) or one or more prior authorisations to members of the Management Board in the context of their remuneration.

d) All the above authorisations can be utilised individually or collectively, on one or several occasions, in full or in part, in pursuit of one or more purposes. The authorisations under a) and b), items (1), (2) and (5) can also be utilised by dependent companies or companies majority owned by Villeroy & Boch AG or by third parties acting on their behalf or on behalf of Villeroy & Boch AG. The above authorisations cannot be utilised for the purposes of trading in treasury shares (section 71(1) no. 8 sentence 2 AktG).

The Management Board can exercise the above authorisations under a), b) and d) only with the approval of the Supervisory Board.

18. CAPITAL RESERVES

The capital reserves were unchanged at € 194.2 million.

19. TREASURY SHARES

The cost for the 1,627,199 (previous year: 1,627,199) preference treasury shares was € 14.5 million (previous year: € 14.5 million). Under IAS 32.33, the total cost of these shares reduces equity. All transactions were performed on the stock market on the basis of the applicable resolutions of the General Meeting of Shareholders and with the approval of the Supervisory Board. There were no share transactions with related parties. Treasury shares are not entitled to dividends. The utilisation of the preference shares held is restricted by the resolutions adopted.

20. RETAINED EARNINGS

The retained earnings of the Villeroy & Boch Group in the amount of € 195.8 million (previous year: € 150.4 million) contain the retained earnings of Villeroy & Boch AG and the proportionate results generated by consolidated subsidiaries since becoming part of the Group.

in € million	2022	2021
As at 1 Jan.	**150.4**	**104.0**
Consolidated earnings attributable to Villeroy & Boch AG shareholders	71.2	60.2
Dividend distribution	- 25.8	- 13.8
As at 31 Dec.	**195.8**	**150.4**

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21. REVALUATION SURPLUS

The revaluation surplus comprises the reserves of "Other comprehensive income":

in € million	2022	2021	Change
Items to be reclassified to profit or loss:			
Currency translation of financial statements of foreign Group companies (a)	- 21.2	- 11.6	- 9.6
Currency translation of long-term loans classified as net investments in foreign Group companies (b)	- 5.7	- 8.0	2.3
Cash flow hedges (c)	- 3.8	- 4.7	0.9
Deferred tax effect on items to be reclassified to profit or loss (d)	- 0.9	- 0.5	- 0.4
Items not to be reclassified to profit or loss:			
Actuarial gains and losses on defined benefit obligations (e)	- 67.0	- 107.1	40.1
Other valuation results (f)	- 0.9	1.1[1]	- 2.0
Deferred tax effect on items not to be reclassified to profit or loss (g)	20.8	32.2	- 11.4
As at 31 December	**- 78.7**	**- 98.6**	**19.9**

[1] Change in accounting for emission allowances in accordance with IAS 8.14 (for explanations, see section 6.1.1 Accounting policies)

(a) Reserve for currency translation of financial statements of foreign Group companies

Results of Group companies that report in foreign currency are translated into euro in accordance with the functional currency concept (see note 4). The translation of these financial statements resulted in a net effect of € -9.6 million in the 2022 financial year (previous year: € -4.7million).

(b) Reserve for currency translation of long-term loans classified as net investments in foreign Group companies

Within the Villeroy & Boch Group there are loans that finance a net investment in a foreign operation. Loans in foreign currency are measured using the respective closing rate at the end of the reporting period. Currency effects from loans classified as a net investment are therefore reported in this revaluation surplus. This net change in equity in the period under review amounted to € +2.3 million (previous year: € +1.2 million).

(c) Reserve for cash flow hedges

The Villeroy & Boch Group uses financial derivatives to reduce the risks of planned operating currency-, commodity-, and brass transactions (see note 54). These hedges are reported at fair value in the statement of financial position as other assets (see note 14) or other liabilities (see note 31). Changes in fair value amounted to € 0.6 million in the period under review (previous year: € -2.8 million). Cumulative prior-period changes in value in the amount of € 0.3 million (previous year: € -0.4 million) were reclassified to profit or loss in the year under review as the hedged item was also recognised in profit or loss at the same time. The net change in equity in the period under review amounted to € +0.9 million (previous year: € -3.2 million).

(d) Reserve for deferred tax effect on items to be reclassified to profit or loss

As at the end of the reporting period this reserve also includes the deferred tax on the recognised cash flow hedge reserve. This developed as follows:

in € million	2022	2021
As at 1 January	**- 0.5**	**- 7.4**
Additions	- 1.7	7.0
Disposals	1.3	- 0.1
As at 31 December	**- 0.9**	**- 0.5**

On settlement of the respective hedging instrument, the deferred taxes recognised in this reserve will be reclassified to profit or loss.

(e) Reserve for actuarial gains and losses on defined benefit plans

The reserve for actuarial gains and losses on defined benefit plans (see note 26) arises on the remeasurement of benefit obligations as a result of the modification at the end of the reporting period of actuarial parameters, such as the discount rate, the benefit period or the long-term salary trend. In the reporting period, this item changed by € +40.1 million from € -107.1 million to € -67.0 million (see note 26).

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(f) Reserve for miscellaneous gains and losses on measurement

This reserve comprises:

in € million	2022	2021	Change
Valuation results on securities	- 1.5	0.8	- 2.3
Valuation results on long-term obligations to employees	0.6	0.3	0.3
As at 31 December	- 0.9	1.1[1]	- 2.0

(1) Change in accounting for emission allowances in accordance with IAS 8.14 (for explanations see section 6.1.1 Accounting policies)

The Villeroy & Boch-Group recognises listed securities (see note 10 a). These financial instruments are measured at their respective fair value. The fair value is the market price and is assigned to the first level of the fair value hierarchy. Changes in value during the holding period are recognised in the revaluation surplus in equity. Gains and losses reported in this item by the time of derecognition remain in the reserves (see note 10). In the reporting period, this item changed by € -2.3 million from € 0.8 million to € -1.5 million.

Provisions for personnel (see note 27) include long-term obligations to employees of Villeroy & Boch (Thailand) Co. Ltd. that are recognised in the amount of the actuarial present values. Actuarial gains and losses, such as those arising from the change in the discounting factor or assumed mortality rates, are recognised in this item. In the reporting period, this item changed by € 0.3 million from € 0.3 million to € 0.6 million.

(g) Reserve for deferred tax effect on items not to be reclassified to profit or loss

As at the end of the reporting period, this reserve exclusively contained the deferred tax on the reserve for actuarial gains and losses on defined benefit plans. This resulted in a change in net equity in the financial year of € -11.4 million (previous year: € -1.9 million).

22. EQUITY ATTRIBUTABLE TO MINORITY INTERESTS

Non-controlling interests in equity amounted to € 3.8 million (previous year: € 3.7 million). As in the previous year, there are non-controlling interests in two Group companies (see note 62).

Only one of the two Group companies has significant non-controlling interests.

This Group company was as follows at the end of the reporting period:

	Argent Australia Pty. Ltd., Australia	
in € million	31/12/2022	31/12/2021
Percentage of minority interests	55.0%	55.0%
Non-current assets	6.0	4.8
Current assets	16.6	13.0
Non-current liabilities	- 4.6	- 3.8
Current liabilities	- 10.4	- 7.1
Net assets	**6.3**	**6.9**
Net assets of minority interests	3.7	3.7
Revenue	23.4	19.3
Result	**0.6**	**0.5**
Thereof attributable to minority interests	0.3	0.3
Dividend payment to minority interests	**- 0.2**	**- 1.3**

This combined financial information contains transactions with other companies of the Villeroy & Boch Group that were eliminated in consolidation, such as liabilities for purchased goods and unearned intercompany profits. Our principles of consolidation are described in note 3.

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23. DISTRIBUTABLE AMOUNTS AND DIVIDENDS

The information presented here relates to the appropriation of the retained earnings of Villeroy & Boch AG calculated in accordance with German commercial law.

The net profit of Villeroy & Boch AG for 2022 amounted to € 53.6 million. Taking into account the profit carryforward of € 3.6 million, the unappropriated surplus amounts to € 57.2 million.

At the next General Meeting of Shareholders on 21 April 2023, the Management Board of Villeroy & Boch AG will propose that the unappropriated surplus be used to distribute a dividend as follows:

1.15 € per ordinary share
1.20 € per preference share

The proposal for the appropriation of profits is for a dividend of:

Ordinary share:	16.1 million
Preference share:	16.9 million
	33.3 million

If the company still holds treasury shares at the time of the resolution on the appropriation of profits, the dividend payment for the preferred capital will be reduced by the amount attributable to the treasury shares. The amount attributable to treasury shares is to be carried forward to new account.

The dividend shown in the table below was paid to the bearers of Villeroy & Boch shares in previous years:

	06/04/2022		13/07/2021	
Eligible share class	**Dividend per unit in €**	**Total dividend in € million**	**Dividend per unit in €**	**Total dividend in € million**
Ordinary shares	0.95	13.4	0.50	7.0
Preference shares	1.00	12.4	0.55	6.8
		25.8		**13.8**

24. CAPITAL MANAGEMENT

The primary goals of central capital management in the Villeroy & Boch Group are ensuring liquidity and access to the capital markets at all times. This provides the Group with freedom of action and sustainably increases its enterprise value.

The Villeroy & Boch Group's non-current sources of finance consist of:

in € million	**31/12/2022**	**31/12/2021**
Equity	372.5	307.1[1]
Provisions for pensions (note 26)	126.9	175.5
Non-current Financial liabilities (note 29)	75.0	85.0
Non-current sources of finance	**574.4**	**567.6**

(1) Change in accounting for emission allowances in accordance with IAS 8.14 (for explanations see section 6.1.1 Accounting policies)

25. VOTING RIGHT NOTIFICATIONS

In accordance with section 160(1) no. 8 of the German Stock Corporation Act (AktG), the published content of disclosures on holdings in Villeroy & Boch AG reported in accordance with section 20(1) or (4) AktG or in accordance with section 33(1) or (2) of the German Securities Trading Act (WpHG) (sections 21 et seq. WpHG of the version applicable prior to 3 January 2018) must be disclosed. This information can be found in the annual financial statements of Villeroy & Boch AG published in the register of companies (see note 1).

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26. PROVISIONS FOR PENSIONS

There are various defined benefit pension plans within the Villeroy & Boch Group. The regional distribution of the provisions recognised for these pensions were as follows:

in € million	31/12/2022	31/12/2021
Germany	115.5	154.6
Rest of euro zone	7.4	9.5
Rest of world	4.0	11.4
Provisions for pensions	**126.9**	**175.5**

In Germany, there are a final salary plan and several earnings points plans. A final salary plan is available in Sweden. The pension plans in Sweden, Switzerland, Norway and Mexico are partially backed by the investment of financial assets with external managers.

In the Villeroy & Boch Group, 7,622 people (previous year: 7,666) have a defined benefit pension plan. Their regional distribution is as follows:

Headcount	31/12/2022	31/12/2021
Germany		
Members	2,030	2,074
Vested former members	1,388	1,337
Pensioners	2,360	2,374
Total	**5,778**	**5,785**
Rest of euro zone		
Members	363	368
Vested former members	38	28
Pensioners	76	79
Total	**477**	**475**
Rest of world		
Members	923	973
Vested former members	169	164
Pensioners	275	269
Total	**1,367**	**1,406**
Persons with a commitment	**7,622**	**7,666**

Provisions for pensions were measured by using the following company-specific parameters:

	2022		2021	
in %	Ø	Range	Ø	Range
Discount rate	4.0	2.0 – 9.25	1.0	0.0 – 7.9
Expected long-term wage and salary trend	3.0	1.2 – 10.0	2.5	0.0 – 8.0
Expected long-term pension trend	1.8	0.0 – 3.8	1.3	0.0 – 2.4

Average values (Ø) are calculated as a weighted mean on the basis of present values. The discount rate is determined on the basis of senior fixed-interest corporate bonds. The country-specific discount rates range from 2 % in Switzerland to 9.25 % in Mexico. In the previous year, the country-specific discount rates ranged from 0.2 % in Switzerland to 7.9 % in Mexico. A discount rate of 4.00 % (previous year: 1.00 %) is used in Germany. In estimating future salary and pension trends, the length of service with the company and other labour market factors are taken into consideration. The pension obligations for the German companies in the Group are measured, as in the previous year, using the biometric data of the 2018 G Heubeck mortality tables. Country-specific mortality tables were used in the other Group companies.

The pension plans are presented below in summary because, as in the previous year, the majority of these provisions relate to German companies.

The present value of defined benefit obligations can be reconciled to the provision reported in the statement of financial position as follows:

in € million	31/12/2022	31/12/2021
Present value of defined benefit obligations	149.2	201.0
Fair value of plan assets	- 22.3	- 25.5
Carrying amount	**126.9**	**175.5**

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The present value of pension obligations developed as follows:

in € million	2022	2021
As at 1 Jan	**201.0**	**218.0**
Current service cost	2.1	2.7
Interest income and interest expenses	1.9	1.5
Actuarial gains and losses arising from		
changes in demographic assumptions	- 0.1	- 0.3
changes in financial assumptions	- 43.5	- 5.9
changes in other assumptions	2.2	- 2.0
Past service cost	- 0.1	- 0.3
Contributions from plan participants	0.5	0.3
Benefits paid	- 13.2	- 12.7
Disposals	- 0.1	- 0.1
Currency changes arising from non-euro-denominated plans	- 1.5	- 0.2
As at 31 Dec	**149.2**	**201.0**

There were the following changes to plan assets:

in € million	2022	2021
As at 1 Jan	**25.5**	**25.0**
Interest income and interest expenses	0.0	0.0
Revenue from plan assets without interest	0.3	0.2
Gains and losses from plan assets	- 1.4	1.5
Contributions from the Villeroy & Boch Group as employer	0.8	0.4
Contributions from plan participants	0.5	0.4
Benefits paid	- 2.2	- 2.0
Currency changes arising from non-euro-denominated plans	- 1.2	- 0.0
As at 31 Dec	**22.3**	**25.5**

The plan assets are distributed among the companies in Switzerland (25.3 %), Norway (7.1 %), Sweden (67.1 %) and Mexico (0.2 %). In the previous year, the plan assets were distributed among the companies in Switzerland (23.3 %), Norway (6.4 %), Sweden (70.2 %) and Mexico (0.1 %). Their portfolio structure was as follows:

	31/12/2022		31/12/2021	
	in € million	%	in € million	%
Annuities/annuity funds	9.1	41	10.6	42
Equities/equity funds	5.0	22	6.3	25
Property/REITs	2.4	11	2.6	10
Cash and cash equivalents	0.2	1	0.1	–
Investments on an active market	**16.7**	**75**	**19.6**	**77**
Insurance policies	5.6	25	5.9	23
Plan assets	**22.3**	**100**	**25.5**	**100**

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Risks

The risks associated with defined benefit obligations in the Villeroy & Boch Group essentially relate to the basic actuarial assumptions for the future on the basis of past developments in the calculation of the carrying amount. This present value is influenced by discounting rates in particular, whereby the substantial increase in interest rates in the current year is contributing to a relatively low pension provision compared with the previous year. An increase in returns on the capital market for prime industrial bonds would result in a further reduction in the obligations. A simulation calculation is presented in the section "Sensitivities, forecast development and duration" below.

There are risks within plan assets, such as equity price risk and issuer default risk, as a result of the selection of the individual investments and their composition in a securities account. Given the small overall volume of plan assets, the Villeroy & Boch Group considers these risks to be appropriate and non-critical overall. The return on plan assets is assumed in the amount of the discounting rates determined on the basis of senior, fixed rate industrial bonds. If the actual returns on plan assets fall short of the discounting rates used, the net obligation under pension plans will increase.

Sensitivities, forecast development and duration

The sensitivity analysis for the present values of obligations shown below takes into account the change in one assumption while the other variables are not changed compared to the original calculation:

The interval for disclosing sensitivities for the discount rate and the pension trend was unchanged as against the previous year at +/- 0.1 %. The sensitivity for life expectancy has also been calculated with an interval of +/- 1 year since the 2022 financial year.

An alternative valuation of pension obligations was carried out to determine the effects of the amount of pension obligations in the event of changes in the underlying parameters. It is not possible to extrapolate these values on a straight-line basis in the event of differing changes in assumptions, nor to add them together in the event of combinations of changes in individual assumptions. The following development in the present value of obligations is forecast for the subsequent year:

in € million	Forecast 2023	Forecast 2022
Defined benefit obligations as at 31 Dec. 2022 or 2021 resp.	**149.2**	**201.0**
Forecast service cost	1.1	2.1
Forecast interest costs	5.5	2.0
Forecast pension payments	- 11.5	- 13.7
Forecast defined benefit obligations	**144.3**	**191.4**

In determining the forecast pension obligations, the demographic assumptions about the composition of participants are taken from the current scenario. The calculation of pension obligations in the coming year is based on the situation on the valuation date.

The weighted duration of pension provisions in the Villeroy & Boch Group as at 31 December 2022 was 10.1 years (previous year: 12.5 years). The weighted duration for the pension plans of German companies amounted to 9.4 years (previous year: 11.6 years).

	Change in actuarial assumption	Effect on defined benefit obligation as at	
		31/12/2022	31/12/2021
Present value of defined benefit obligations		**149.2**	**201.0**
Discount rate	Increase by 0.1 %	147.7	197.4
	Reduction by 0.1 %	150.7	203.8
Life expectancy	*Increase* by 1 year	156.7	–
	Reduction by 1 year	142.5	–
Pension trend	Increase by 0.1 %	150.5	202.2
	Reduction by 0.1 %	148.0	199.0

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27. NON-CURRENT AND CURRENT PROVISIONS FOR PERSONNEL

Provisions for personnel at the Villeroy & Boch Group are based on the legal, tax and economic circumstances of the respective country. These provisions developed as follows in the reporting period:

in € million	Non-current provisions for:						
	Anniversary bonuses	Severance pay	Partial retirement	Other	Total	Current provisions	Total amount
As at 1 Jan. 2021	**7.3**	**6.8**	**1.0**	**1.9**	**17.0**	**15.3**	**32.3**
Currency adjustments	–	–	–	–	–	0.1	0.1
Utilisation	- 0.8	- 0.7	- 0.8	- 0.7	- 3.0	- 13.4	- 16.4
Reversals	–	–	–	–	–	- 1.2	- 1.2
Additions	0.4	0.8	0.4	0.3	1.9	20.0	21.9
Reclassifications	–	–	–	–	–	–	–
As at 1 Jan. 2022	**6.9**	**6.9**	**0.6**	**1.5**	**15.9**	**20.8**	**36.7**
Currency adjustments	- 0.0	0.1	–	–	0.1	- 0.1	- 0.0
Utilisation	- 1.6	- 1.3	- 0.4	- 0.5	- 3.8	- 18.3	- 22.1
Reversals	- 0.3	–	–	–	- 0.3	- 0.7	- 1.0
Additions	0.2	0.8	0.1	–	1.1	15.8	16.9
As at 31 Dec. 2022	**5.2**	**6.5**	**0.3**	**1.0**	**13.0**	**17.5**	**30.6**

Provisions for anniversary bonuses are recognised by Group companies that have undertaken to pay their employees corresponding cash or non-cash benefits on the occasion of work anniversaries. Villeroy & Boch AG recognises an obligation of € 4.0 million (previous year: € 5.1 million).
This corresponds to 75.7 % (previous year: 74.3 %) of this provision. As in the previous year, these provisions were measured applying the biometric assumptions of the 2018 G Heubeck mortality tables.
The provisions for severance pay are recognised for legally required termination benefits that, for instance, must be paid when an employee changes employer or retires.
These are generally non-recurring payments for employees in Thailand, Austria, Italy, Australia, Romania and India. 48.2% of the provision relates to the claims of employees of Villeroy & Boch Thailand (previous year: 48.5 %) and 25.5 % to the claims of employees of Villeroy & Boch Austria GmbH (previous year: 27.7 %).

Under the partial retirement programme, employees have the option to reduce their working hours in accordance with certain personal requirements for a period determined by law prior to retirement. 50.3 % of the provision relates to the employees of Villeroy & Boch AG (previous year: 76.9 %).
Other non-current provisions for personnel primarily include the demographic fund and the provision for death benefits. The fund is used as an instrument for coping with demographic change. Measures for preventive health care, the improvement of working conditions and support for working hours according to life phases will also be financed in this way in future.
Current provisions for staff mainly include provisions for variable remuneration bonuses in the amount of € 16.7 million (previous year: € 20.2 million).
The measurement of current and non-current provisions for staff is based on external expert opinions, contractual arrangements with employees, available past data and government regulations.

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28. OTHER NON-CURRENT AND CURRENT PROVISIONS

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

in € million	Other non-current provisions	Other current provisions for:						
		Restructuring	Warranties	Recultivation and demolition	Legal and consultancy fees	Miscellaneous	Total	Total amount
As at 1 Jan. 2021	20.3[1]	8.0	6.3	7.4	2.5	7.2	31.4	51.7
Currency adjustments	- 0.1	–	–	–	–	0.2	0.2	0.1
Utilisation	- 0.4[1]	- 5.3	- 0.6	- 1.6	- 0.4	- 2.8	- 10.7	- 11.1
Reversals	- 7.2	- 1.2	–	–	- 0.1	- 1.2	- 2.5	- 9.7
Additions	8.0[1]	1.4	1.5	–	1.1	6.6	10.6	18.6
Reclassifications	2.0	–	–	- 2.0	–	–	- 2.0	–
As at 1 Jan. 2022	**22.6**	**2.9**	**7.2**	**3.8**	**3.1**	**10.0**	**27.0**	**49.6**
Currency adjustments	- 0.3	0.1	- 0.1	–	–	- 0.1	- 0.1	- 0.4
Utilisation	- 0.2	- 1.9	- 0.3	- 0.2	- 2.1	- 4.1	- 8.6	- 8.8
Reversals	- 4.0	- 0.5	- 0.5	–	- 0.9	- 0.5	- 2.4	- 6.4
Additions	3.2	1.5	1.4	–	2.1	5.3	10.3	13.5
Reclassifications	- 2.5	–	–	2.5	–	- 0.3	2.2	- 0.3
As at 31 Dec. 2022	**18.8**	**2.1**	**7.7**	**6.1**	**2.2**	**10.3**	**28.4**	**47.2**

(1) Change in accounting for emission allowances in accordance with IAS 8.14 (for explanations, see section 6.1.1 Accounting policies)

In particular, non-current provisions relate to recultivation and demolition obligations for several properties at existing or former production sites and to obligations to remove leasehold improvements.

€ 17.0 million of the non-current provisions recognised relate to recultivation and restoration obligations (previous year: € 20.6 million). These cover corresponding obligations in Germany, Luxembourg, France, Sweden, Hungary and Romania. An amount of € 0.2 million was added to these provisions in the 2022 financial year (previous year: € 7.9 million). Furthermore, additions of € 2.5 million related to inflation effects in view of the long remaining term of the environmental provisions. Discounting effects were reversed in the amount of € 2.2 million in the financial year under review due to changes in remaining terms and interest rates. At the same time, € 1.5 million was reversed from provisions as the remediation requirements were specified by the authorities and hence cost savings were possible. In the previous year, € 7.0 million was reversed from provisions as the cost of recultivation work proved to be lower. Moreover, provisions of € 2.5 million (previous year: € 2.0 million) were reclassified from long-term provisions for recultivation and restoration obligations to short-term provisions.

The restructuring plan defined in the 2019 financial year was gradually implemented and expanded. The associated measures under this transformation and efficiency programme comprised all functions and markets of the Villeroy & Boch Group.

The implementation and partial expansion of the restructuring plan resulted in utilisations of € 1.9 million and additions of € 1.5 million in the 2022 financial year, which related solely to the restructuring provision for staff.

This obligation was calculated on the basis of company-specific updated empirical values. Provisions for these costs were recognised in full and are expected to be utilised in full within the next 12 months.

The Villeroy & Boch Group typically sells its products with a warranty specific to the country and sector. The provision for warranties was measured on the basis of past division-specific data. In addition, current information on any new risks in connection with new materials, changes in production processes or other factors influencing quality were also taken into account in measurement.

Miscellaneous other provisions included provisions for commission, licensing fees and a large number of individual items.

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29. NON-CURRENT AND CURRENT FINANCIAL LIABILITIES

Interest-bearing liabilities to banks are reported under financial liabilities as at 31 December 2021.

As at 31 December 2022, there are non-current financial liabilities of € 75.0 million (previous year: € 85.0 million) and current financial liabilities of € 10.4 million (previous year: € 25.3 million). A € 20 million loan was repaid on schedule in December 2022. This reduced the number of bank loans currently in place to four (previous year: five). Current financial liabilities include a bank loan of € 10.0 million that is due in January 2023. This bank loan was reclassified to current financial liabilities in the 2022 financial year. Non-current financial liabilities include two bank loans that are due in 2024, each of which has a volume of € 25.0 million, as well as a loan of € 25.0 million that is due in 2025. The interest is payable quarterly or annually. The loans include negative pledges on the part of Villeroy & Boch AG. One long-term loan agreement would end prematurely in the event of a change of control at Villeroy & Boch AG. Non-current financial liabilities had a fair value of € 70.1 million.

Net receivables from and liabilities to banks were consolidated and amounted to € 14.5 million (previous year: € 17.1 million) (see note 16). The requirements for offsetting have been met and it is intended to settle them on a net basis. The cash change amounted to € -24.9 million in the current financial year (previous year: € -4.9 million).

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30. NON-CURRENT AND CURRENT LEASE LIABILITIES

Lease liabilities relate exclusively to future payment obligations from the long-term rental of assets (see note 7).

They are recognised at the present value of the payments to be made to the lessor over the lease term. Current and non-current lease liabilities developed as follows in the financial year:

in € million	Long term lease liability	Short term lease liability	Total amount
As at 1 Jan. 2021	**30.5**	**10.8**	**41.3**
Cash changes	–	- 14.4	- 14.4
Non-cash changes:			
First-time application	10.8	–	10.8
Interest capitalisation	- 0.6	–	- 0.6
Reclassifications	- 16.0	16.0	–
Currency adjustments	0.8	–	0.8
As at 1 Jan. 2022	**25.5**	**12.4**	**37.9**
Cash changes	–	- 18.2	- 18.2
Non-cash changes:			
First-time application	21.5	–	21.5
Interest capitalisation	- 0.6	–	- 0.6
Reclassifications	- 18.5	18.5	–
Currency adjustments	1.3	–	1.3
As at 31 Dec. 2022	**29.23**	**12.66**	**41.89**

Interest expenses for lease liabilities of € -0.6 million were recognised in profit or loss in the financial year (previous year: € -0.6 million).

The Group's undiscounted obligations from capitalised leases are due as follows:

in € million	2022	2021
Due within next 3 months	3.6	3.3
Due between 4 and 12 months	9.8	9.3
Due between 13 and 24 months	10.5	9.2
Due between 25 and 36 months	8.0	6.9
Due between 37 and 48 months	5.4	4.6
Due between 49 and 60 months	2.8	2.7
Due between 61st month and end of contract	4.1	3.0
Total undiscounted lease payments	**44.2**	**39.0**
Interest portion included	- 2.3	- 1.1
Recognised lease liability	**41.9**	**37.9**

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Some leases contain price adjustment clauses in addition to renewal, purchase and termination options. Such options are only included in the calculation of the lease liability when it is reasonably certain that the lease will be renewed or not terminated. Variable lease payments not linked to the development of an index or price, such as revenue-based rent components, are also not permitted to be included in lease liabilities. These unrecognised contract clauses could result in the following theoretical additional payments:

in € million	31/12/2022	31/12/2021
Future potential outflows due to		
variable lease payments	1.7	1.5
renewal and termination options	11.9	6.8
residual value guarantees	–	–
penalties	0.0	0.0
leases for which the asset has not yet been provided	0.5	1.7
	14.0	**10.0**

In addition to payments of principal and interest for the recognised lease liability, amounts recognised in the statement of cash flow also include payments for unrecognised short-term leases and for leases for low-value assets. Payments of principal are reported under cash flows from financing activities and payments of interest are reported under cash flows from operating activities.

in € million	Notes	31/12/2022	31/12/2021
Cash flow from operating activities			
Expenses for short-term leases	7	**- 2.1**	- 1.9
Expenses for leases for low-value assets	7	- 1.2	- 1.2
Expenses for variable lease payments	7	- 8.6	- 7.9
Miscellaneous lease expenses	7	- 0.1	- 0.1
Income from the rental of property, plant and equipment	7	1.5	1.4
Income from sub-leases	7	0.5	0.5
Income from the rental of investment property	8	0.7	0.8
Interest expenses for lease liabilities	30	- 0.6	- 0.6
Change in cash flow from operating activities		**- 9.9**	**- 9.0**
Cash flow from financing activities			
Payments for the principal portion of lease liabilities	30	- 18.2	- 14.4
Change in cash flow from financing activities		**- 18.2**	**- 14.4**
Total change in cash and cash equivalents from cash outflow for leases		**- 28.1**	**- 23.4**

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31. OTHER NON-CURRENT AND CURRENT LIABILITIES

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

in € million	Carrying amount	Remaining term		Carrying amount	Remaining term	
	31/12/2022	Less than 1 year	More than 1 year	31/12/2021	Less than 1 year	More than 1 year
Bonus liabilities	64.6	64.6	–	52.5	52.5	–
Fair values of hedging instruments	9.2	2.7	6.5	8.0	3.0	5.0
Liabilities to affiliated, non-consolidated companies	0.2	0.2	–	0.3	0.3	–
Miscellaneous other liabilities	30.3	28.8	1.5	34.6	7.6	27.0
Total financial instruments *	**104.3**	**96.3**	**8.0**	**95.4**	**63.4**	**32.0**
Personnel liabilities	21.6	21.6	–	19.8	19.8	–
Other tax liabilities	10.8	10.8	–	11.0	11.0	–
Contract liabilities	13.6	13.6	–	10.5	10.5	–
Deferred income	1.2	0.8	0.4	1.6	1.1[1]	0.5
Total carrying amount	**151.5**	**143.1**	**8.4**	**138.3**	**105.8**	**32.5**

* Financial instruments are described in note 54

[1] Change in accounting for emission allowances in accordance with IAS 8.14 (for explanations, see section 6.1.1 Accounting policies)

The sharp rise in other liabilities in the year under review is primarily due to the € 12.1 million increase in bonus liabilities. The measurement of hedging instruments (see note 54) includes currency hedges in the amount of € 6.4 million (previous year: € 8.0 million) and commodity hedges in the amount of € 2.8 million (previous year: € 0.0 million). Contract liabilities include advance payments received on account of orders in the amount of € 9.6 million (previous year: € 6.9 million) and liabilities from customer loyalty programs in the amount of € 4.0 million (previous year: € 3.6 million). Miscellaneous other liabilities included, among other things, an obligation from the sale of the plant site in Luxembourg in the amount of € 24.7 million. This was reclassified to current liabilities in the financial year under review because a legally binding development plan is anticipated by the end of 2023 at the latest.

The plant site was sold on 6 December 2019 in conjunction with a company disposal. The assets of the sold company consisted almost exclusively of its land. The purchaser intends to develop the land in line with building law and subsequently market it. The purchase price for all shares is based on the maximum area that can be developed on this land. This density of development will be determined by the final development plan, which is still subject to final approval. The purchaser made a purchase price payment of € 114.0 million in 2019.

Due to the linking with a possible variability of the building density, this is a transaction with a correspondingly variable purchase price. Any change in development density will lead to an adjustment of the purchase price. The transaction was therefore measured taking into account various scenarios considered possible. These six scenarios considered possible consider a different density of development combined with an estimated probability of occurrence of between 0 % and 80 %. The likeliest scenario with a probability of occurrence of 80 % resulted in a fair value (level 3) of € 89.3 million. This meant the recognition of income in the above amount for the 2019 financial year, and results in the recognition of a potential repayment obligation whose amount has since remained unchanged at € 24.7 million.

In addition, other liabilities include accounts receivable with credit balances and a large number of other individual items.

Other tax liabilities primarily included VAT in the amount of € 5.7 million (previous year: € 5.0 million) and payroll and church tax in the amount of € 4.4 million (previous year: € 4.5 million).

Deferred income mainly comprised rent payments received and government grants.

Miscellaneous other liabilities to affiliated, unconsolidated companies mainly comprise interest-bearing loans from these subsidiaries in the context of general cash clearing (see note 57).

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32. TRADE PAYABLES

Based on the domicile of the respective Group company, trade payables related to:

in € million	31/12/2022	31/12/2021
Germany	46.9	35.5
Rest of euro zone	10.5	9.8
Rest of world	42.0	37.2
Carrying amount as at 31 Dec.	**99.4**	**82.5**

NOTES TO THE CONSOLIDATED INCOME STATEMENT

33. REVENUE

Revenue breakdown

The Villeroy & Boch Group generates revenue from the sale of goods and merchandise. The income generated from the licence business is also reported as a component of consolidated revenue. A breakdown of revenue – by type of revenue and by division and region – is shown in segment reporting under note 53.

Contract balances

Please see the relevant sections for information on the development of contract balances in relation to trade receivables (note 13), contract assets (note 14) and contract liabilities – these correspond to the statement of financial position item "Contract liabilities" (note 31).

Revenue of € 9.6 million (previous year: € 6.9 million) was recognised in the 2022 financial year that was included in net advance payments (€ 10.5 million) at the start of the reporting period. The amount of revenue recognised in the 2022 financial year from performance obligations that were settled in prior periods was € 2.8 million (previous year: € 1.0 million).

Performance obligations

Please see "Revenue recognition" under note 1 "Accounting policies" for detailed information on performance obligations in contracts with customers.

As at the end of the reporting period, the total amount of outstanding performance obligations, i.e. the Group's orders on hand, was € 137.3 million (previous year: € 186.8 million). € 136.9 million (previous year: € 186.7 million) of which are expected to be fulfilled in the coming twelve months and € 0.4 million (previous year: € 0.1 million) of which thereafter. The amounts stated do not include subsequent deductions to be granted or revenue-based income anticipated from licence business.

34. COST OF SALES

The cost of sales of €-569.0 million (previous year: €-526.7 million) comprises the cost of products and merchandise sold. In accordance with IAS 2, this includes not only directly allocable costs such as the cost of materials, staff costs and energy costs, but also overheads and allocable depreciation of production facilities.

35. SELLING, MARKETING AND DEVELOPMENT COSTS

This item contains the costs of sales and marketing (including the costs of sales representatives, advertising and logistics, licence costs) and research and development expenses in the amount of € -271.7 million (previous year: € -269.7 million).

The expenses for research and technical development are broken down across the two divisions as follows:

in € million	2022	2021
Bathroom & Wellness	- 15.1	- 13.8
Dining & Lifestyle	- 4.7	- 4.9
Total	**- 19.8**	**- 18.7**

36. GENERAL ADMINISTRATIVE EXPENSES

General administrative expenses in the amount of € -48.4 million (previous year: € -48.3 million) comprise staff costs and non-staff operating expenses incurred in management and administrative functions.

37. OTHER OPERATING INCOME

Other operating income is composed as follows:

in € million	2022	2021
Exchange rate gains	3.8	1.7
Reversal of provisions *	3.7	8.7
Book profits on the disposal of non-current assets	3.4	0.2
Reversal of write-downs on receivables	0.9	1.7
Income from government grants	0.8	1.8
Reimbursement for damages	0.6	0.4
Reversal of liabilities	0.5	0.8
Other	2.9	2.5
Total	**16.6**	**17.8**

* Not including amounts in other income statement items (cost of goods sold, selling, marketing and development costs and general and administrative expenses)

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38. OTHER OPERATING EXPENSES

Other operating expenses were composed as follows:

in € million	2022	2021
Exchange rate losses	- 8.1	- 1.5
Costs for recultivation and demolition	- 1.9	- 6.7
Consulting services	- 3.4	- 2.6
Addition to write-downs on receivables	- 2.7	- 2.2
Service costs	- 1.0	- 3.3
Book losses on the disposal of non-current assets	- 0.3	- 0.2
Reorganisation costs	- 0.2	- 1.3
Costs for maintenance/repairs	- 0.2	- 0.7
Addition to write-downs on other receivables	0.0	- 0.1
Other	- 7.8	- 9.3
Total	**- 25.6**	**- 27.9**

39. RESULTS OF FINANCIAL ASSETS ACCOUNTED FOR USING THE EQUITY METHOD

This item includes the pro rata result from the investment in two associated companies in the amount of € 0.4 million (previous year: € 0.3 million). Further details can be found in note 9.

40. INTEREST INCOME AND OTHER FINANCIAL INCOME

Financial income consisted of:

in € million	2022	2021
Interest income from:		
Cash and cash equivalents	1.3	0.4
Loans and receivables	0.3	0.1
Provisions	4.0	0.1
Total interest income	**5.6**	**0.6**
Dividends from securities	0.2	0.3
Other financial income	0.2	0.6
Total financial income	**6.0**	**1.5**

Interest income from provisions increased by € 3.9 million to € 4.0 million, mainly on account of the income from the discounting of environmental provisions (see note 28) and the adjustment of the discount rate used to measure Villeroy & Boch AG's anniversary obligations. Interest income from anniversary obligations increased year-on-year as the discount rate used for the anniversary obligations increased from 0.6 % as at 31 December 2021 to 3.7 % at the reporting date.

41. INTEREST EXPENSES AND OTHER FINANCIAL EXPENSES

Finance expenses related to:

in € million	2022	2021
Interest expenses from:		
Provisions	- 2.0	- 1.4
Lease liabilities	- 0.6	- 0.6
Overdraft facilities	- 2.2	- 1.4
Non-current loans	- 1.1	- 1.1
Other borrowing	- 0.3	- 1.8
Total interest expenses	**- 6.2**	**- 6.3**
Other finance expenses	- 1.3	- 0.2
Total finance expenses	**- 7.5**	**- 6.5**

The interest expense for provisions increased by € 0.6 million to € 2.0 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 the pension provision has increased year-on-year as the interest rate for 2021 of 1.0 % was applied in the reporting period and the interest rate of 0.7 % for 2020 was applied in the previous year (see note 26). The current pension interest rate of 4.0 % will affect net interest income in the 2023 financial year.

Other financial expenses increased by € 1.1 million year-on-year to € -1.3 million. This development was mainly due to losses on the remeasurement and disposal of subsidiaries (see note 10).

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42. INCOME TAXES

Income taxes include the taxes on income paid or due and deferred taxes. The German tax law applicable in the 2022 financial year stipulates a tax rate of 30.8 % (previous year: 30.7 %) for the German companies of the Villeroy & Boch Group, taking different trade tax rates into account. The respective country-specific income tax rates used for foreign companies vary from 9.0 % to 30.0 % (previous year: 9.0 % to 30.0 %).

in € million	2022	2021
Taxes paid or due in Germany	- 10.7	- 13.1
Taxes paid or due outside Germany	- 11.9	- 12.8
Current taxes	**- 22.6**	**- 25.9**
Deferred taxes	- 1.2	0.9
Income taxes	**- 23.8**	**- 25.0**

The expected income tax expense (current and deferred) based on the overall German tax rate of 30.8 % differs from the reported income tax expense as follows:

in € million	2022	2021
Earnings before taxes (EBT)	**95.3**	**85.5**
Expected income tax (EBT × tax rate of 30.8 %)	- 29.3	- 26.3
Differences arising from foreign tax rates	2.6	4.4
Tax effects arising from:		
Non-deductible expenses	- 5.9	- 5.2
Adjustment/write-downs on deferred taxes	4.6	6.2
Tax-free income	1.9	2.1
Tax in previous years	1.6	- 5.5
Change of tax rates	–	- 0.6
Other deferred taxes	0.7	- 0.1
Actual income tax expense	**- 23.8**	**- 25.0**
Actual tax rate in %	**25.0**	**29.2**

The reconciliation of the deferred tax assets and liabilities recognised in the statement of financial position to the deferred taxes recognised in the income statement is as follows:

in € million	2022	2021
Change in statement of financial position item:		
Deferred tax assets (note 10)	- 10.7	6.3
Deferred tax liabilities (note 10)	- 1.7	0.4
Sub-total	**- 12.4**	**6.7**
Pass to other comprehensive income (note 21(d))	11.9	- 4.9
Currency adjustments	- 0.7	- 0.9
Deferred taxes recognised in income statement	**- 1.2**	**0.9**

43. MINORITY INTERESTS

Non-controlling interests in consolidated earnings amounted to € 0.3 million (previous year: € 0.3 million). Group companies with non-controlling interests are shown in the list of shareholdings (see note 62). The key figures are presented in note 22.

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44. EARNINGS PER SHARE

Earnings per share are calculated by dividing the portion of consolidated net income attributable to the shareholders of Villeroy & Boch AG by the weighted number of shares outstanding:

Ordinary shares	31/12/2022	31/12/2021
Number of shares outstanding	14,044,800	14,044,800
Pro rata consolidated net income (in € million) *	37.5	31.6
Earnings per share (in €) *	2.67	2.25

Preference shares	31/12/2022	31/12/2021
Number of shares outstanding	12,417,601	12,417,601
Pro rata consolidated net income (in € million) *	33.7	28.6
Earnings per share (in €) *	2.72	2.30

* each in relation to the shares outstanding

The portion of consolidated net income attributable to the shareholders of Villeroy & Boch AG is allocated in accordance with the appropriation of earnings set out in the Articles of Association (see note 17). The development in treasury shares is described in note 19. There were no dilution effects during the reporting periods.

45. DEPRECIATION, AMORTISATION AND IMPAIRMENTS

Depreciation, amortisation and impairments in the financial year broke down as follows:

in € million	2022	2021
Amortisation of intangible assets	1.7	1.7
Impairment losses on intangible assets	0.3	0.5
Depreciation of property, plant and equipment	23.1	22.9
Impairment losses on property, plant and equipment	0.3	0.2
Depreciation of right-of-use assets	15.2	14.4
Impairment losses on right-of-use assets	0.0	0.0
Depreciation of investment property	0.5	0.5
Impairment losses on financial assets	0.3	0.0
Total depreciation, amortisation and impairments	**41.4**	**40.2**

Depreciation is based on standard Group useful lives (see note 1).

46. COST OF MATERIALS

The cost of materials comprised the following:

in € million	2022	2021
Cost of raw materials and supplies (including primary products)	- 161.5	- 144.5
Cost of purchased goods	- 159.6	- 140.7
	- 321.1	**- 285.2**
Cost of purchased services	- 58.4	- 41.2
Total cost of materials	**- 379.5**	**- 326.4**

47. PERSONNEL EXPENSES

Personnel expenses were composed as follows:

in € million	2022	2021
Wages and salaries	- 239.8	- 234.8
Post-employment benefits:		
Expenses for defined benefit plans (see note 26)	- 2.0	- 2.4
Expenses for defined contribution plans	- 17.3	- 16.7
Termination benefits	- 3.0	- 2.7
Other services	- 34.0	- 31.9
Total staff costs	**- 296.1**	**- 288.5**

The cost of defined contribution pension plans essentially relates to employer contributions to statutory pension schemes. "Other benefits" include employer contributions to health insurance, trade association dues and similar expenses.

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Average number of employees

NUMBER OF EMPLOYEES

	2022	2021
Wage earners	3,519	3,467
Salaried employees	3,259	3,304
Average	**6,778**	**6,771**

Of the workforce as a whole, a total of 2,521 people are employed in Germany (previous year: 2,496), with the remaining 4,257 employed outside Germany (previous year: 4,275). The divisions employ:

NUMBER OF EMPLOYEES

	2022	2021
Bathroom & Wellness	4,421	4,363
Dining & Lifestyle	1,855	1,889
Other	502	519
Average	**6,778**	**6,771**

48. OTHER TAXES

The cost of other taxes was € -4.0 million in the reporting period (previous year: € -3.7 million). Companies based in Germany accounted for € -1.0 million (previous year: € -0.9 million and Group companies abroad for € -3.0 million (previous year: € -2.8 million).
"Other taxes" include mainly real estate tax expenses of € -1.7 million (previous year: € -1.7 million).

NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

49. CASH FLOW FROM OPERATING ACTIVITIES

Cash flow from operating activities is calculated by using the indirect method. Here, the Group result after taxes is adjusted for non-cash income and expenses, such as depreciation and amortisation, and changes in operating assets affecting cash are taken into account.
The cash flow from operating activities amounted to € 54.1 million (previous year: € 73.8 million). This cash flow was mainly defined by the excellent Group result (€ 71.5 million). The increase in trade payables (€ 16.9 million) and other liabilities (€ 13.2 million) - mainly higher advance payments and bonus liabilities - also contributed to the improvement in cash flow from operating activities. Offsetting effects resulted from the increase in inventories (€ 49.0 million) and trade receivables (€ 13.0 million) as well as taxes paid in the amount of € 18.2 million. The lower level of long-term provisions also served to reduce the operating cash flow.
The "Other non-cash income and expenses" item includes:

in € million	2022	2021
Interest from the provision for pensions and similar obligations	1.8	1.4
Expenses / income from deferred taxes	0.4	- 1.0
Additions to tax provisions	9.7	15.2
Other non-cash items	- 0.8	- 0.5
Total	**11.1**	**15.1**

50. CASH FLOW FROM INVESTING ACTIVITIES

The cash flow from investing activities of € -19.2 million (previous year: € -75.9 million) mainly included payments for investments in property, plant and equipment and intangible assets in the 2022 financial year of € -36.7 million (previous year: € -25.7 million) and in non-current financial assets of € -3.2 million (previous year: € -15.7 million) (see note 10). Offsetting effects resulted from the disposal of assets of € 4.3 million (previous year: € 5.0 million) and payments from maturing investments made in the previous year to avoid deposit fees (€ 15 million) (see note 14).
In addition, the third purchase price instalment from the sale of the Mexican sanitary ware plant in the 2020 financial year in the amount of € 1.4 million (previous year: € 0.5 million) was paid to us in the 2022 financial year.

51. CASH FLOW FROM FINANCING ACTIVITIES

Net cash used in financing activities amounted to € -69.0 million (previous year: € -33.5 million). This mainly includes payments of lease liabilities of € -18.2 million (previous year: € -14.4 million) and the dividend paid in the 2022 financial year of € -25.8 million in total (previous year: € -13.8 million). Furthermore, there were loan repayments of € -24.9 million (previous year: € -4.9 million).

52. CASH AND CASH EQUIVALENTS

As at the end of the reporting period, cash and cash equivalents amounted to € 226.6 million (previous year: € 264.1 million), a decrease of € 37.5 million as against the previous year.

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NOTES TO THE GROUP SEGMENT REPORT

53. *GROUP SEGMENT REPORT*

The Villeroy & Boch Group is divided into the operating divisions described below, which bundle the Group activities for our product business. The divisions are consistent with the internal organisational and reporting structure and are the reportable segments as defined by IFRS 8.

The Bathroom & Wellness Division manufactures ceramic sanitary ware, ceramic kitchen sinks, bathroom furniture, bathtubs and shower tubs, whirlpools, bath and kitchen fittings and accessories. Among other things, shower toilets, installation systems, outdoor whirlpools and accessories complete the product range.

The Dining & Lifestyle Division covers the full range of tableware, glass and cutlery for the stylish table, as well as home accessories, gifts and clever to go solutions made of porcelain.

In addition to net revenues, the operating result of the divisions is the key performance indicator and used as a basis for decisions on the allocation of resources and for determining the divisions' earnings power. Furthermore, the rolling operating return on net assets is also used to measure the earnings power of the Group and the individual divisions. This is calculated from the operating net assets as at the end of the month as an average of the last twelve months in relation to earnings before interest and taxes (before central function expenses). Group financing and income taxes are managed on a Group-wide basis and are not allocated to the individual divisions. Pricing for interdivision transfers is based on standard market conditions.

The divisions of the Villeroy & Boch Group generated the following revenue:

	Revenue from sales of goods to external customers		Revenue from licence		Intersegment revenue		Total	
in € million	2022	2021	2022	2021	2022	2021	2022	2021
Bathroom & Wellness	661.6	629.1	0.3	0.3	–	–	661.9	629.4
Dining & Lifestyle	328.5	311.3	0.9	1.4	–	–	329.4	312.7
Transition/Other	–	–	3.2	2.9	–	–	3.2	2.9
Total segment revenue	**990.1**	**940.4**	**4.4**	**4.6**	**–**	**–**	**994.5**	**945.0**
Eliminations	–	–	–	–	–	–	–	–
Consolidated revenue	**990.1**	**940.4**	**4.4**	**4.6**	**–**	**–**	**994.5**	**945.0**

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The operating result of the two divisions was calculated as operating segment earnings (EBIT) as follows:

in € million	31/12/2022	31/12/2021
Bathroom & Wellness	67.3	64.2
Dining & Lifestyle	30.9	28.6
Non-operating result [1]	- 1.4	- 2.3
Operating result (EBIT)	**96.8**	**90.5**
Net finance cost (see notes 40 and 41)	- 1.5	- 5.0
Earnings before taxes	**95.3**	**85.5**
Income taxes (see note 42)	- 23.8	- 25.0
Group result	**71.5**	**60.5**

[1] For changes in the non-operating result, see Group Management Report: Results of operations

The following assets and liabilities were assigned to the divisions:

	Assets		Liabilities		Net assets	
in € million	31/12/2022	31/12/2021	31/12/2022	31/12/2021	31/12/2022	31/12/2021
Bathroom & Wellness	403.3	369.4[1]	189.1	170.4[1]	214.2	199.0[1]
Dining & Lifestyle	198.2	166.8	88.7	79.8	109.5	87.0
Reconciliation	378.7	425.5	329.9	404.4	48.8	21.1
Total	**980.2**	**961.7**	**607.7**	**654.6**	**372.5**	**307.1**

[1] Change in accounting for emission allowances in accordance with IAS 8.14 (for explanations, see section 6.1.1 Accounting policies)

The rolling net operating assets of the two divisions were as follows as at the end of the reporting period:

	Rolling assets		Rolling liabilities		Rolling net assets	
in € million	31/12/2022	31/12/2021	31/12/2022	31/12/2021	31/12/2022	31/12/2021
Bathroom & Wellness	400.4	376.7	189.8	173.0	210.6	203.7
Dining & Lifestyle	185.4	156.3	84.5	77.7	100.9	78.6
Total	**585.8**	**533.0**	**274.3**	**250.7**	**311.5**	**282.3**

Segment assets include intangible assets, property, plant and equipment, right-of-use assets, inventories, trade receivables and other assets. Segment liabilities include provisions, trade payables, lease liabilities and other liabilities.

Reconciliation essentially includes financial assets, cash and cash equivalents, investment property, deferred tax assets, provisions for pensions, financial liabilities and deferred tax liabilities.

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Other segment information:

in € million	Additions to intangible assets and property, plant and equipment		Additions to right-of-use assets		Total	
	31/12/2022	31/12/2021	31/12/2022	31/12/2021	31/12/2022	31/12/2021
Bathroom & Wellness	25.6	25.1	8.5	3.6	34.1	28.7
Dining & Lifestyle	11.1	7.7	13.0	7.2	24.1	14.9
Total	**36.7**	**32.8**	**21.5**	**10.8**	**58.2**	**43.6**

in € million	Depreciation and amortisation of intangible assets and property, plant and equipment		Depreciation and amortisation of right-of-use assets		Total	
	31/12/2022	31/12/2021	31/12/2022	31/12/2021	31/12/2022	31/12/2021
Bathroom & Wellness	- 19.9	- 19.6	- 5.6	- 5.1	- 25.5	- 24.7
Dining & Lifestyle	- 5.4	- 5.5	- 9.6	- 9.3	- 15.0	- 14.8
Total	**- 25.3**	**- 25.1**	**- 15.2**	**- 14.4**	**- 40.5**	**- 39.5**

Depreciation and amortisation relates to the intangible assets, property, plant and equipment and right-of-use assets allocated to the individual divisions. € 0.2 million (previous year: € 0.2 million) of write-downs related to the Bathroom & Wellness Division (see note 45). Write-downs of € 0.4 million (previous year: € 0.5 million) related to the Dining & Lifestyle Division in the current financial year (see note 45).

The following table shows the revenue from external customers and non-current assets by domicile of the respective national companies:

in € million	Revenue from sales of goods to external customers		Non-current assets *	
	31/12/2022	31/12/2021	31/12/2022	31/12/2021
German companies	503.7	469.2	98.8	90.4
Registered office in the rest of the euro zone	148.3	144.4	43.8	41.2
Registered office outside the euro zone	338.1	326.8	115.0	126.2
Total	**990.1**	**940.4**	**257.6**	**257.8**

* in accordance with IFRS 8.33 (b)

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OTHER NOTES

54. FINANCIAL INSTRUMENTS

The recognition of primary and derivative financial instruments is based on their allocation to the four measurement categories defined in IFRS 9. The following measurement categories were used in the Villeroy & Boch Group in the reporting period:

Debt instruments such as trade receivables, bank balances and trade payables, which are held primarily to generate contractually agreed cash flows and whose cash flows relate to payments of interest and principle payments on an outstanding nominal value, are recognised at "amortised cost".

Debt instruments that are intended to be held to maturity and that only include interest and principal are recognised "at fair value through other comprehensive income". The possibility that these instruments will be sold is not ruled out. Equity instruments that are not held for trading are also recognised "at fair value through other comprehensive income". The change in value between two balance sheet dates is recognized directly in equity under reserves. Profits and losses accumulated in the reserves over time are reclassified to the income statement when a debt instrument is derecognized (so-called "recycling"). When an equity instrument is derecognized, the accumulated gains and losses are reclassified to retained earnings.

All other financial instruments are recognised "at fair value through profit or loss". Positive and negative changes in fair value are recognised in profit or loss.

In the "hedges" category, the Villeroy & Boch Group uses financial derivatives exclusively to reduce the risks of planned operating transactions (cash flow hedge).
These are recognised in the statement of financial position at fair value. The connection between the hedged item and the hedging instrument is documented at the inception of the hedge. Changes in fair value that prove effective in accordance with IFRS 9 are reported outside profit or loss. Effectiveness means that any change in the market value of the hedge will be offset by an opposing change in the fair value of the hedging instrument. The cumulative changes in value taken to equity are later reported in profit or loss in the period in which the hedged item is recognised in the statement of comprehensive income. Ineffective portions of the change in fair value are taken directly to profit or loss when they arise.

List of financial instruments

The Villeroy & Boch consolidated statement of financial position contains the following financial instruments in accordance to IFRS 9:

The assets side of the statement of financial position shows cash and cash equivalents (note 16), trade receivables (note 13), other financial assets (note 10) and other assets at cost in accordance with IFRS 9 (note 14). This does not include:

a) Other financial assets of € 39.7 million (previous year: € 45.9 million) at fair value through OCI (note 10) and € 7.5 million (previous year: € 0.2 million) at fair value through profit or loss.

b) Other assets of € 11.5 million (previous year: € 13.9 million) not recognised in accordance with IFRS 9 and cash flow hedges measured at fair value of € 5.4 million (previous year: € 3.4 million). The other assets not recognised under IFRS 9 are tax receivables, contract assets and prepaid expenses (see note 14).

The equity and liabilities side of the statement of financial position shows trade payables (note 32), financial liabilities (note 29) and other liabilities at cost (note 31) in accordance with IFRS 9. This does not include:

c) Other liabilities of € 33.6 million (previous year: € 42.9 million) not recognised in accordance with IFRS 9 and cash flow hedges measured at fair value of € 9.2 million (previous year: € 8.0 million). The other liabilities not recognised under IFRS 9 are personnel liabilities, contract liabilities, other tax liabilities and deferred income (see note 31).

Owing to the short maturities of cash and cash equivalents, trade receivables, other receivables, trade payables and other liabilities, it is assumed that the fair values are the carrying amounts. The fair values of other receivables and held-to-maturity investments are calculated as the present values of future expected payments. Standard, matched maturity interest rates are used for discounting. The fair values of currency forwards and foreign currency positions are determined using market prices as at the end of the reporting period. For discounting, interest rates customary in the market are used for the respective investment period. The fair values of forward exchange transactions and foreign currency positions are determined on the basis of the market prices on the balance sheet date.

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Basis of fair value measurement

As in the previous year, the fair values of recognised financial instruments are calculated, in the case of hedge transactions, on the basis of market prices of the parameters on which the derivatives are based, such as current and forward rates, and yield curves. Stock exchange prices are used to measure the securities of the Villeroy & Boch support fund and free investments (see note 10). These are level 1 inputs as referred to by the fair value hierarchy of IFRS 13. The evaluation of other financial assets, most of which are measured at fair value through OCI, was carried out at level 2.

Management of financial instruments

A common feature of all primary and derivative financial instruments is a future claim to cash. Accordingly, the Villeroy & Boch Group is subject in particular to risks of volatility in exchange rates, interest rates and market prices. To limit these risks, the Villeroy & Boch Group has a functional and effective risk management system with a clear functional organisation. Further information on the implemented risk management system can be found under "Risk management system" in the Group management report.

Management of exchange rate risks

Exchange rate risk refers to the uncertainty of fluctuations in the fair value or future cash flows from financial instruments due to changes in exchange rates. The Villeroy & Boch Group uses currency futures to hedge these risks. Future transactions are mainly hedged in Swiss francs, Hungarian forints and Romanian leu. The average hedged exchange rate per EUR is CHF 0.98, HUF 424.37 and RON 5.46. The procedure for hedging exchange rate fluctuations is described in the Group management report under "Management of exchange rate risks". The following currency futures will be carried out after the end of the reporting period on 31 December 2022:

	Assets as at end of reporting period		Liabilities as at end of reporting period	
in € million	Transaction volume	Changes in fair value	Transaction volume	Changes in fair value
Within the next three months	25.7	0.9	2.4	0.1
In three to six months	34.6	0.9	3.8	0.1
In six to twelve months	42.9	1.6	8.8	0.2
After twelve months	19.0	0.8	44.8	6.0
Total	**122.2**	**4.2**	**59.8**	**6.4**

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The Villeroy & Boch Group recognised the following transactions as at the previous year's reporting date:

	Assets as at end of reporting period		Liabilities as at end of reporting period	
in € million	Transaction volume	Changes in fair value	Transaction volume	Changes in fair value
Within the next three months	9.3	0.3	19.2	0.8
In three to six months	8.6	0.2	17.4	0.7
In six to twelve months	11.7	0.3	43.8	1.5
After twelve months	6.4	0.1	39.9	5.0
Total	**36.0**	**0.9**	**120.3**	**8.0**

As at the reporting date, around 30 % of planned foreign currency revenues in various currencies were still unhedged. This essentially relates to the foreign currencies Chinese yuan, Swedish krona, Norwegian krone, US-Dollar and pound sterling. In the event of a change in the respective exchange rates of +/- 10 % and assuming that all other variables remained constant, the carrying amounts at 31 December 2022 would have been € 4.0 million higher/lower (previous year: € 5.6 million). These two scenarios would have a corresponding effect on the statement of comprehensive income in the year under review.

Management of commodity price risks

Commodity price risk refers to the uncertainty of fluctuations in the fair value or future cash flows from financial instruments due to changes in market prices. The hedging strategy of the Villeroy & Boch Group is described in the Group management report under "Management of other price change risks". The following cash flows from the brass and gas commodity swaps in place are due after the balance sheet date 31 December 2022. The average hedged price for gas is € 93.66 per MWh and the average hedged price for brass is € 5,590 per tonne:

	Assets as at end of reporting period		Liabilities as at end of reporting period	
in € million	Transaction volume	Changes in fair value	Transaction volume	Changes in fair value
Within the next three months	1.4	0.3	4.3	1.1
In three to six months	1.4	0.2	1.9	0.4
In six to twelve months	2.8	0.5	3.8	0.9
After twelve months	4.5	0.3	5.5	0.4
Total	**10.1**	**1.3**	**15.5**	**2.8**

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The Villeroy & Boch Group recognised the following transactions as at the previous year' reporting date:

	Assets as at end of reporting period		Liabilities as at end of reporting period	
in € million	Transaction volume	Changes in fair value	Transaction volume	Changes in fair value
Within the next three months	1.2	0.5	–	–
In three to six months	1.6	0.6	–	–
In six to twelve months	3.0	1.2	0.1	–
After twelve months	1.5	0.2	–	–
Total	**7.3**	**2.5**	**0.1**	**0.0**

On the basis of production planning, there is an unhedged brass position totalling 3,920 tonnes as at the end of the reporting year for the following four financial years (previous year: 3,192 tonnes). In the event of a change in brass prices of +/- 10 % and assuming that all other variables remained constant, the carrying amounts at 31 December 2022 would have been € 2.1 million higher/lower (previous year: € 2.0 million). As in the previous year, these two scenarios would have had no effect on the statement of comprehensive income in 2022. On the basis of planning, there is an unhedged gas position of 305,197 MWh (previous year: 71,780 MWh) in total as at the end of the reporting year for the following financial year. In the event of a change in gas prices of +/- 10 % and assuming that all other variables remained constant, the carrying amounts at 31 December 2022 would have been € 2.6 million (previous year: € 0.4 million) higher/lower. As in the previous year, these two scenarios would have no impact on the 2022 income statement. General procurement market risk is explained in the Group management report.

Management of interest rate risks

Interest rate risk refers to the uncertainty of fluctuations in the fair value or future cash flows from financial instruments due to changes in market interest rates. The management method used is described in the Group management report under "Management of interest rate risks".

The Villeroy & Boch Group is exposed to market fluctuations arising from its existing interest positions.

According to a sensitivity analysis before tax effects, in the event of a theoretical change in interest rates in the 2022 financial year of +/- 50 bp and assuming all other variables remained constant, the net finance cost would have been +/- € 0.3 million (previous year: +/- € 0.2 million).

A change in interest rates of +/- 100 bp for the fixed-rate and variable-rate bonds reported in securities (see note 10) would change the fair value and the financial result by € 0.5 million assuming all other variables remained constant.

Management of default and credit risks

Default and credit risks describe the uncertainty of a contractual party meeting its obligations, such as customers for trade receivables or banks for cash investments. The Villeroy & Boch Group has taken extensive measures to reduce this risk, which are described in the Group management report under "Management of default and credit risks".

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Management of liquidity risks

A sufficient liquidity reserve is maintained to ensure that the Villeroy & Boch Group is able to meet its obligations and remain financially flexible at all times. The strategy applied is described in the Group management report under "Management of liquidity risks". Financial instruments in the form of cash and cash equivalents (see note 16) and borrowings (see note 29) are used to manage liquidity. Based on the contractual maturities of financial liabilities, cash outflows are expected in the following time bands:

		Cash outflow expected in the following time bands				
in € million	Carrying amount as at 31 Dec.	Gross	Within three months	Between three months and one year	Between one and five years	More than five years
Trade payables	82.5	82.5	82.5	–	–	–
Current and non-current financial liabilities (a)	110.3	130.3	22.7	20.8	86.8	–
Lease liabilities	37.9	39.0	3.3	9.3	23.4	3.0
Other liabilities	87.4	87.4	57.4	3.1	26.9	–
Cash flow hedge liabilities (b)	8.0	120.5	19.2	61.4	39.9	–
Total as at 31 Dec. 2021	**326.1**	**459.7**	**185.1**	**94.6**	**177.0**	**3.0**
Trade payables	99.4	99.4	99.4	–	–	–
Current and non-current financial liabilities (a)	85.4	101.4	24.8	0.6	76.0	–
Lease liabilities	41.9	44.2	3.6	9.8	26.7	4.1
Other liabilities	95.1	95.1	82.0	11.5	1.6	–
Cash flow hedge liabilities (b)	9.2	75.2	6.8	18.2	50.2	–
Total as at 31 Dec. 2022	**331.0**	**415.3**	**216.6**	**40.1**	**154.5**	**4.1**

a) The cash flow from current and non-current financial liabilities includes future interest payments of € 1.8 million (previous year: € 2.9 million) that will not be incurred until after 31 December 2022. Current financial liabilities of € 14.5 million (previous year: € 17.1 million) were consolidated in the balance sheet (see note 29).

b) The transaction volume of cash flow hedge liabilities in the amount of € 63.8 million (previous year: € 120.5 million) is offset by the opposing effects of the respective hedged items. As at the end of the reporting period, a net effect of € 9.2 million (previous year: € 8.0 million) is forecast, equal to the statement of financial position item. € 1.2 million of this will be settled in the next three months (previous year: € 0.8 million).

In liquidity planning, recognised liabilities are carried at their payment amount on maturity. This takes into account future interest not shown in the statement of financial position as at the end of the reporting period as it is not incurred until later financial years.

The financial assets and liabilities that are subject to offsetting agreements are listed below. The framework agreements for financial futures concluded with our banks stipulate, among other things, that in the event of the insolvency of a contracting party, the existing contracts must be terminated and settled at the respective market value. If several transactions are settled with one contracting party, positive and negative fair values are netted and only the remaining peak is settled. As of December 31, 2022, there are assets from financial futures amounting to € 5.5 million (previous year: € 3.4 million) and liabilities from financial futures amounting to € 9.2 million (previous year: € 8 million). After offsetting in the amount of € 3.8 million (previous year: € 0.7 million), the following assets remain as of December 31, 2022

assets amounting to € 1.0 million (previous year: € 2.6 million) and liabilities amounting to € 4.5 million (previous year: € 7.0 million).

Net income from financial instruments

In the reporting year the Villeroy & Boch Group generated a net result of € -3.0 million (previous year: € -5.0 million) from the use of primary and derivative financial instruments.

€ -0.2 million (previous year: € 0.7 million) of this related to derivative financial instruments and € -2.8 million (previous year: € -5.7 million) to primary financial instruments. Net income from primary financial instruments mainly includes interest expenses for credit financing.

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55. CONTINGENT LIABILITIES AND COMMITMENTS

There were the following contingent liabilities and commitments in the Villeroy & Boch Group:

in € million	31/12/2022	31/12/2021
Guarantees	0.8	0.9
Contingent liabilities from rental obligations	0.3	0.5

The maximum guarantee commitments assumed that can be claimed from the Villeroy & Boch Group are shown. Guarantees were essentially provided by Villeroy & Boch AG to the benefit of banks and lessors.

56. OTHER FINANCIAL OBLIGATIONS

There were the following financial obligations as at the end of the reporting period:

in € million	31.12.2022	31.12.2021
Obligations arising from orders placed:		
For investments in property, plant and equipment	19.2	9.1
For investments in right-of-use assets	0.5	1.7
For investments in intangible assets	0.4	0.4

54.4 % of the obligations to acquire property, plant and equipment in the amount of € 19.2 million related to Villeroy & Boch AG, followed by Villeroy & Boch Magyarország Kft. (23.3 %) and Villeroy & Boch Austria (4.5 %). In the previous year, 72.5 % related to Villeroy & Boch AG, followed by Villeroy et Boch S.A.S (6.8 %) and Villeroy & Boch Magyarország Kft. (6.5 %).

The obligations to acquire right-of-use assets result from leases that have already been signed for where the asset has not yet been provided for use (see note 30).

57. RELATED PARTY DISCLOSURES

Related company disclosures

In the course of our operating activities, we purchase materials, inventories and services from a large number of business partners around the world. This includes business partners in which the Villeroy & Boch Group holds equity interests and some that have relationships with companies or members of the executive bodies of Villeroy & Boch AG.

Villeroy & Boch AG, Germany, is the ultimate controlling entity of the Villeroy & Boch Group. Transactions between Villeroy & Boch AG and its subsidiaries and between individual subsidiaries primarily relate to the exchange of work in process, finished goods and merchandise and services. These transactions were eliminated in accordance with the consolidation principles (see note 3) and are not discussed in this section.

The Villeroy & Boch Group accounts for one company using the equity method (see note 9). No goods or services were provided to or by this German company. From the perspective of the Villeroy & Boch Group, the volume of financial assets and liabilities attributable to the associated company was immaterial.

Villeroy & Boch AG continues to recognise three companies with no material impact on the assets, financial and earnings position of the Group as other financial assets (see note 10). Villeroy & Boch AG mainly delivered Dining & Lifestyle products worth € 12 thousand to these companies in the financial year (previous year: € 32 thousand). The Group recognises net trade receivables of € 3 thousand (previous year: € 6 thousand) (see note 13). Trade payables amounted to € 199 thousand (previous year: € 0 thousend). Furthermore, there are cash pooling liabilities of € 194 thousand in total (previous year: € 292 thousand) from these companies. These are offset by cash pooling receivables of € 602 thousand (previous year: € 582 thousand).

There were no other significant transactions with related companies in the period under review. All transactions are conducted at arm's-length conditions.

Related person disclosures

The Group's related persons include shareholders able to significantly influence Villeroy & Boch AG, persons in key positions and relatives of these persons. Members of the Supervisory Board and the Management Board are considered persons in key positions. The following table lists all remuneration of this group of persons:

in € million	2022	2021
Current employee benefits	5.3	4.2
Post-employment benefits	2.2	1.9
Other long-term benefits	–	0.2
Total	**7.5**	**6.3**

Relatives of this group of persons employed within the Villeroy & Boch Group receive the compensation based on their position/function paid independently of the identity of the person in that position.

There were no other significant transactions with related persons in the period under review. All transactions are conducted at arm's-length conditions.

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58. REMUNERATION OF THE SUPERVISORY BOARD AND MANAGEMENT BOARD

Supervisory Board remuneration

The General Meeting of Shareholders on 1 April 2022 adopted a new remuneration system for the members of the Supervisory Board of Villeroy & Boch AG and resolved the corresponding amendment to the Articles of Association. Following this change, the Articles of Association state that Supervisory Board remuneration has consisted solely of a fixed component since 1 January 2022. In accordance with the Articles of Association, the members of the Supervisory Board are also entitled to claim reimbursement for the expenses incurred as a result of their work. The remuneration shown below is paid together with any value added tax incurred. Members are only entitled to receive remuneration on a pro rata basis for their term of office.

The fixed annual basic remuneration for each member of the Supervisory Board amounts to € 40 thousand. The Chairman receives an additional € 80 thousand, while the Deputy Chairman receives an additional € 17 thousand. Members of the Supervisory Board receive a fee of € 2 thousand for each meeting of the full Supervisory Board. The Chair of the Audit Committee receives € 25 thousand, the Chair of the Investment Committee receives € 4 thousand, and the Chair of the Human Resources Committee receives € 10 thousand. The members of the Investment Committee each receive € 2.5 thousand p.a. in addition to their basic remuneration, while the members of the Audit Committee and the Human Resources Committee each receive an additional € 3 thousand.

Further information on the main features of the remuneration system can be found in the remuneration report in accordance with section 162 AktG in the 2022 Annual Report and on the Internet at https://www.villeroyboch-group.com/en/investor-relations/corporate-governance/remuneration-system-for-the-management-board-of-villeroy-boch-aktiengesellschaft.html.

In the financial year, the members of the Supervisory Board of Villeroy & Boch AG were paid total remuneration of € 1.0 million for the performance of their duties (previous year: € 0.6 million). € 0.7 million (previous year: € 0.4 million) of this related to their fixed basic remuneration, € 0.1 million (previous year: € 0.1 million) to attendance fees and € 0.2 million (previous year: € 0.1 million) to variable remuneration for their work in the previous year that was paid in the year under review. A total expense for Supervisory Board remuneration of € 992 thousand was recognised in the Group result for the 2022 financial year (previous year: € 883 thousand).

In addition to the fixed remuneration paid and the meeting fees for 2022, this figure includes insurance premiums of € 195 thousand (previous year: € 172 thousand). The prior-year figure also includes the variable remuneration component for the 2021 financial year.

Management Board remuneration

An expense of € 3,763 thousand (previous year: € 4,386 thousand) is reported in the income statement for the 2022 financial year. This figure is composed of fixed (€ 1,753 thousand; previous year: € 1,637 thousand) and variable salary components (€ 1,866 thousand; previous year: € 2,430 thousand) as well as expenses for pension benefits and similar obligations of active members of the Board of Management amounting to € 144 thousand (previous year: € 319 thousand). The variable remuneration is composed of a one-year remuneration in the amount of € 850 thousand (previous year: € 1,141 thousand) and a remuneration for several years in the amount of € 1,016 thousand (previous year: € 1,289 thousand). The fixed remuneration includes remuneration in kind of € 78 thousand (previous year: € 78 thousand), including € 4 thousand (previous year: € 4 thousand) relating to insurance premiums. Provisions for pensions for former members of the Management Board amount to € 14,712 thousand (previous year: € 18,617 thousand). In the financial year, former members of the Management Board received pension benefits totalling € 2,054 thousand (previous year: € 1,626 thousand).

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59. AUDITORS' FEES AND SERVICES

The fees for the auditor Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft were broken down as follows:

in € million	2022	2021
Audits of financial statements	0.5	0.4
Other assurance or valuation services	0.1	0.0
Tax advisory services	–	0.1
Other services	0.0	0.0

The fees for other assurance or valuation services related to the audit of the remuneration report and the voluntary audit of the sustainability report. Tax consulting services were utilised in conjunction with a project to boost cash and cash equivalents, borrowing capability and enterprise value in the previous year.

60. DECLARATION OF CONFORMITY WITH THE GERMAN CORPORATE GOVERNANCE CODE IN ACCORDANCE WITH SECTION 161 AKTG

The declaration of conformity with the German Corporate Governance Code prescribed by section 161 AktG (German Stock Corporation Act) for the 2022 financial year was submitted by the Management Board and the Supervisory Board of Villeroy & Boch AG on 30 December 2022. The declaration of conformity is permanently available on the Company's website at https://www.villeroyboch-group.com/en/.

61. EVENTS AFTER THE END OF THE REPORTING PERIOD

There are currently no significant events that took place after the end of the financial year.

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62. LIST OF SHAREHOLDINGS

The shareholdings of the Villeroy & Boch Group are listed in accordance with section 313(2) HGB * below:

in %	Fully consolidated subsidiaries	Villeroy & Boch AG investment		
	Germany	**Direct**	**Indirect**	**Total**
1.	Gästehaus Schloss Saareck Betreibergesellschaft mbH, Mettlach[1]	100	–	100
2.	Heinrich Porzellan GmbH, Selb[1]	100	–	100
3.	Hol Badshop und Service GmbH, Mettlach[1]	100	–	100
4.	INTERMAT – Beteiligungs- und Vermittlungsgesellschaft mbH, Mettlach[1]	100	–	100
5.	Keraco GmbH, Wadgassen	100	–	100
6.	Sales Design Vertriebsgesellschaft mbH, Merzig[1]	100	–	100
7.	Sanipa Badmöbel Treuchtlingen GmbH, Treuchtlingen[1]	100	–	100
8.	V & B International GmbH, Mettlach[1]	100	–	100
9.	VilboCeram GmbH, Mettlach[1]	100	–	100
10.	Villeroy & Boch Creation GmbH, Mettlach[1]	100	–	100
11.	Villeroy & Boch Gastronomie GmbH, Mettlach[1]	100	–	100
12.	Villeroy & Boch Interior Elements GmbH, Mettlach[1]	100	–	100
13.	Villeroy & Boch K-Shop GmbH, Mettlach[1]	100	–	100
	Abroad	**Direct**	**Indirect**	**Total**
14.	Argent Australia Pty. Ltd., Brisbane (Australia)	45.36	–	45.36
15.	Delfi Asset S.A., Luxemburg (Luxembourg)	–	100	100
16.	EXCELLENT INTERNATIONAL HOLDINGS LIMITED, Hongkong (China)	100	–	100
17.	Kiinteistö Oy, Helsinki (Finland)	–	100	100
18.	Mondial S.A., Lugoj (Romania)	99.5	–	99.5
19.	Ucosan B.V., Roden (Netherland)	100	–	100
20.	V AND B SOUTH AFRICA PTE LTD., Claremont (South Africa)	100	–	100
21.	Vilbomex S.A. de C.V., Ramos Arizpe (Mexico)	–	100	100
22.	Vilbona Mexiko S.A. de C.V., Ramos Arizpe (Mexico)	–	100	100
23.	*Villeroy & Boch (Schweiz) AG, Lenzburg (Switzerland)*	–	100	100
24.	Villeroy & Boch (Thailand) Co. Ltd., Saraburi (Thailand)	16.51	83.49	100
25.	Villeroy & Boch (U.K.) Ltd., London (UK)	–	100	100
26.	Villeroy & Boch Arti della Tavola S.r.l., Mailand (Italy)	0.2	99.80	100
27.	Villeroy & Boch Asia Pacific Pte. Ltd., Singapur (Singapore)	100	–	100
28.	Villeroy & Boch Australia Pty. Ltd., Brookvale (Australia)	–	100	100
29.	Villeroy & Boch Austria GmbH, Mondsee (Austria)	100	–	100
30.	Villeroy & Boch Belgium S.A., Brüssel (Belgium)	99.99	0.01	100
31.	Villeroy & Boch Danmark A/S, Rødovre (Denmark)	–	100	100
32.	Villeroy & Boch Gustavsberg AB, Gustavsberg (Sweden)	100	–	100
33.	Villeroy & Boch Gustavsberg Oy, Helsinki (Finland)	–	100	100
34.	Villeroy & Boch Hogar S.L., Barcelona (Spain)	44	56	100
35.	Villeroy & Boch Magyarország Kft., Hódmezövásárhely (Hungary)	100	–	100
36.	Villeroy & Boch MC S.à r.l. , Monaco (Monaco)	99.99	0.01	100
37.	Villeroy & Boch Norge AS, Lorenskog (Norway)	–	100	100
38.	Villeroy & Boch OOO, Moskau (Russia)	100	–	100
39.	Villeroy & Boch Polska Sp. z o.o., Warschau (Poland)	–	100	100
40.	Villeroy & Boch S.à r.l., Faiencerie de Septfontaines-lez-Luxembourg, Luxemburg (Luxembourg)	100	–	100

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41.	Villeroy & Boch Sales India Private Limited, Mumbai (India)	99.99	0.01	100
42.	Villeroy & Boch Tableware (Far East) Ltd., Hongkong (China)	–	100	100
43.	Villeroy & Boch Tableware B.V., Oosterhout (Netherland)	100	–	100
44.	Villeroy & Boch Tableware Ltd., Toronto (Canada)	–	100	100
45.	Villeroy & Boch Trading (Shanghai) Co. Ltd., Shanghai (China)	100	–	100
46.	Villeroy & Boch Ukraine TOV, Kiew (Ukraine)	100	–	100
47.	Villeroy & Boch USA Inc., New Jersey (USA)	–	100	100
48.	Villeroy & Boch Wellness N.V., Roeselare (Belgium)	99.99	0.01	100
49.	Villeroy et Boch Arts de la Table S.A.S., Paris (France)	–	100	100
50.	Villeroy et Boch S.A.S., Paris (France)	100	–	100
51.	Villeroy et Boch Valence d´Agen S.A.S., Valence d´Agen (France)	–	100	100

	Affiliated, unconsolidated companies	**Direct**	**Indirect**	**Total**
52.	Villeroy & Boch Innovations GmbH, Mettlach (Germany)	100.00	–	100
53.	Villeroy & Boch Ventures GmbH, Mettlach (Germany)	–	100	100
54.	Wabu GmbH, München (Germany)	–	100	100

[1] Section 264 (3) HGB is applied to this subsidiary.

[2] Section 313(3) p. 4 HGB is applied to one German investment.

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63. DEVELOPMENTS WITHIN THE IFRS FRAMEWORK

The following pronouncements by the international standard-setter, the IASB (International Accounting Standards Board), were endorsed by the EU and are required to be applied for financial years beginning after 31 December 2021:

Standard		Name
IFRS	3	Reference to the Conceptual Framework
IAS	37	Onerous Contracts Costs of Fulfilling a Contract
IAS	16	PP&E: Proceeds before Intended Use
IFRS/IAS	1/9/16/41	Annual Improvements of IFRS 1, IFRS 9, IFRS 16, IAS 41

The application of all of the above mentioned IASB pronouncements endorsed by the EU was mandatory for the 2022 financial year. As set out in the 2021 Annual Report, the aforementioned changes had no material effect on the accounting policies of the Villeroy & Boch Group.

The following IASB pronouncements were adopted by the EU and were not yet effective for the past 2022 financial year:

Standard		Name
New standards		
IFRS	17	IFRS 17 Insurance Contracts including changes to IFRS 17 (EU-Endorsement in November 2021)
Amendments to existing standards		
IAS	1	Disclosure of Accounting Policies (EU-Endorsement in March 2022)
IFRS	17	Initial Application of IFRS 17 and IFRS 9 Comparative Information
IAS	8	Definition of Accounting Estimates (EU-Endorsement in March 2022)
IAS	12	Deferred tax related to Assets and Liabilities arising from a Single Transaction (EU-Endorsement in August 2022)

In the 2022 financial year, there were multiple amendments to existing standards that had already been endorsed by the EU but that were not yet effective for the past financial year. The amendment to IFRS 17 "Initial Application of IFRS 17 and IFRS 9 – Comparative Information" applies to entities that first apply IFRS 17 and IFRS 9 at the same time. An entity is now permitted to present comparative information about a financial asset as if the classification and measurement requirements of IFRS 9 had been applied to that financial asset before.

The other pronouncements were already presented in the Annual Report 2021. None of the amendments will have any material impact on the accounting policies of the Villeroy & Boch Group.

The EU has not yet adopted the following IASB pronouncements:

Standard		Name
IFRS	16	Lease Liability in a Sale and Leaseback
IAS	1	Non-current Liabilities with Covenants
IAS	1	Classification of liabilities as short- or long term

The above new and amended standards will be applied from 1 January 2024 subject to their endorsement in EU law.

The amendment to IAS 1 "Classifications of Liabilities as Current or Non-Current" clarifies the classification of liabilities as current or non-current.

An IASB pronouncement on 31 October 2022 deferred the date of first-time application until 1 January 2024. The amendment to IAS 1 "Non-Current Liabilities with Covenants" states that only covenants with which an entity is required to comply on or before the reporting date affect the classification of a liability as current or non-current. The amendment to IFRS 16 "Lease Liability in a Sale and Leaseback" clarifies how a seller-lessee subsequently measures sale and leaseback transactions. In particular, the subsequent measurement of lease liabilities will be standardised in order to prevent the inappropriate recognition of gains. Generally speaking, the amendment requires the expected lease payments at the commencement date to be taken into account in the subsequent measurement of lease liabilities in sale and leaseback transactions. In each period, the lease liability will be reduced by the expected payments and the difference between the expected and actual payments will be recognised in profit or loss.

According to present knowledge, the new standards listed above will have only an immaterial effect on the Villeroy & Boch Group.

The European Commission has resolved not to endorse the following IASB pronouncements in European law:

Standard	First-time adoption	Name
IFRS 10 and IA 28	undefined	Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (issued on 11 September 2014)
IFRS 14	undefined	Regulatory Deferral Accounts (issued on 11 September 2014)

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As they have not been implemented in EU law, the Villeroy & Boch Group is not permitted to apply these regulations in the preparation of exempting consolidated financial statements in accordance with section 315e (1) HGB. The Villeroy & Boch Group would not be affected by either regulation.

Mettlach, 17 February 2023

Frank Göring

Dr Peter Domma

Esther Jehle

Georg Lörz

Gabriele Schupp

Dr Markus Warncke

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ADDITIONAL INFORMATION

INDEPENDENT AUDITOR'S REPORT

TO VILLEROY & BOCH AKTIENGESELLSCHAFT

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS AND OF THE GROUP MANAGEMENT REPORT

Opinions

We have audited the consolidated financial statements of Villeroy & Boch Aktiengesellschaft, Mettlach, and its subsidiaries (the Group), which comprise the consolidated balance sheet as at 31 December 2022, consolidated income statement, consolidated statement of comprehensive income, consolidated statement of equity and consolidated statement of cash flows for the fiscal year from 1 January to 31 December 2022 and the notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the group management report of Villeroy & Boch Aktiengesellschaft for the fiscal year from 1 January to 31 December 2022. We have not audited the content of those components of the group management report mentioned in the appendix to the auditor's report.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to Sec. 315e (1) HGB ["Handelsgesetzbuch": German Commercial Code] and, in compliance with these requirements, give a true and fair view of the assets, liabilities and financial position of the Group as at 31 December 2022 and of its financial performance for the fiscal year from 1 January to 31 December 2022, and
- the accompanying group management report as a whole provides an appropriate view of the Group's position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. We do not express an opinion on the content of the parts of the group management report specified in the appendix to the auditor's report.

Pursuant to Sec. 322 (3) Sentence 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the group management report.

Basis for the opinions

We conducted our audit of the consolidated financial statements and of the group management report in accordance with Sec. 317 HGB and the EU Audit Regulation (No 537/2014, referred to subsequently as "EU Audit Regulation") and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements and of the group management report" section of our auditor's report.

We are independent of the group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Art. 10 (2) f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Art. 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions on the consolidated financial statements and on the group management report.

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Key audit matters in the audit of the consolidated financial statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the fiscal year from 1 January to 31 December 2022. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon; we do not provide a separate opinion on these matters.

Below, we describe what we consider to be the key audit matters:

1. Sale of shares in Rollingergrund Premium Properties SA

Reasons why the matter was determined to be a key audit matter

On 6 December 2019, Villeroy & Boch S.a.r.l., Faiencerie de Septfontaines-lez-Luxembourg, Luxembourg, sold 100% of the shares in Rollingergrund Premium Properties SA (RPP), Luxembourg, as part of a share deal. The assets of RPP almost exclusively comprised real estate in Luxembourg. To measure the provisional purchase price, which has already been paid in full, the parties applied a certain buildable area that would lead to a higher building density than other properties in this municipal area. Any subsequent additions or deductions from the surface areas laid out in the development plan, which is awaiting approval, lead to a corresponding adjustment of the purchase price. In the prior fiscal year and in the reporting year, unresolved issues regarding site development were discussed with the authorities several times. A correspondingly modified land-use plan was submitted in December 2021 and a modified development plan based on the land use accordingly was submitted to the applicable authorities of the city of Luxembourg in January 2022. The development plan was approved by the city council of the city of Luxembourg in December 2022. In order to become legally effective, the development plan requires a substantive check and approval by the Luxembourg Ministry of Home Affairs, which needs to decide within three months of receiving the documents whether the development plan can be published and become effective. Objections to this development plan and the underlying land-use plan may be lodged during the approval process or during an action for annulment. Proceedings are expected to be concluded in the first half of 2023, which is why the building density and therefore the actual buildable area available have not yet been ultimately determined.

We have once again determined this to be a key audit matter in our audit, as the calculation of the final purchase price and therefore the current repayment obligation as a result of liabilities largely depend on the anticipated outcome of proceedings and the estimate of the actual buildable area made by the executive directors and external experts. These estimates are based on judgment.

Auditor's response

We inspected the underlying contract and additional internal records to obtain an understanding of significant key points of the transaction, particularly the determination of the provisional purchase price using the purchase price formula in the contract and potential subsequent adjustments of the purchase price. We interviewed the employees at Villeroy & Boch AG who were involved with the contract negotiations regarding the course of the discussions with the competent authorities in Luxembourg about the development plan and the land-use plan and the assumptions made, particularly related to the estimate of the actual buildable area. We also verified the comments of an external expert and assessed the assumptions and estimates underlying the comments. We received confirmation of the independence of the external expert in writing. We also inspected the documents that were submitted to the responsible authorities in Luxembourg.

Our audit procedures did not reveal any reservations concerning the accounting treatment of the sale of shares in RPP.

Reference to related disclosures in the consolidated financial statements

The disclosures on the sale of shares in RPP, including the accounting policies applied, are contained in the notes to the consolidated financial statements (note 1 and note 31).

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2. Measurement of inventories

Reasons why the matter was determined to be a key audit matter

Inventories constitute a significant item in the consolidated financial statements. They are measured at acquisition or production cost. For this purpose, the standard costs used during the year are adjusted to the respective actual costs at the end of the year with the help of revaluation factors. The adjustment is highly dependent on the assumptions with regard to the overhead costs of the production process that have to be included, the fixed costs that are not related to production and the determination of the planned capacity utilization (normal utilization).

Corresponding valuation allowances take into account inventory risks arising from the period of storage and/or reduced usability. In particular, the determination of the impairment rates and the allocation to various valuation classes in the IT-supported impairment procedure as well as the evaluation of whether additional manual impairment losses are necessary, which are not taken into account in this impairment procedure, are at the discretion of the Company's executive directors.

Auditor's response

In our audit, we obtained an understanding of the Company's internal processes and procedures and examined the underlying controls of the measurement of inventories.

We verified the method used to calculate the standard costs and examined this at item level for each business division for anomalies and changes compared to the prior year using data analytic procedures. We analyzed the revaluation factors used for the adjustment of the standard costs to the actual costs on a spot check basis. We also examined whether production-related overhead costs were only taken into account in the calculation of the production costs to the extent that they are incurred with normal utilization of technical and personnel production capacities. In particular, we verified the change in overheads and the planned production capacity compared to the prior year. We examined the planned and actual output by making a prior-year comparison and inspecting the production reports of the production plants.

We examined the suitability of the IT-supported impairment procedure for the assessment of inventory risks with the assistance of internal experts. We compared the computational logic of the model with the accounting policies used by the Company and mathematically verified it on a sample basis. We further assessed the write-downs calculated based on past experience by making analytical comparisons with the write-downs of individual items and of total inventory applied in prior years. The need for additional manual impairment losses was discussed with the officers responsible.

Our audit did not lead to any reservations concerning the measurement of inventories.

Reference to related disclosures in the consolidated financial statements

The Company's disclosures regarding the accounting policies used for the inventories are included in the notes to the consolidated financial statements (note 1 and note 12).

3. Recognition and measurement of provisions for recultivation and restoration obligations

Reasons why the matter was determined to be a key audit matter

Other provisions contain material provisions for various recultivation and restoration obligations from now idle or leased factories in Germany, Luxembourg, Sweden and France as well as for owner-occupied factories in France, Germany, Hungary and Romania.

These matters are once again determined to be a key audit matter, as the recognition and measurement are based on estimates and assumptions by the executive directors regarding the probability and amount of a possible claim, and thus require a high degree of judgment.

Auditor's response

Our audit procedures related to provisions for recultivation and restoration obligations comprised interviews with the executive directors and other employees within the Company involved with these matters regarding the current status of discussions with the respective authorities. We also inspected internal and external communication with authorities and experts and, on this basis, evaluated the scenarios developed as well as potential effects on the most recent assessment. Furthermore, we evaluated its consistency with internal reporting (risk report). We verified the calculation of the provisions both in terms of methodical and clerical accuracy and with the help of external cost estimates.

Our audit did not lead to any reservations concerning the recognition and measurement of provisions for recultivation and restoration obligations.

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Reference to related disclosures in the consolidated financial statements

Disclosures of the Company on recultivation and restoration obligations, including the accounting policies applied, are contained in the notes to the consolidated financial statements (note 1 and note 28).

Other information

The Supervisory Board is responsible for its own report in accordance with Sec. 171 (2) AktG ["Aktiengesetz": German Stock Corporations Act]. The executive directors and the Supervisory Board are responsible for the declaration pursuant to Sec. 161 AktG on the German Corporate Governance Code, which is part of the Group declaration on corporate governance, as well as for the Remuneration Report pursuant to Sec. 162 AktG. In all other respects, the executive directors are responsible for the other information. The other information comprises the components of the annual report mentioned in the appendix.

Our opinions on the consolidated financial statements and on the group management report do not cover the other information, and consequently we do not express an opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

- is materially inconsistent with the consolidated financial statements, with the group management report or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

Responsibilities of the executive directors and the Supervisory Board for the consolidated financial statements and the group management report

The executive directors are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Sec. 315e (1) HGB, and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position and financial performance of the Group. In addition, the executive directors are responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud (i.e., fraudulent financial reporting and misappropriation of assets) or error.

In preparing the consolidated financial statements, the executive directors are responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, the executive directors are responsible for the preparation of the group management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a group management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the group management report.

The Supervisory Board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the group management report.

Auditor's responsibilities for the audit of the consolidated financial statements and of the group management report

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the group management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our opinions on the consolidated financial statements and on the group management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sec. 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic

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decisions of users taken on the basis of these consolidated financial statements and this group management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than the risk of not detecting a material misstatement resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems.

- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.

- Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the group management report or, if such disclosures are inadequate, to modify our respective opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Sec. 315e (1) HGB.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express opinions on the consolidated financial statements and on the group management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions.

- Evaluate the consistency of the group management report with the consolidated financial statements, its conformity with [German] law, and the view of the Group's position it provides.

- Perform audit procedures on the prospective information presented by the executive directors in the group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

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We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and where applicable, the related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Other legal and regulatory requirements

Report on the assurance in accordance with Sec. 317 (3b) HGB on the electronic reproduction of the consolidated financial statements and the group management report prepared for publication purposes

Opinion

We have performed assurance work in accordance with Sec. 317 (3a) HGB to obtain reasonable assurance about whether the rendering of the consolidated financial statements and the group management report (hereinafter the "ESEF documents") contained in the attached file Villeroy-boch_KA+LB_ESEF-2022-12-31.zip (SHA 256-Prüfsumme: a3deb88e20633e9407db78e2af5624813f2e0203d2a129adf98e0346521a3fc2) and prepared for publication purposes complies in all material respects with the requirements of Sec. 328 (1) HGB for the electronic reporting format ("ESEF format"). In accordance with German legal requirements, this assurance work extends only to the conversion of the information contained in the consolidated financial statements and the group management report into the ESEF format and therefore relates neither to the information contained within these renderings nor to any other information contained in the file identified above.

In our opinion, the rendering of the consolidated financial statements and the group management report contained in the file identified above and prepared for publication purposes complies in all material respects with the requirements of Sec. 328 (1) HGB for the electronic reporting format. Beyond this assurance opinion and our audit opinions on the accompanying consolidated financial statements and the accompanying group management report for the fiscal year from 1 January 2022 to 31 December 2022 contained in the "Report on the audit of the consolidated financial statements and of the group management report" above, we do not express any assurance opinion on the information contained within these renderings or on the other information contained in the file identified above.

Basis for the opinion

We conducted our assurance work on the rendering of the consolidated financial statements and the group management report contained in the file identified above in accordance with Sec. 317 (3a) HGB and the IDW Assurance Standard: Assurance on the Electronic Rendering of Financial Statements and Management Reports Prepared for Publication Purposes in Accordance with Sec. 317 (3a) HGB (IDW AsS 410) (06.2022). Our responsibility in accordance therewith is further described in the "Group auditor's responsibilities for the assurance work on the ESEF documents" section. Our audit firm applies the IDW Standard on Quality Management 1: Requirements for Quality Management in the Audit Firm (IDW QS 1).

Responsibilities of the executive directors and the Supervisory Board for the ESEF documents

The executive directors of the Company are responsible for the preparation of the ESEF documents including the electronic rendering of the consolidated financial statements and the group management report in accordance with Sec. 328 (1) Sentence 4 No. 1 HGB and for the tagging of the consolidated financial statements in accordance with Sec. 328 (1) Sentence 4 No. 2 HGB.

In addition, the executive directors of the Company are responsible for such internal control as they have considered necessary to enable the preparation of ESEF documents that are free from material non-compliance with the requirements of Sec. 328 (1) HGB for the electronic reporting format, whether due to fraud or error.

The Supervisory Board is responsible for overseeing the preparation of the ESEF documents as part of the financial reporting process.

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Group auditor's responsibilities for the assurance work on the ESEF documents

Our objective is to obtain reasonable assurance about whether the ESEF documents are free from material intentional or unintentional non-compliance with the requirements of Sec. 328 (1) HGB. We exercise professional judgment and maintain professional skepticism throughout the assurance work. We also:

- Identify and assess the risks of material intentional or unintentional non-compliance with the requirements of Sec. 328 (1) HGB, design and perform assurance procedures responsive to those risks, and obtain assurance evidence that is sufficient and appropriate to provide a basis for our assurance opinion.

- Obtain an understanding of internal control relevant to the assurance on the ESEF documents in order to design assurance procedures that are appropriate in the circumstances, but not for the purpose of expressing an assurance opinion on the effectiveness of these controls.

- Evaluate the technical validity of the ESEF documents, i.e., whether the file containing the ESEF documents meets the requirements of Commission Delegated Regulation (EU) 2019/815, in the version in force at the date of the financial statements, on the technical specification for this file.

- Evaluate whether the ESEF documents enable an XHTML rendering with content equivalent to the audited consolidated financial statements and to the audited group management report.

- Evaluate whether the tagging of the ESEF documents with Inline XBRL technology (iXBRL) in accordance with the requirements of Arts. 4 and 6 of Commission Delegated Regulation (EU) 2019/815, in the version in force at the date of the financial statements, enables an appropriate and complete machine-readable XBRL copy of the XHTML rendering.

Further information pursuant to Art. 10 of the EU Audit Regulation

We were elected as group auditor by the Annual General Meeting on 1 April 2022. We were engaged by the Supervisory Board on 1 August 2022. We have been the group auditor of Villeroy & Boch Aktiengesellschaft without interruption since fiscal year 2009.

We declare that the opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Art. 11 of the EU Audit Regulation (long-form audit report).

Other matter – use of the auditor's report

Our auditor's report must always be read together with the audited consolidated financial statements and the audited group management report as well as the assured ESEF documents. The consolidated financial statements and the group management report converted to the ESEF format – including the versions to be published in the Unternehmensregister [German Company Register] – are merely electronic renderings of the audited consolidated financial statements and the audited group management report and do not take their place. In particular, the ESEF report and our assurance opinion contained therein are to be used solely together with the assured ESEF documents made available in electronic form.

German Public Auditor responsible for the engagement

The German Public Auditor responsible for the engagement is Mr. Michael Heller.

Appendix to the auditor's report:

1. Parts of the group management report whose content is unaudited

We have not audited the content of the following parts of the group management report:

- the Group declaration on corporate governance published on the website cited in the group management report, which is part of the group management report.

Furthermore, we have not audited the content of the following disclosures extraneous to management reports. Disclosures extraneous to management reports are such disclosures that are not required pursuant to Secs. 315, 315a HGB or Secs. 315b to 315d HGB or GAS 20.

- General comments on sustainability

- Disclosures on the general internal control and risk management system

- Combined Responsibility Statement

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2. Further other information

"Other information" comprises the following component of the annual report, which we were provided with prior to issuing this auditor's report:

- the sustainability report into which the group non-financial report is integrated pursuant to Sec. 315b HGB.

"Other information" further comprises the prescribed components of the annual report, which were provided to us prior to us issuing this auditor's report, including, but not limited to the following sections:

- the "Report of the Supervisory Board"
- the "Corporate Governance Report" and
- the "Remuneration Report"

but not the consolidated financial statements, nor the disclosures in the group management report included in our audit or our associated auditor's report.

The other information also comprises the other parts of the annual report, which we expect to receive after we have issued our independent auditor's report, in particular the sections:

- "The Group at a Glance"
- "Divisions"
- "Letter to Shareholders"
- "Executive Bodies of the Company"
- "Villeroy & Boch's Shares"

Heilbronn, 20 February 2023

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Heller	Waldner
Wirtschaftsprüfer	Wirtschaftsprüfer
[German Public Auditor]	[German Public Auditor]

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MANDATES OF THE MANAGMENT BOARD AND THE SUPERVISORY BOARD

MANDATES OF THE MANAGEMENT BOARD

FRANK GÖRING
Chairman of the Management Board (CEO)
a) V & B Fliesen GmbH, Merzig, Germany
b) within the Group: Villeroy & Boch Innovations GmbH, Mettlach, Germany

DR PETER DOMMA
Digitalization/IT Director

ESTHER JEHLE
HR/Organizational Development Director

GEORG LÖRZ
Bathroom & Wellness Director
b) within the Group: *Villeroy & Boch Magyarország Kft., Hódmezövásárhely, Hungary*
Villeroy & Boch Trading (Shanghai) Co., Ltd., Shanghai, China
Villeroy & Boch USA Inc. New Jersey, USA

GABRIELE SCHUPP
Dining & Lifestyle Director
b*) within the Group: Villeroy & Boch Innovations GmbH, Mettlach, Germany*
Villeroy & Boch USA Inc. New Jersey, USA

DR MARKUS WARNCKE
Chief Financial Officer (CFO)
b) within the Group: Villeroy & Boch Innovations GmbH, Mettlach, Germany

MANDATES OF THE SUPERVISORY BOARD

LUITWIN GISBERT VON BOCH-GALHAU
Honorary member of the Supervisory Board

ANDREAS SCHMID
Chairman of the Supervisory Board
Entrepreneur and Chariman of the Board of Directors at Helvetica Capital AG, Zurich, Switzerland
b) Zurich Airport AG, Zurich, Switzerland (Chairman)
Steiner AG, Zurich, Switzerland
Nüssli AG, Hüttwilen, Switzerland (Chairman)
Gategroup Holding AG, Opfikon, Switzerland
Studer Cables AG, Däniken, Switzerland (Chairman)

RALF RUNGE *
First Vice Chairman of the Supervisory Board
Full-time member of the Works Council and consultant for porjects and the Works Council of Villeroy & Boch AG

DR ALEXANDER VON BOCH-GALHAU
Second Vice Chairman of the Supervisory Board
Management Consultant
b) Union Stiftung, Saarbrücken, Germany

ANNA ENGFER * *(since 16 August 2022)*
Secretary of the Executive Board, Section 5 – Co-determination/Woman of the IGBCE, Head Office, Hanover, Germany

SUSANNE HECKELSBERGER
Management Consultant/Managing Director SH Financial Management Consulting GmbH, Stuttgart, Germany
a) Vitesco Technologies Group AG, Regensburg, Germany

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THOMAS KANNENGIESSER *
Senior Product Manager Bathroom & Wellness Division at Villeroy & Boch AG

CHRISTINA ROSENBERG
Management Consultant at innotail, Munich, Germany
a) Hugo Boss AG, Metzingen, Germany
b) Josef Tretter GmbH & Co. KG, Munich, Germany

SABINE SÜPKE * *(until 15 August 2022)*
Regional Director of the IGBCE Hesse-Thuringia, Germany
a) KSBG Kommunale Beteiligungsgesellschaft GmbH & Co. KG, Essen, Germany
B. Braun SE, Melsungen, Germany
B. Braun Melsungen AG, Melsungen, Germany
Sanofi-Aventis Deutschland GmbH, Frankfurt am Main, Germany
Hoechst GmbH, Frankfurt am Main, Germany
Pirelli Deutschland GmbH, Breuberg, Germany
(since 8 February 2022)

THOMAS SCHERER *
Chairman of the Villeroy & Boch European Works Council
Chairman of the Works Council Bathroom & Wellness Division and Deputy Chairman of the Gerneral Works Council of Villeroy & Boch AG

LOUIS DE SCHORLEMER
Managing Director at Corporate Diplomat Srl, Brussels, Belgium
b) LMO sàrl, Esch-Sur-Alzette, Luxemburg

ROLAND STRASSER *
Regional Director of the IGBCE Rhineland-Palatinate/Saarland, Germany
a) BASF SE, Ludwigshafen, Germany (until 29 April 2022)
V & B Fliesen GmbH, Merzig, Germany
AbbVie Komplementär GmbH, Wiesbaden/Ludwigshafen, Germany

DOMINIQUE VILLEROY DE GALHAU
Management Board member of La Financière Tiepolo SAS, Paris, France
b) Adolphe de Galhau'sche Sophienstiftung, Wallerfangen, Germany (Chairman)

BÄRBEL WERWIE *
Chairwoman of the Works Council at Villeroy & Boch AG, Headquarters Mettlach, Germany

* Employee representative

a) Memberships of other statutory supervisory boards within the meaning of section 125 of the German Stock Corporation Act (AktG)

b) Memberships of comparable domestic and foreign controlling bodies of commercial enterprises within the meaning of section 125 of the Stock Corporation Act (AktG)

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COMPANY CALENDAR 2023

21 April 2023 - Virtual General Meeting of Shareholders

25 April 2023 - Report on the first three months of 2023

20 July 2023 - Report on the first half of 2023

20 October 2023 - Report on the first nine months 2023

IMPRINT

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DISCLAIMER

Forward-looking statements
This annual report contains forward looking statements based on management estimates of future developments at the time this report was prepared. These statements are subject to risks and uncer-tainties that Villeroy & Boch is largely unable to influence or precisely evaluate. Among other things, this includes the future economic and legal market conditions, the behaviour of other market participants and expected synergy effects. If these or other uncertain factors were to occur in reality or the assumptions underlying the forward looking statements were to prove incorrect, the actual results could deviate from the expected results described herein. Villeroy & Boch does not intend to update these forward looking statements after the reporting date in order to reflect future events or developments.

Rounding differences
The percentages and figures in this report may be subject to rounding differences.

Technical discrepancies
There may be discrepancies between the accounting documents contained in this report and the accounting documents submitted to the Bundesanzeiger (Federal Gazette) due to technical reasons (e. g. conversion of electronic formats). In this case, the version submitted to the Bundesanzeiger shall be binding. This report has been translated into English. In the event of variances, the German version shall take precedence over the English translation.