Villeroy & Boch
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INTERIM REPORT
1 January to 31 March 2022

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Sustained positive business performance in first quarter:

- Consolidated revenue rises 11.3 % to € 248.5 million.
- EBIT of € 20.4 million up 9.7 % on previous year.
- Revenue and earnings forecast for 2022 as a whole confirmed despite increasing risks.

THE GROUP AT A GLANCE	1/1/2022 - 31/3/2022	1/1/2021 - 31/3/2021	Change	Change
	in € million	in € million	in € million	in %
Revenue	248.5	223.3	25.2	11.3
Revenue – Germany	78.0	69.1	8.9	12.9
Revenue – Abroad	170.5	154.2	16.3	10.6
On a constant currency basis	245.7	223.3	22.4	10.0
EBIT	20.4	18.6	1.8	9.7
EBT	19.3	17.5	1.8	10.3
Group result	13.5	12.3	1.2	9.8
Return on net operating assets (rolling)	33.6 %	32.9 %(1)	-	0.7 PP
Investments (without leasing)	5.1	3.7	1.4	37.8
Investments „Leases“– IFRS 16	4.8	2.8	2.0	71.4
Employees (FTEs as at end of period)	6,455 FTE	6,305 FTE	150 FTE	2.4

(1) Return on net operating assets as at 31 December 2021

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INTERIM MANAGEMENT REPORT OF THE VILLEROY & BOCH GROUP FOR THE FIRST QUARTER OF 2022

GENERAL CONDITIONS OF THE GROUP

The basic information on the Group as presented in the 2021 Group management report remains unchanged. Information on changes in the consolidated Group and on research and development costs can be found on page 12 and in note 14 to the consolidated financial statements.

ECONOMIC REPORT

General economic conditions

The positive performance of the global economy continued in the first three months of the current 2022 financial year even as COVID-19 infection rates remained high. However, this development was curbed by the Russian war of aggression against Ukraine, which adversely affected the world economy and posed an additional risk to economic growth. Along with the impact of the sanctions imposed, rising energy and commodity prices drove inflation higher, which served to intensify the supply bottlenecks and interrupt production. Accordingly, various research institutions have significantly downgraded their macroeconomic growth forecasts.

Course of business and position of the Villeroy & Boch Group

Based on the past first quarter of the 2022 financial year, the Management Board of Villeroy & Boch AG considers the economic position of the Group to be positive on the whole.

We generated consolidated revenue (including licence income) of € 248.5 million in the first quarter of 2022, an increase of € 25.2 million or 11.3 % as against the same period of the previous year. We are continuing to benefit from the ongoing trend towards home and bathroom renovation and refurbishment as people are choosing to beautify where they live.

Adjusted for currency effects, i.e. using the same exchange rates as for the previous year, revenue rose by 10.0 %. Positive currency effects, particularly relating to the Chinese yuan and the US dollar, offset the depreciation of the Swedish krona.

We recorded revenue growth of 8.3 % or € 15.8 million in our main region of EMEA (Europe, Middle East, Africa). This development was driven by various countries in the region, not least in Eastern Europe (+18.9 %). Another notable performer was Germany, which saw extremely strong revenue growth of 12.7 %. By contrast, revenue declined in Russia (-23.1 %) and Northern Europe (-5.7 %) in particular.

The downturn in revenue in Russia was due to the war in Ukraine, which prompted us to halt orders for Russia, Belarus and Ukraine and terminate the local distribution contracts in the region.

Overseas, we recorded revenue growth of 28.7 % or € 9.4 million. This was largely due to improved revenue in our project business in China.

Incoming orders increase in the first quarter of 2022, rising by € 29.4 million as against 31 December 2021 to € 216.2 million. € 177.2 million (31 December 2021: € 165.1 million) of this relates to the Bathroom and Wellness Division and € 39.0 million (31 December 2021: € 21.7 million) to the Dining & Lifestyle Division.

In the Bathroom and Wellness Division, orders on hand increased on the back of the recovery in project business in China in particular.

In the Dining & Lifestyle Division, this was primarily due to the high level of incoming orders for our Christmas range, our best-sellers and the new products we successfully presented at the "Inspiration Days" in February 2022. Incoming orders in Europe and the Americas in particular also increased as a result of the recovery in project business.

Our total EBIT climbed to € 20.4 million in the first quarter of 2022 (previous year: € 18.6 million), mainly thanks to the revenue growth in both divisions.

The Group's rolling return on net operating assets was 33.6 % as at 31 March 2022 (31 December 2021: 32.9 %). This was due to the increase in operating earnings.

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

Course of business and position of the division

Bathroom and Wellness

The Bathroom and Wellness Division generated revenue of € 172.1 million in the first quarter of 2022 (previous year: € 159.3 million) up 8.1 % on the previous year.
We generated revenue growth in all business areas. The rise in revenue of € 12.8 million was mainly attributable to ceramic sanitary ware (€ +6.4 million). The new products launched in the previous year were particularly successful in our home market of Germany, and we also recorded encouraging revenue growth in the Chinese growth market on the back of a recovery in project business.
The fittings business area saw year-on-year revenue growth of € 3.0 million or 14.9 %, particularly as a result of the new products launched in recent years for our strong local brands Gustavsberg and Vatette in Northern Europe.

Thanks to strong revenue performance in particular, the Bathroom and Wellness Division closed the first quarter of 2022 with EBIT of € 17.7 million (previous year: € 16.6 million), although we were only able to offset some of the sharp purchase price rises at present through streamlining and savings measures.

The rolling return on net operating assets increased to 37.1 % (31 December 2021: 35.5 %) as a result of the improvement in the operating result and the slight reduction in net operating assets.

Dining & Lifestyle

The Dining & Lifestyle Division generated revenue of € 75.5 million in the first quarter of 2022 (previous year: € 63.3 million) up 19.1 % on the previous year.
We generated revenue growth in almost all sales channels in the first quarter of 2022. This is particularly evident in revenue at our own retail stores (+€7.7 million), where we were still affected by lockdown-related shop closures in the previous year. In contrast, we were not able to reach the previous year's turn-over in e-commerce, as the other distribution channels were again used as an alternative.
Our business with retail outlet partners increased by € 3.7 million or 18.1 % year-on-year, particularly in Central Europe, the US, the Middle East and Korea.
Our project business with hotel and restaurant clients picked up again as the pandemic restrictions eased, resulting in revenue growth of € 3.7 million.
All in all, this positive revenue performance was based on the successful business model transformation, a successful product range policy, the expansion of our communication strategy ("Love The Moment" campaign) and increased digitalisation in marketing and sales.

Thanks in particular to the encouraging revenue development, the Dining & Lifestyle Division ended the quarter with operating EBIT of € 2.7 million, up € 0.7 million year-on-year.

The rolling operating return on net assets increased to 42.5 % as a result of the earnings situation (31 December 2021: 41.7 %).

Capital structure

Our equity increased by € 20.4 million as against the end of 2021, amounting to € 334.0 million as at 31 March 2022.

The rise in equity is mainly due to the Group result of € 13.5 million generated in the first quarter of 2022. The revaluation surplus also increased by € 6.7 million, particularly as a result of remeasurement effects recognised in other comprehensive income in connection with gas price and commodity hedges.
At 33.5 %, our equity ratio (including non-controlling interests) was therefore 1.2 percentage points higher than in the previous year (31 December 2021: 32.3 %).

Investments

We invested € 5.1 million in property, plant and equipment and intangible assets in the first quarter of 2022 (previous year: € 3.7 million). The Bathroom and Wellness Division accounted for € 3.5 million, with the remaining € 1.6 million attributable to the Dining & Lifestyle Division.
Investment activity in the Bathroom and Wellness Division concentrated on glazing lines at the sanitary ware plants in Hungary and Romania as well as new bathtub moulds in Belgium.
Investment in the Dining & Lifestyle Division mainly related to the maintenance and modernisation of the production facilities in Merzig and Torgau, the acquisition of new pressing tools and the modernisation of our own retail stores.

The Group had obligations to acquire property, plant and equipment and intangible assets in the amount of € 15.3 million as at the end of the reporting period (previous year: € 7.4 million).

Net liquidity

Taking into account our financial liabilities of € 110.0 million, the cash and bank balances of € 257.2 million resulted in net liquidity of € 147.2 million as at 31 March 2022 (31 December 2021: € 153.8 million).
We also have unused credit facilities of € 197.9 million at our disposal.

Balance sheet structure

Total assets amounted to € 998.3 million as at the end of the reporting period as against € 972.4 million as at 31 December 2021, an increase of € 25.9 million.
The share of total assets attributable to non-current assets reduced marginally to 28.5 % (31 December 2021: 29.3 %).
Current assets rose by € 24.1 million as against 31 December 2021, mainly as a result of the increase in trade receivables (€ +14.4 million) and inventories (€ +7.8 million). In addition, an increase in other current assets (€ +5.4 million) and income tax receivables (€ +3.3 million) was partially offset by a decrease in cash and cash equivalents (€ -6.9 million).
On the equity and liabilities side of the statement of financial position, the biggest changes as against the end of 2021 were within current liabilities (€ +8.0 million), where trade payables rose by € 19.0 million and provisions for personnel declined by € 11.6 million as a result of the usual seasonal factors. Non-current liabilities declined by € 2.5 million in total, mainly as a result of the customary utilisation of pension provisions (€ -2.0 million).

REPORT ON RISKS AND OPPORTUNITIES

The risks and opportunities described in the 2021 annual report are unchanged. As previously, a regular, focused re-examination of all risk areas is continuously performed. In addition to the ongoing COVID-19 pandemic and the additional risks resulting from the war in Ukraine, there is a particular focus on risks in the supply chains and in receivables and currency management, which are monitored especially intensively.
Above all, we are concerned about risks affecting energy supply and rising energy prices. We are currently facing extraordinary increases in the cost of gas and electricity as well as freight, packaging and raw materials. As the resulting price rise risk can only be partially offset through hedging and savings, we were already forced to adjust our prices in the first quarter.

Depending on how things progress, we cannot rule out the possibility of having to pass on additional cost increases to our customers.
There is no evidence of any individual risks that could endanger the continued existence of the Group at this time.

OUTLOOK FOR THE CURRENT FINANCIAL YEAR

The expected global economic growth is slowed down by the effects of the war in Ukraine. The length and extent of the war cannot be predicted at present. The associated uncertainty as well as currently rising inflation and the effects of the COVID-19 pandemic, especially in China, make the forecast for the global economy more difficult.

The International Monetary Fund (IMF) therefore lowered its forecast for global economic growth in 2022 to 3.6 % in April due to the consequences of the Russian war of aggression in Ukraine.
Despite these uncertain general conditions, the Management Board of Villeroy & Boch AG is confident that it will be able to achieve the forecast for revenue, earnings and the operating return on net assets for 2022 as a whole due to the course of business in the first three months and the increase in incoming orders.
However, it cannot be ruled out that the further development of the Ukraine war could have a more pronounced economic impact on the construction sector and future private consumer behaviour, thereby negatively impacting the performance of the Villeroy & Boch Group in the second half of 2022.

Mettlach 19 April 2022

Frank Göring

Gabriele Schupp

Georg Lörz

Dr Markus Warncke

CONSOLIDATED BALANCE SHEET

as of 31 March 2022 in € million

Assets	Notes	31/3/2022	31/12/2021
Non-current assets			
Intangible assets		47.1	45.8
Property, plant and equipment	1	163.7	165.9
Right-of-use assets	2	36.4	37.2
Investment property		4.9	5.1
Investment accounted for using the equity method		2.0	2.0
Other financial assets	3	30.4	28.9
		284.5	**284.9**
Other non-current assets	6	4.3	2.0
Deferred tax assets		42.1	42.2
		330.9	**329.1**
Current assets			
Inventories	4	197.2	189.4
Trade receivables	5	130.8	116.4
Financial assets	3	25.2	25.1
Other current assets	6	50.3	44.9
Income tax receivables		6.7	3.4
Cash and cash equivalents	7	257.2	264.1
		667.4	**643.3**
Total assets		**998.3**	**972.4**

Equity and Liabilities	Notes	31/3/2022	31/12/2021
Equity attributable to Villeroy & Boch AG shareholders			
Issued capital		71.9	71.9
Capital surplus		194.2	194.2
Treasury shares		-14.5	-14.5
Retained earnings		163.8	150.4
Revaluation surplus	8	-85.4	-92.1
		330.0	**309.9**
Equity attributable to minority interests		**4.0**	**3.7**
Total equity		**334.0**	**313.6**
Non-current liabilities			
Provisions for pensions		173.5	175.5
Non-current provisions for personnel	9	16.0	15.9
Other non-current provisions		23.8	23.9
Non-current financial liabilities	10	85.0	85.0
Non-current lease liabilities	11	25.6	25.5
Other non-current liabilities	12	31.9	32.5
Deferred tax liabilities		4.2	4.2
		360.0	**362.5**
Current liabilities			
Current provisions for personnel	9	9.2	20.8
Other current provisions		25.9	27.0
Current financial liabilities	10	25.0	25.3
Current lease liabilities	11	11.0	12.4
Other current liabilities	12	109.1	108.7
Trade payables		101.5	82.5
Income tax liabilities		22.6	19.6
		304.3	**296.3**
Total liabilities		**664.3**	**658.8**
Total equity and liabilities		**998.3**	**972.4**

CONSOLIDATED INCOME STATEMENT

for the period 1 January to 31 March 2022

in € million

	Notes	1/1/2022 - 31/3/2022	1/1/2021 - 31/3/2021
Revenue	13	**248.5**	**223.3**
Costs of sales		-145.3	-129.6
Gross profit		**103.2**	**93.7**
Selling, marketing and development costs	14	-67.9	-61.5
General administrative expenses		-12.2	-12.0
Other operating income and expenses		-2.7	-1.7
Result of associates accounted for using the equity method		0.0	0.1
Operating result (EBIT)		**20.4**	**18.6**
Financial result	15	-1.1	-1.1
Earnings before taxes		**19.3**	**17.5**
Income taxes		-5.8	-5.2
Group result		**13.5**	**12.3**
Thereof attributable to:			
Villeroy & Boch AG shareholders		13.4	12.2
Minority interests		0.1	0.1
		13.5	**12.3**
EARNINGS PER SHARE		**in €**	**in €**
Earnings per ordinary share		0.48	0.44
Earnings per preference share		0.53	0.49

During the reporting period there were no share dilution effects.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the period 1 January to 31 March 2022

in € million

	1/1/2022 - 31/3/2022	1/1/2021 - 31/3/2021
Group result	**13.5**	**12.3**
Other comprehensive income		
Items to be reclassified to profit or loss:		
Gains or losses on cash flow hedge	8.0	0.2
Gains or losses on translations of exchange differences	-0.4	-2.9
Deferred income tax effect on items to be reclassified to profit or loss	0.1	-1.3
Items not to be reclassified to profit or loss:		
Actuarial gains or losses on defined benefit plans	-0.1	0.0
Gains or losses on other value changes of securities	-0.7	0.5
Deferred income tax effect on items not to be reclassified to profit or loss	0.0	0.1
Total other comprehensive income	**6.9**	-3.4
Total comprehensive income net of tax	**20.4**	**8.9**
Thereof attributable to:		
Villeroy & Boch AG shareholders	20.1	8.8
Minority interests	0.3	0.1
Total comprehensive income net of tax	**20.4**	**8.9**

CONSOLIDATED CASH FLOW STATEMENT

for the period 1 January to 31 March 2022
in € million

	1/1/2022 - 31/3/2022	1/1/2021 - 31/3/2021
Group result	13.5	12.3
Depreciation of non-current assets	10.2	9.5
Change in non-current provisions	-1.9	-2.2
Profit from disposal of fixed assets	-0.1	0.0
Change in inventories, receivables and other assets	-29.4	-12.5
Change in liabilities, current provisions and other liabilities	9.9	-20.5
Other non-cash income/expenses	0.1	1.6
Cash Flow from operating activities	**2.3**	**-11.8**
Purchase of intangible assets, property, plant and equipment	-5.1	-3.7
Investment in non-current financial assets	-2.0	-1.5
Cash receipts from disposals of fixed assets	4.0	0.8
Cash Flow from investing activities	**-3.1**	**-4.4**
Change in financial liabilities	-0.2	0.7
Cash payments for the principal portion of the lease liabilities	-6.4	-4.2
Dividends paid to minority shareholders	-	-0.7
Dividend paid to shareholders of Villeroy & Boch AG	-	-13.8
Cash Flow from financing activities	**-6.6**	**-18.0**
Sum of cash flows	**-7.4**	**-34.2**
Balance of cash and cash equivalents as at 1 Jan	264.1	297.8
Net increase in cash and cash equivalents	-6.9	-34.2
Balance of cash and cash equivalents as at 31 March	**257.2**	**263.6**

CONSOLIDATED STATEMENT OF EQUITY

for the period 1 January to 31 March 2022

in € million

	Equity attributable to Villeroy & Boch AG shareholders							
	Issued capital	Capital surplus	Treasury shares	Retained earnings	Revaluation surplus	Total	Equity attributable to minority interests	Total equity
Notes					8			
As of 1/1/2021	**71.9**	**193.6**	**-15.0**	**104.0**	**-107.6**	**246.9**	**4.8**	**251.7**
Group result				12.2		12.2	0.1	12.3
Other comprehensive income					-3.4	-3.4		-3.4
Total comprehensive income net of tax				**12.2**	**-3.4**	**8.8**	**0.1**	**8.9**
Dividend payments				-13.8		-13.8	-0.7	-14.5
As of 31/3/2021	**71.9**	**193.6**	**-15.0**	**102.4**	**-111.0**	**241.9**	**4.2**	**246.1**
As of 1/1/2022	**71.9**	**194.2**	**-14.5**	**150.4**	**-92.1**	**309.9**	**3.7**	**313.6**
Group result				13.4		13.4	0.1	13.5
Other comprehensive income					6.7	6.7	0.2	6.9
Total comprehensive income net of tax				**13.4**	**6.7**	**20.1**	**0.3**	**20.4**
Dividend payments						0.0		**0.0**
As of 31/3/2022	**71.9**	**194.2**	**-14.5**	**163.8**	**-85.4**	**330.0**	**4.0**	**334.0**

CONSOLIDATED SEGMENT REPORT

for the period 1 January to 31 March 2022

in € million

	Bathroom and Wellness		Dining & Lifestyle		Transition/Other		Villeroy & Boch-Group	
	1/1/2022 - 31/3/2022	1/1/2021 - 31/3/2021	1/1/2022 - 31/3/2022	1/1/2021 - 31/3/2021	1/1/2022 - 31/3/2022	1/1/2021 - 31/3/2021	1/1/2022 - 31/3/2022	1/1/2021 - 31/3/2021
Revenue								
Segment revenue from sales of goods to external customers	**172.0**	159.2	**75.3**	62.6	**-**	-	**247.3**	221.8
Segment revenue from transactions with other segments	**-**	-	**-**	-	**-**	-	**-**	-
Segment revenue from licence	**0.1**	0.1	**0.2**	0.7	**0.9**	0.7	**1.2**	1.5
Revenue	**172.1**	159.3	**75.5**	63.3	**0.9**	0.7	**248.5**	223.3
Result								
Segment result	**17.7**	16.6	**2.7**	2.0	**-**	-	**20.4**	18.6
Financial result	**-**	-	**-**	-	**-1.1**	-1.1	**-1.1**	-1.1
Investments and depreciations								
Investments of intangible assets, property, plant and equipment	**3.5**	2.7	**1.6**	1.0	**-**	-	**5.1**	3.7
Investments of right-of-use assets on leases	**0.9**	0.8	**3.9**	2.0	**-**	-	**4.8**	2.8
Scheduled depreciation of intangible assets, property, plant and equipment	**4.9**	4.7	**1.3**	1.2	**-**	-	**6.2**	5.9
Scheduled depreciation of right-of-use assets on leases	**1.3**	1.3	**2.4**	2.3	**-**	-	**3.7**	3.6

Assets and Liabilities	31/3/2022	31/12/2021	31/3/2022	31/12/2021	31/3/2022	31/12/2021	31/3/2022	31/12/2021
Segment assets	**406.5**	380.1	**164.2**	166.8	**427.7**	425.5	**998.3**	972.4
Segment liabilities	**189.7**	174.6	**75.8**	79.8	**398.8**	404.4	**664.3**	658.8
Rolling net operating assets								
Rolling operating assets	**382.1**	376.7	**161.4**	156.3	**-**	-	**543.5**	533.0
Rolling operating liabilities	**180.5**	173.0	**79.0**	77.7	**-**	-	**259.5**	250.7
Rolling net operation assets	**201.6**	203.7	**82.4**	78.6	**-**	-	**284.0**	282.3
Rolling operating result (EBIT) *								
Rolling operating result (EBIT) *	**74.6**	72.4	**34.1**	32.8	**-13.8**	-12.4	**94.9**	92.8

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

NOTES TO THE INTERIM FINANCIAL STATEMENTS OF THE VILLEROY & BOCH GROUP FOR THE FIRST QUARTER OF 2022

GENERAL INFORMATION

Villeroy & Boch Aktiengesellschaft, domiciled in Mettlach, Saaruferstrasse 1 – 3, is a listed stock corporation under German law. It is entered in the Commercial Register B of the Saarbrücken Local Court under 63610. It is the parent company of the Villeroy & Boch Group. The Villeroy & Boch Group is a leading international ceramic manufacturer. As a full-service provider for the bathroom and the "perfectly laid table", our operating business is divided into two divisions: Bathroom and Wellness, and Dining & Lifestyle. Villeroy & Boch AG is listed in the Prime Standard operated by Deutsche Börse AG.

This interim report covers the period from 1 January to 31 March 2022. It was approved for publication on 19 April 2022 after the Management Board discussed the interim report with the Audit Committee of the Supervisory Board. It was prepared in accordance with section 315e of the German Commercial Code (HGB), applying the IFRS regulations as endorsed by the European Commission. These condensed interim financial statements have not been audited or reviewed by an audit company. In the opinion of the Management Board, these interim financial statements provide a true and fair view of the net assets, financial position and results of operations of the Group. The interim report includes condensed consolidated financial statements with selected explanatory notes in accordance with IAS 34. For this reason, it should be read in conjunction with the consolidated financial statements as at 31 December 2021. These can be downloaded from the Investor Relations section of the website at www.villeroyboch-group.com.

In the period under review, the accounting and consolidation methods described in the 2021 annual report were extended to include the accounting standards endorsed by the EU and effective for reporting periods beginning on or after 1 January 2022. None of these changes to accounting provisions had a material impact on this interim report. With the exception of the matters discussed in notes 5 and 8, the ongoing COVID-19 pandemic and the war in Ukraine did not have any additional significant impact on the net assets, financial position and results of operations of the Villeroy & Boch Group in the first quarter of 2022. Further information on performance in the first quarter of 2022 can be found in the above economic report.

Basis of consolidation

The basis of consolidation of the Villeroy & Boch Group consists of 52 companies (31 December 2021: 53). In order to optimise the Group structure, Villeroy & Boch Czech s.r.o., Prague, was liquidated on 16 February 2022.

Three companies were treated as non-consolidated companies on account of their insignificant impact on the financial position and financial performance of the Villeroy & Boch Group.

Annual General Meeting of Villeroy & Boch AG for the 2021 financial year

The General Meeting of Shareholders on 1 April 2022 resolved the dividend of € 0.95 per ordinary share and € 1.00 per preference share as proposed by the Supervisory Board and the Management Board of Villeroy & Boch AG. The distribution corresponds to a dividend payment of € 13.4 million (previous year: € 7.0 million) for the ordinary share capital and € 12.4 million (previous year: € 6.8 million) for the preference share capital. The dividend was paid on 6 April 2022. The Villeroy & Boch Group held 1,627,199 (previous year: 1,683,029) preference shares as at the distribution date. These shares were not entitled to dividends.

Seasonal influences on business activities

Owing to Christmas business, the Dining & Lifestyle Division habitually expects to generate a higher level of revenue and operating result in the fourth quarter than in the other quarters of the year.

NOTES ON SELECTED ITEMS OF THE CONSOLIDATED BALANCE SHEET

1. Property, plant and equipment

Property, plant and equipment in the amount of € 3.1 million was acquired in the period under review (previous year: € 2.0 million). Investment in the Bathroom and Wellness Division focused on international locations. For example, there was investment in the glazing lines at the sanitary ware plants in Hungary and Romania. New bathtub moulds were acquired in Belgium. The Dining & Lifestyle Division primarily invested in the maintenance and modernisation of the production facilities in Merzig and Torgau. In addition, new pressing tools were acquired. The Group also invested in the modernisation of its own retail stores.

Depreciation amounts to € 5.7 million (previous year: € 5.5 million). As at the end of the reporting period, the Villeroy & Boch Group had obligations to acquire property, plant and equipment in the amount of € 14.7 million (31 December 2021: € 9.1 million).

2. Right-of-use assets

Capitalized right-of-use assets declined by € 0.8 million to € 36.4 million in the reporting period.

This change is due to additions of € 4.8 million (previous year: € 2.8 million) and, offsetting this, depreciation of € 3.7 million (previous year: € 3.6 million) and disposals of € 1.9 million (previous year: € 0.1 million). Expenses for short-term property leases amounted to € 1.1 million (previous year: € 0.8 million) with € 1.5 million (previous year: € 1.5 million) from variable rental payments for property leases. Expenses for other short-term leases and leases for low-value assets amounted to € 0.5 million (previous year: € 0.2 million).

3. Other financial assets

Other financial assets include:

in € million	31/3/2022	31/12/2021
Securities	25.2	25.1
Short-term financial assets	**25.2**	**25.1**
Securities	20.4	18.9
Shares in other equity investments	2.1	2.1
Loans	1.5	1.5
Shares in non-consolidated subsidiaries	6.4	6.4
Long-term financial assets	**30.4**	**28.9**

4. Inventories

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

in € million	31/3/2022	31/12/2021
Raw materials and supplies	33.6	31.1
Work in progress	20.3	20.3
Finished goods and goods for resale	143.3	138.0
Inventories (total)	**197.2**	**189.4**

5. Trade receivables

Trade receivables are broken down as follows:

by customer domicile / in € million	31/3/2022	31/12/2021
Germany	34.1	20.5
Rest of euro zone	26.6	27.1
Rest of world	75.8	73.5
Gross carrying amount of trade receivables	**136.5**	**121.1**
Impairment due to expected losses (level 1)	-0.8	-0.8
Impairment due to objective indications (level 2)	-4.9	-3.9
Impairment losses	**-5.7**	**-4.7**
Total trade receivables	**130.8**	**116.4**

There are specific indications of potential customer default as a result of the war in Ukraine. Write-downs of € 1.0 million were recognised as appropriate loss allowances (level 2).

6. Other non-current and current assets

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

in € million	31/3/2022		31/12/2021	
	Current	Non-current	Current	Non-current
Other tax receivables	6.6	-	9.5	-
Prepaid expenses	3.2	-	2.6	-
Advance payments and deposits	4.7	1.9	2.2	1.7
Receivables from equity investments	1.5	-	1.8	-
Fair values of hedging instruments	8.5	2.4	3.1	0.3
Contract assets	0.4	-	0.3	-
Miscellaneous assets	25.4	-	25.4	-
Other assets (total)	**50.3**	**4.3**	**44.9**	**2.0**

No government grants were received in connection with the COVID-19 pandemic in the first quarter of the 2022 financial year. The Villeroy & Boch Group received grants of € 1.6 million in the 2021 financial year. These are essentially recognised in staff costs and in other operating income.

7. Cash and cash equivalents

Cash and cash equivalents are composed as follows:

in € million	31/3/2022	31/12/2021
Cash on hand incl. Cheques	0.3	0.3
Current bank balances	109.1	100.4
Cash equivalents	147.8	163.4
Total cash and cash equivalents	**257.2**	**264.1**

The € 6.9 million decrease in cash and cash equivalents is primarily attributable to seasonal effects such as the payment of customer bonuses (see note 12) and the variable remuneration for 2021. Bank balances were offset against matching liabilities in the amount of € 17.9 million (31 December 2021: € 17.1 million). Cash is held solely in the short term and at banks of good credit standing that are predominantly members of a deposit protection system.

8. Revaluation surplus

The revaluation surplus comprises the reserves contained in "Other comprehensive income":

in € million	31/3/2022	31/12/2021
Items to be reclassified to profit or loss:		
Currency translation of financial statements of foreign group companies	-13.5	-11.6
Currency translation of long-term loans classified as net investments in foreign group companies	-6.7	-8.0
Reserve for cash flow hedges	3.3	-4.7
Deferred taxes for this category	-0.4	-0.5
Sub-total (a)	**-17.3**	**-24.8**
Items not to be reclassified to profit or loss:		
Actuarial gains and losses on defined benefit obligations	-107.2	-107.1
Miscellaneous gains and losses on measurement	6.9	7.6
Deferred taxes for this category	32.2	32.2
Sub-total (b)	**-68.1**	**-67.3**
Total revaluation surplus [(a)+(b)]	**-85.4**	**-92.1**

Additional hedges were concluded in the first quarter of 2022 in response to the rise in energy and commodity costs as a result of the Ukraine war. The change in the revaluation surplus was mainly due to the remeasurement effects recognised in other comprehensive income in connection with these gas price and commodity hedges. This was partially offset by currency effects recognised in other comprehensive income from various currencies.

9. Non-current and current provisions for personnel

Non-current provisions have changed only insignificantly. The change in current provisions for personnel is mainly due to the payment of variable remuneration for 2021.

10. Non-current and current financial liabilities

Current and non-current financial liabilities remained virtually unchanged in the reporting period.

11. Non-current and current lease liabilities

Non-current and current lease liabilities declined by € 1.3 million to € 36.6 million in the reporting period. A reduction in lease payments in the amount of € 6.4 million (previous year: € 3.9 million) was partially offset by new leases in the amount of € 4.8 million (previous year: € 2.8 million). Interest expenses for leased right-of-use assets amounted to € 0.1 million in the reporting period (previous year: € 0.2 million).

12. Other non-current and current liabilities

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

in € million	31/3/2022		31/12/2021	
	Current	Non-current	Current	Non-current
Bonus liabilities (a)	42.0	-	52.5	-
Personnel liabilities (a)	22.9	-	19.8	-
Other tax liabilities	17.2	-	11.0	-
Advance payments received on account of orders	13.0	-	10.5	-
Deferred income	5.2	0.5	4.0	0.5
Liabilities to affiliated, non-consolidated companies	0.5	-	0.3	-
Fair values of hedging instruments	3.2	4.4	3.0	5.0
Miscellaneous other liabilities	5.1	27.0	7.6	27.0
Other liabilities (total)	**109.1**	**31.9**	**108.7**	**32.5**

(a) seasonal change

NOTES ON SELECTED ITEMS OF THE CONSOLIDATED INCOME STATEMENT

13. Revenue

Revenue is broken down in the segment reporting.

14. Selling, marketing and development costs

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

in € million	31.03.2022	31.03.2021
Bad und Wellness	-3.5	-3.4
Dining & Lifestyle	-1.2	-1.3
Research and development costs (total)	**-4.7**	**-4.7**

15. Financial result

The financial result is broken down as follows:

in € million	31.03.2022	31.03.2021
Financial expenses	-0.8	-0.8
Interest expense on lease liabilities	-0.1	-0.2
Interest expenses for provisions (pensions)	-0.4	-0.3
Financial income	0.2	0.2
Net finance expense (tota)	**-1.1**	**-1.1**

16. Related party disclosures

No material contracts were entered into with related parties in the period under review. The pro rata temporis transaction volume with related parties and non-consolidated affiliated companies is at virtually the same level as in the 2021 annual financial statements. All transactions are conducted at arm's-length conditions.

17. Events after the end of the reporting period

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

Mettlach 19 April 2022

The Management Board

FINANCIAL CALENDAR

20 July 2022	Report on the first half of 2022
21 October 2022	Report on the first nine months of 2022
21 April 2023	General Meeting of Shareholders of Villeroy & Boch AG

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