

GROUP MANAGEMENT REPORT

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GROUP MANAGEMENT REPORT

Challenging market conditions successfully mastered:

- Consolidated revenue 7.5 % below previous year on a constant currency basis.
- EBIT margin increased to 9.9 % (previous year: 9.7 %).
- Consolidated net profit for the year at € 61.0 million (previous year: € 71.5 million).

BASIC INFORMATION ON THE GROUP

in notes 2 and 62 of the notes to the consolidated financial statements.

BUSINESS MODEL OF THE GROUP

Organisational structure of the Group

The Villeroy & Boch Group (referred to subsequently as Villeroy & Boch or the Group) is a leading international ceramic manufacturer. Almost no other premium brand¹ with a global reputation can look back on a comparable company history of 275-year history and 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 high-quality products.

Drawing on its ceramic and design expertise, Villeroy & Boch is now a full-service provider for the bathroom and for high-quality tableware and living accessories. Its operating business is broken down into two divisions: Bathroom & Wellness and Dining & Lifestyle. Group-wide tasks and activities are performed by the central functions.

Villeroy & Boch AG is the Group parent for a total of 50 (previous year: 51) 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 their business activities are only minor, they are of immaterial significance to the Group's financial position and performance.

Further information on the basis of consolidation and the investment structure of the Villeroy & Boch Group can be found

Divisions and sales markets

Villeroy & Boch sells its products in around 125 countries. Its product range in the Bathroom & Wellness Division extends from ceramic bathroom collections in various styles to bathroom furniture, shower, tub and whirlpool systems, fittings, pipe connecting elements, 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 11,000 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.

¹ According to a representative survey on awareness and perception of the Villeroy & Boch brand, conducted by an independent market research institute with 500 participants per division in nine different countries.

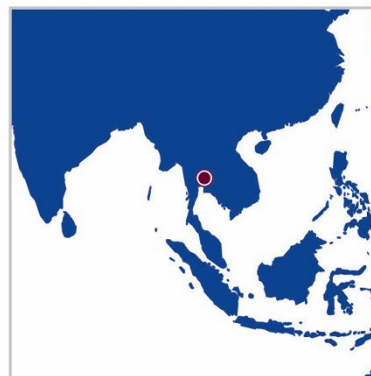
PRODUCTION SITES BY REGION

EUROPE



Gustavsberg and Vårgårda (Sweden)
 Hódmezővásárhely (Hungary)
 Lugoj (Romania)
 Merzig, Mettlach, Torgau and Treuchtlingen (Germany)
 Roden (Netherlands)
 Roeselare (Belgium)
 Valence d'Agen (France)

APAC



Saraburi (Thailand)

The app supplements the service provided by our website in the professional area especially created for architects, planners and tradespeople. With the Bathroom Inspirator, the Bathroom Planner and the Augmented Reality App, end consumers can individually plan and design complete bathrooms in a virtual environment. In addition, a content campaign on key social media channels such as Instagram, Pinterest and TikTok specifically appeals 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 83 Villeroy & Boch stores and more than 600 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 3,700 points of sale world-wide. In addition, we supplement our range with licence-based products from the “Living” area. This mainly includes lighting, bathroom and kitchen textiles, blankets and plaids, cabinet furniture for living and dining rooms, kitchen furniture and tiles.

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 four-star and five-star hotels.

Locations

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

We had 13 production sites in Europe and Asia in the reporting year. The production site for bathroom furniture in Mondsee, Austria, was sold with effect as of 31 December 2023, bringing this figure to 12. Products for the Dining & Lifestyle Division are manufactured at two sites in Germany (Merzig and Torgau). A total of ten sites make products for the Bathroom & Wellness Division: Ceramic sanitary ware is produced at the sites in Mettlach (Germany), Valence d'Agen (France), Hódmezővásárhely (Hungary), Lugoj (Romania), Gustavsberg (Sweden) and Saraburi (Thailand), bathroom furniture in Treuchtlingen (Germany), bathtubs, shower tubs and whirlpools in Roden (Netherlands) and Roeselare (Belgium), and fittings in Vårgårda (Sweden).

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.

The performance of the Group as a whole, and the two divisions individually, is measured using the following key financial indicators: revenue, earnings before interest and taxes (EBIT) and rolling operating return on net assets. The latter is calculated as the rolling operating result divided by the average rolling operating net assets for the last twelve months. The rolling operating result used here is the result of operating activities at Group level. Rolling 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_{2e} 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. However, these non-financial performance indicators are not currently used for internal Group management.

For further details, please refer to the “Sustainability” section.

RESEARCH, DEVELOPMENT AND INNOVATION

Research, development and innovation are essential to maintaining our competitiveness and form the basis for our long-term, sustainable economic success.

Including design development, the Villeroy & Boch Group invested € 18.9 million in research and development in the 2023 financial year (previous year: € 19.8 million). Of this figure, € 14.0 million (previous year: € 15.1 million) was attributable to the Bathroom & Wellness Division and € 4.9 million (previous year: € 4.7 million) was attributable to the Dining & Lifestyle Division. Research and development expenses account for 2.1 % of consolidated revenue (previous year: 2.0 %). There were 196 employees working in research and development across the Group as at 31 December 2023 (previous year: 194).

Our research and development activities in the 2023 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

Decarbonisation, resource efficiency and digital transformation remain focal points of Villeroy & Boch's projects with partners from applied research and industrial development.

In view of both current and future challenges of sustainable production, the research and development teams at Villeroy & Boch have developed project ideas for decarbonisation in cooperation with external experts and made initial attempts to convert firing processes to non-fossil fuels. The ceramic samples obtained from small laboratory furnaces using 100 % hydrogen as the fuel gas, which were characterised using modern material measurement techniques, provided the basis for converting a chamber furnace to hydrogen in the period under review. This test facility allows ceramic sanitary ware products (toilets and washbasins) to be fired on a pilot plant scale and subsequently investigated. At the same time, Villeroy & Boch is working with supplier companies to develop concepts for installing an electric furnace and is involved in the FlexIPro project as an associated industrial partner. On behalf of the Competence Centre on Climate Change Mitigation in Energy-Intensive Industries (KEI) and in collaboration with the Department for Industrial Furnaces and Heat Engineering of the RWTH Aachen University, the Fraunhofer Institute for Systems and Innovation Research (ISI) is exploring the possibilities for energy flexibility in the industrial sector with this project.

Villeroy & Boch also successfully completed internal projects on the use of secondary raw materials in bodies and glaze in 2023, conserving raw material resources and making a key contribution to more sustainable production. The process-relevant furnace parameters were also evaluated and analysed and initial potential for increasing energy efficiency was calculated as part of the “Energy efficient high temperature processes for large and geometrically complex components” (HTPgeox) development project funded by the German Federal Ministry for Economic Affairs and Climate Action (BMWK). Geometric recordings produced using image processing technologies before and after the firing process highlighted key changes and fluctuations for the analyses and ensure effective process monitoring. Together with the thermo-analytical characterisation of the ceramic materials, additional computer simulations for the tunnel kiln helped achieve an energy-optimised firing curve. In the next stage of the project, the savings potential calculated will now be verified using actual tests on the furnaces.

As part of the ERDF (European Regional Development Fund) project that was successfully completed in 2023, Villeroy & Boch also researched the use of a sensitive robot to process sanitary ceramic ware. A demonstrator proves the technical feasibility of automated fault recognition, the use of force-controlled robots and sensor-based quality control. The technologies are now being refined for future implementation

in production, including the use of artificial intelligence (AI) methods.

Villeroy & Boch demonstrated its ceramic expertise in the year under review, especially with regard to the development of new coloured glazes and décors. For example, the newly developed PureBlack is a ceramic glaze with a particularly intense black tone, while four new colours were added to the bi-colour palette.

Continuous enhancement of production techniques

As part of the continuous enhancement of our production techniques, we focused on improving the drying of sanitary ceramic ware pieces in the year under review. Procedures were carried out to balance existing tolerances in the production techniques and ensure a stable process. With a view to digital transformation, the processes were developed further with the use of new methods and tools. Progress in the form of measurable and analysable process parameters helps to identify additional potential that can be harnessed for future optimisations.

Product development

In the Bathroom & Wellness Division, Villeroy & Boch expanded its product range to include a model that serves as a platform for TwistFlush, our latest flush technology. This technology 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. Our new fittings are perfectly coordinated with our installation-friendly, high-quality bathroom collections.

With the “Wallway” product, we presented the first generation of Quaryl® shower tubs with a wall waste outlet for maximum hygiene and safety in the bathroom. The shower tub boasts an integrated, certified and watertight system with a seamless shower surface for floor-level installation.

Development activities in the Dining & Lifestyle Division again focused on a new production process for cups. In the same way as for plate production, more complex items, such as cups with handles, can be efficiently produced by pressing ceramic granules. By providing more freedom in design, this technology also helps create 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 and Iconic series, the new “NewMoon Beige” range, and the “La Petite Boule” range that was added in 2024.

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.

Demand on global procurement markets eased massively in the 2023 financial year. With capacities available again in most industries and inflation falling, procurement prices in the year under review rose significantly less than originally assumed. Supplier relationships are extremely important to us. As part of systematic strategic procurement management, a standardised catalogue of criteria is used to evaluate key suppliers each year in the categories of quality, cost, logistics, service, technology, human rights and environment. The results form the basis for enhancing cooperation. Supplier relationships are structured to minimise potential risks.

To this end, contracts with suppliers are negotiated, compliance with statutory provisions is pursued and corresponding risk management is practised. In particular, by signing our “Supplier Code of Conduct”, our suppliers commit to adhering to the same standards of integrity, business ethics, working conditions and respect for human rights to which we as a company are dedicated and which we are committed to upholding.

EMPLOYEES

Workforce

The Villeroy & Boch Group had a total of 6,358 employees as at 31 December 2023, a decrease of 401 compared with the end of the previous year (6,759). The Bathroom & Wellness Division accounted for 3,926 employees (previous year: 4,383), while 1,884 people were employed in the Dining & Lifestyle Division (previous year: 1,857) and 548 in

central functions (previous year: 519). 42.0 % of the workforce was employed in Germany (previous year: 37.6 %).

Taken as an average for the year as a whole, our workforce decreased from 6,778 in the previous year to 6,477.

This change is linked to the significant decline in demand, which curbed our production. Short-time work schemes were used in Germany.

ECONOMIC REPORT

GENERAL ECONOMIC CONDITIONS

Global economic performance was only moderate in 2023 on account of the exceptionally challenging economic environment. According to the report by the International Monetary Fund (IMF) on 30 January 2024, global growth in 2023 is estimated at 3.1 %.

The euro area economy was significantly impacted by the repercussions of the energy price shock, combined with higher overall inflation and rising interest rates. This took a heavy toll on consumer spending and the investment climate. According to the latest IMF forecast, the euro area recorded growth of 0.5 %. The US saw somewhat stronger growth of 2.5 %. The Chinese economy was held back by structural problems, although the IMF estimates that the country grew by 5.2 % in 2023.

Business development in the Bathroom & Wellness Division was significantly impacted by the downturn in the European residential construction industry. Rising construction and financing costs had an increasingly negative impact on renovation business and new construction in 2023, with residential construction in Europe particularly badly affected. In Germany, installation capacity shifted from sanitary to heating solutions as a result of the environment and energy debate.

The consumer climate among private households was central to business performance in the Dining & Lifestyle Division. Consumers again proved reluctant to make purchases in the year under review on account of inflation and high energy and food prices. In connection with this, we saw our customers becoming more cautious with a view to high stocks and engaging in active stock management.

COURSE OF BUSINESS AND POSITION OF THE GROUP

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

The Villeroy & Boch Group faced an exceptionally tough environment and faltering demand in the 2023 financial year, especially in the European construction industry. Even

Villeroy & Boch was unable to escape the effects of this. Accordingly, we did not achieve our revenue target due to the economic slowdown and high inflation. However, we did successfully increase our EBIT margin from 9.7 % to 9.9 % thanks to timely pricing measures and cost savings. We met our 2023 financial year targets for EBIT and the rolling return on net operating assets, which were revised during the year.

The table below shows a comparison of the forecast and actual key figures for 2023:

GROUP TARGETS		
	Forecast 2023	Actual 2023
Revenue (on a constant currency basis)	-3 to -6 % ⁽¹⁾	-7.5 %
Operating EBIT	-5 to -10 % ⁽²⁾	-9.7 %
Return on net operating assets	23 to 25 % ⁽³⁾	24.8 %
Investments (without leasing)	expected € 50 million ⁽⁴⁾	€ 41.0 million

Forecasts updated during the year

⁽¹⁾ originally: +4 to +7 %

⁽²⁾ originally: at the previous year's level (2022: € 98.2 million)

⁽³⁾ originally: decrease of more than 5 percentage points (2022: 31.5 %)

⁽⁴⁾ originally: more than € 50.0 million

The Villeroy & Boch Group's revenue in the 2023 financial year declined by 7.5 % year-on-year on a constant currency basis. Nominal consolidated revenue, which was affected by currency effects of € -18.3 million, totalled € 901.9 million (previous year: € 994.5 million). Both divisions experienced consumer and investment reluctance due to the high levels of inflation, although the Bathroom & Wellness Division was hit far harder in light of the construction industry slump in Europe.

Despite this challenging economic environment, we successfully increased our EBIT margin from 9.7 % to 9.9 %. EBIT came to € 89.0 million (previous year: € 96.8 million), down 8.1 % on the previous year. This was in line with the forecast that was adjusted during the year. Operating EBIT also declined to € 88.7 million, € 9.5 million lower than in the previous year (€ 98.2 million).

The Group's rolling return on net operating assets at the end of the year was down 6.7 percentage points on the previous year at 24.8 % (previous year: 31.5 %). This downturn was chiefly attributable to the revenue-related decline in the operating result and the increase in rolling net operating assets to € 357.6 million (previous year: € 311.5 million).

Investments in property, plant and equipment and intangible assets in the 2023 financial year totalled € 41.0 million (previous year: € 36.7 million). Given the uncertain general conditions throughout the year and the upcoming closing of the

Ideal Standard Group acquisition, we reduced the pace of our planned investments and hence came in at below the adjusted forecast range.

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 2023 financial year.

Consolidated Revenue 2023

Consolidated revenue down 7.5 % on a constant currency basis

The Villeroy & Boch Group's consolidated revenue (including licence income) adjusted for currency effects, i.e. using the same exchange rates as for the previous year, was down 7.5 % year-on-year in the 2023 financial year. This was chiefly due to economic conditions. Negative currency effects primarily related to the Chinese yuan and the Swedish krona. This resulted in nominal consolidated revenue of € 901.9 million (previous year: € 994.5 million), 9.3 % lower than in the previous year.

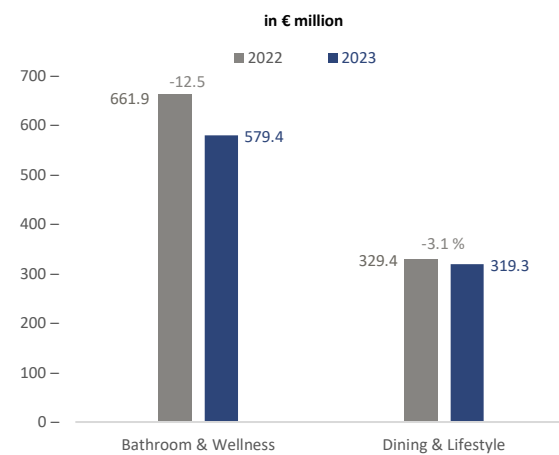
The licence income included in revenue was up slightly year-on-year at € 4.8 million (previous year: € 4.4 million).

Revenue in our main region of EMEA (Europe, Middle East, Africa) declined by 11.3 % or € 90.1 million. In Germany, for example, revenue declined sharply by 13.0 % or € 37.3 million on the back of the heating debate.

Revenue in the APAC (Asia/Pacific) and Americas regions fell by 1.2 %, putting us almost on a par with the previous year. We boosted revenue in the Asia/Pacific region by 2.9 % or € 4.3 million, driven chiefly by higher revenue in our Asia growth market (+5.1 % or € +6.1 million) on the back of strong project business in particular. This almost offset the revenue downturn in the Americas region.

Revenue by division

CONSOLIDATED REVENUE BY DIVISION



Revenue (on a constant currency basis) generated by the Bathroom & Wellness Division in the 2023 financial year was 10.0 % lower than in the previous year (€ 661.9 million), due chiefly to economic factors. Nominal revenue of € 579.4 million was thus down 82.5 million or 12.5 % on the previous year. The downturn in revenue was observed in all business areas.

Due to the slowdown in the European construction industry, this development was particularly pronounced in our ceramic sanitary ware business, where revenue fell by € 47.4 million or 11.5 %. Nevertheless, we noticed a positive market response to our new products, such as toilets with new TwistFlush technology. Thanks to the sustained strength of our project business, we also achieved substantial revenue growth in Asia with market-specific products including our ViClean shower toilets in particular.

Revenue in our bathroom furniture business declined by € 15.0 million or 22.9 %, largely as a result of the ailing German construction industry.

We also saw revenue in our wellness business decline by 18.3 % (€ 13.9 million) compared to the very strong previous year. This was mainly attributable to the downturn in the market for outdoor spas due to the European energy crisis.

In the fittings business, revenue declined by 2.4 %, putting it almost on a par with the previous year. This was primarily thanks to the strong local Vatette brand in Northern Europe.

In the Dining & Lifestyle Division, we closed the 2023 financial year with revenue down only slightly by -2.4 % year-on-year on a constant currency basis (previous year: € 329.4 million) despite the challenging economic environment. Nominal revenue came to € 319.3 million, € 10.1 million or 3.1 % lower than in the previous year.

In terms of revenue performance, our project business with hotel and restaurant customers saw particularly strong growth of € 1.3 million or 4.0 % on the back of our pronounced focus on the high-end segment.

Despite the challenging situation on the German market, revenue generated in our retail stores was also slightly higher than in the previous year at € 103.4 million (up 1.1 %) thanks to our new products and the anniversary range.

On the other hand, our e-commerce business declined by € 7.6 million, although it remains at a high level. We were unable to escape the effects of the consolidation process in online retail in the 2023 financial year.

Orders on hand

The Villeroy & Boch Group's orders on hand amounted to € 109.9 million as at 31 December 2023, down € 27.4 million compared with the level as at 31 December 2022. Orders on hand in the Bathroom & Wellness Division amounted to € 96.6 million (previous year: € 116.9 million). This decline affected all regions of the world and stems from the economic downturn, especially in Europe. Project business in Asia continued to perform well. The Dining & Lifestyle Division accounted for € 13.3 million (previous year: € 20.4 million). End consumers' ongoing reluctance to make purchases due to inflation across the globe was the main reason for this decline.

Consolidated EBIT

We successfully increased our EBIT margin from 9.7 % to 9.9 % in the 2023 financial year despite the challenging market environment. In absolute terms, we generated EBIT of € 89.0 million, 8.1 % below the previous year (€ 96.8 million). The change in earnings performance reflects the decline in revenue.

However, the improvement in the EBIT margin demonstrates the success of our timely pricing measures. Cost savings and income from currency hedges also helped improve the EBIT margin.

At € 506.5 million (previous year: € 568.7 million), the cost of goods sold decreased by € 62.2 million.

The improvement in our relative revenue margin, which we increased by 1.0 percentage points year-on-year, is further evidence of the benefits of our pricing policy.

Selling, marketing and development costs declined by € 6.4 million year-on-year to € 263.9 million. Administrative expenses were also reduced to € 46.9 million, down € 1.3 million year-on-year (previous year: € 48.2 million). Net other operating expenses and income amounted to € 3.8 million (previous year: € -9.5 million), mainly as a result of high exchange rate effects.

The non-operating result amounted to € 0.3 million compared with € -1.4 million in the previous year. This includes

income from the recognition of the remaining gain on the disposal of our former plant property in Luxembourg and the sale of our Austrian bathroom furniture site to the HAKA Group. This is offset by expenses from the recognition of provisions for existing environmental risks in Luxembourg, project costs in connection with the ongoing Ideal Standard Group acquisition process, expenses for a write-down on an equity investment and provisions for continuing the transformation and efficiency enhancement programme.

In the previous year, income from 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 non-operating result includes all income statement functions, which are assigned to consolidated income statement items as circumstances dictate.

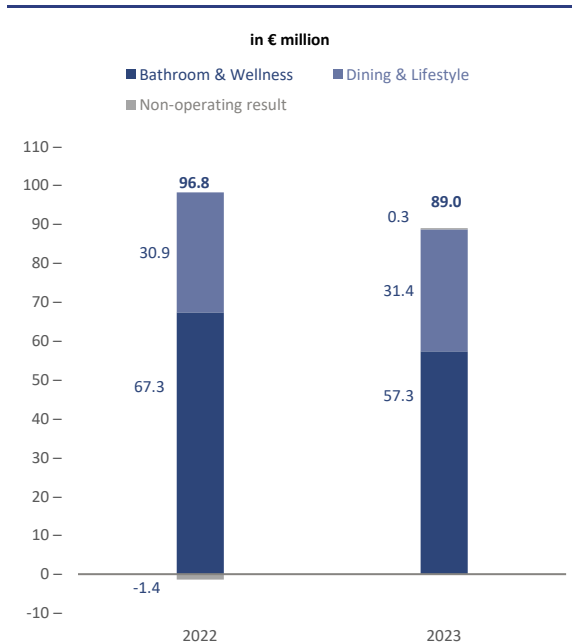
Consolidated EBITDA

Earnings before interest, taxes, depreciation, and amortisation (EBITDA) in the 2023 financial year came to € 129.2 million, 6.3 % lower than in the previous year (€ 137.9 million). Depreciation and amortisation totalled € 40.2 million and was thus down slightly on the previous year's figure of € 41.1 million (see note 45 of the notes to the consolidated financial statements). The EBITDA margin was 0.4 percentage points higher than in the previous year at 14.3 % (previous year: 13.9 %).

Operating Group EBITDA

Operating earnings before interest, taxes, depreciation, and amortisation (operating EBITDA) in the 2023 financial year came to € 128.9 million, 7.5 % lower than in the previous year (€ 139.3 million). We increased the operating EBITDA margin by 0.3 percentage points year-on-year to 14.3 % (previous year: 14.0 %).

EBIT BY DIVISION



The Group result for the 2023 financial year amounted to € 61.0 million. This represents a decline of € 10.5 million or 14.7 % compared to the exceptionally good Group result in the previous year.

Net finance costs were down € 2.1 million year-on-year at € -3.6 million (previous year: €-1.5 million). This change is essentially the result of the increase in interest expenses from the measurement of pension provisions, which was partially offset by interest income from cash and cash equivalents due to the rise in key interest rates.

Income tax expense rose by € 0.6 million year-on-year to € 24.4 million (previous year: € 23.8 million). The tax rate for the 2023 financial year was 28.6 % (previous year: 25.0 %). This change was driven predominantly by negative effects from the increase in write-downs on deferred tax assets due to the poorer business performance. The lower tax rate in the previous year chiefly reflected the utilisation of a corporate action in Mexico for tax purposes and the remeasurement of a tax risk in China.

Operating result (EBIT) by division

Bathroom & Wellness Division

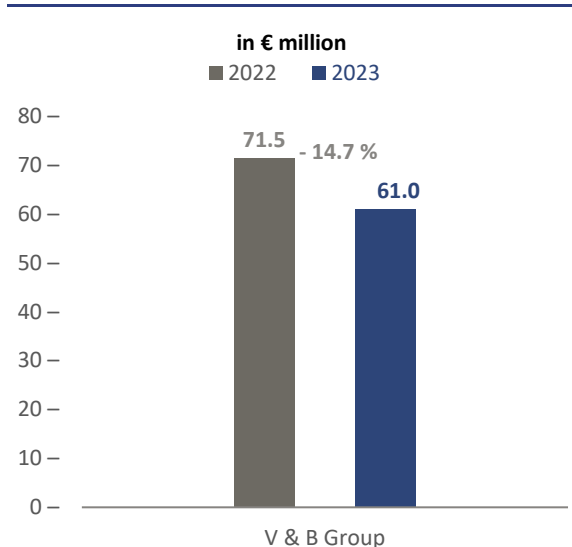
The Bathroom & Wellness Division generated operating EBIT of € 57.3 million (previous year: € 67.3 million), up € 10.0 million or 14.9 % on the previous year.

Dining & Lifestyle Division

The Dining & Lifestyle Division closed the 2023 financial year with an operating EBIT of € 31.4 million (previous year: € 30.9 million), up 1.6 % on the previous year.

Group result

CONSOLIDATED GROUP RESULT



Structure of the consolidated income statement (IFRS)

In summary, the results of operations for the 2023 financial year were as follows:

STRUCTURE OF THE CONSOLIDATED INCOME STATEMENT				
in € million	2023	% of revenue	2022	% of revenue
Revenue	901.9	100.0	994.5	100.0
Cost of sales	- 506.5	- 56.2	- 568.7	- 57.2
Gross profit	395.4	43.8	425.8	42.9
Selling, marketing and development costs	- 263.9	- 29.3	- 270.3	- 27.2
General administrative expenses	- 46.9	- 5.2	- 48.2	- 4.8
Other expenses / income	3.8	0.4	- 9.5	- 1.0
Result on financial investments accounted according to the equity method	0.3	0.0	0.4	0.0
Operating EBIT	88.7	9.8	98.2	9.9
Non-operating result	0.3	0.0	- 1.4	- 0.1
EBIT	89.0	9.9	96.8	9.7
Financial result	- 3.6	- 0.4	- 1.5	- 0.2
Earnings before taxes (EBT)	85.4	9.5	95.3	9.6
Income taxes	- 24.4	- 2.7	- 23.8	- 2.4
Group result	61.0	6.8	71.5	7.2

Dividend proposal

At the General Meeting of Shareholders on 12 April 2024, the Supervisory Board and the Management Board will propose that the unappropriated surplus of Villeroy & Boch AG be used to distribute a dividend of

€ 1.00 per ordinary share

€ 1.05 per preference share.

We essentially adopt a continuity-focused approach to our dividend policy when calculating dividends. The distribution rate is up to 50 % of the operating result. The dividend distribution totals € 28.8 million. Based on the unchanged number of preference shares held by the company at the payment date, the total cash outflow will probably be € 27.1 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.

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 2023 financial year:

CAPITAL STRUCTURE		
in € million	31/12/2023	31/12/2022
Equity	388.2	372.5
Non-current liabilities	381.9	277.2
Current liabilities	326.1	330.5
Total equity and liabilities	1,096.2	980.2

Total consolidated assets increased by € 116.0 million, from € 980.2 million to € 1,096.2 million, particularly as a result of the successful placement of the promissory note loan to finance the upcoming acquisition of the Ideal Standard Group. The promissory note loan is being paid out in two tranches. The first € 126.5 million tranche was paid out in December 2023. The second payment was due at the end of January 2024. This ensures that the purchase price financing is secured at an early stage.

Equity increased by € 15.7 million year-on-year to € 388.2 million in the period under review. Net retained earnings rose by € 29.6 million. Consolidated profit of € 61.0 million generated in the 2023 financial year and the measurement and currency effects recognised in other comprehensive income were offset by the dividend distribution (€ -31.1 million) in April 2023. Our equity ratio declined to 35.4 % (previous year: 38.0 %) due to the increase in total assets resulting from the purchase price financing described above. 135.2 % of the Group's non-current assets in the amount of € 287.1 million were covered by equity.

Non-current liabilities in the amount of € 381.9 million comprised financial liabilities, pension provisions, lease liabilities, other provisions, personnel provisions, deferred tax liabilities and other liabilities. Non-current liabilities increased by € 104.7 million as against the previous year. This development is essentially due to the rise in non-current financial liabilities (€ 76.2 million), pension provisions (€ 20.8 million) and other provisions (€ 10.2 million). The upturn in non-current financial liabilities includes the addition from the issue of the promissory note loan (€ 126.2 million), which was offset by a € 50.0 million reclassification from long-term loans to current financial liabilities.

Current liabilities, consisting of other liabilities, trade payables, financial liabilities, other provisions, personnel provisions, income tax liabilities and lease liabilities, declined by € 4.4 million as against the previous year to € 326.1 million. The € 47.9 million upturn in financial liabilities was offset in particular by a decline in other liabilities of € 43.4 million, in

trade payables of € 7.4 million and in income tax liabilities of € 4.0 million.

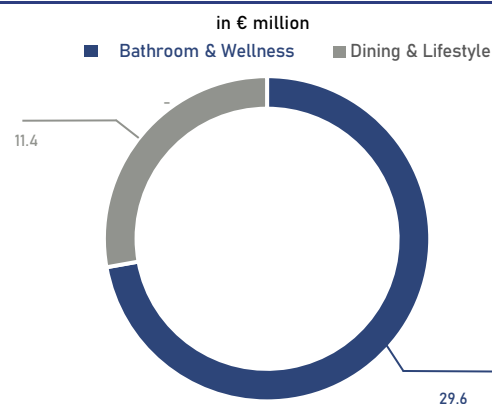
Investments

Investments in property, plant and equipment and intangible assets

In the 2023 financial year, our investments in property, plant and equipment and intangible assets amounted to € 41.0 million (previous year: € 36.7 million). 54 % of this investment was attributable to Germany (previous year: 57 %). At the end of the year 2023, the Group had obligations to acquire property, plant and equipment and intangible assets in the amount of € 13.1 million. Our investment obligations are financed from operating cash flow.

At € 29.6 million or 72.2 %, 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. We also invested in a new solar plant in Hungary.

BREAKDOWN OF INVESTMENTS BY DIVISION



We invested € 11.4 million in the Dining & Lifestyle Division. This corresponded to 27.8 % of the total investment volume and was used to purchase new machinery and tools for production at the Merzig and Torgau plants. We also invested in reducing the gas consumption of kilns in Merzig. 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.

Financing

CONDENSED CASH FLOW STATEMENT

in € million	2023	2022
Group result	61.0	71.5
Current depreciation and amortisation of non-current assets incl. reversals	44.2	41.4
Change in non-current provisions	- 1.8	- 14.2
Profit from disposal of fixed assets	- 0.6	- 3.1
Changes in inventories, receivables, liabilities, current provisions and other assets and liabilities	- 27.1	- 52.6
Other non-cash income / expenses	- 8.1	11.1
Net cash flow from operating activities	67.6	54.1
Net cash flow from investing activities	5.2	- 19.2
Net cash flow from financing activities	76.5	- 69.0
Total cash flows	149.3	- 34.1
Balance of cash and cash equivalents on 1 January	226.6	264.1
Change based on total cash flows	149.3	- 34.1
Change due to exchange rate effects	- 1.5	- 3.4
Balance of cash and cash equivalents on 31 December	374.4	226.6

Our cash flow from operating activities amounted to € 67.6 million (previous year: € 54.1 million) and was mainly defined by the Group result (€ 61.0 million) and the change in net working capital. This was primarily due to the reduction in other liabilities - in turn attributable mainly to lower bonus liabilities (€ -13.6 million) and advance payments received (€ -9.0 million) - and trade payables (€ -7.4 million). There were also high tax payments of € -16.6 million in 2023. These were partly compensated by the reduction in inventories (€ +9.3 million) and trade receivables (€ +5.7 million).

The cash flow from investing activities in the amount of € 5.2 million (previous year: € -19.2 million) includes € 41.0 million in investments in intangible assets and property, plant and equipment (previous year: € 36.7 million), as well as € 6.1 million in non-current financial assets (previous year: € 3.2 million). These investments are offset by proceeds from the disposal of assets of € 0.1 million (previous year: € 4.3 million) and from the sale of securities of € 49.6 million.

The cash flow from financing activities amounted to € 76.5 million (previous year: € -69.0 million) and primarily included the proceeds from the € 126.2 million promissory note loan in connection with the upcoming acquisition of the Ideal Standard Group, which was offset by the dividend payment (€ 31.1 million), payments of the principal portion of

lease liabilities (€ 17.2 million) and loan repayments (€ 9.8 million; previous year: € 24.9 million).

Liquidity

Net liquidity

Our net liquidity amounted to € 164.9 million as at the end of the reporting period (previous year: € 141.2 million). The € 23.7 million increase in net liquidity is attributable mainly to the reversal of near-liquid investments due to the changed interest rate environment.

Cash and cash equivalents, current financial assets and current and non-current financial liabilities were combined in calculating net liquidity.

At 31 December 2023, the Group had unutilised credit facilities totalling € 284.2 million (previous year: € 237.8 million) that were not subject to any restrictions.

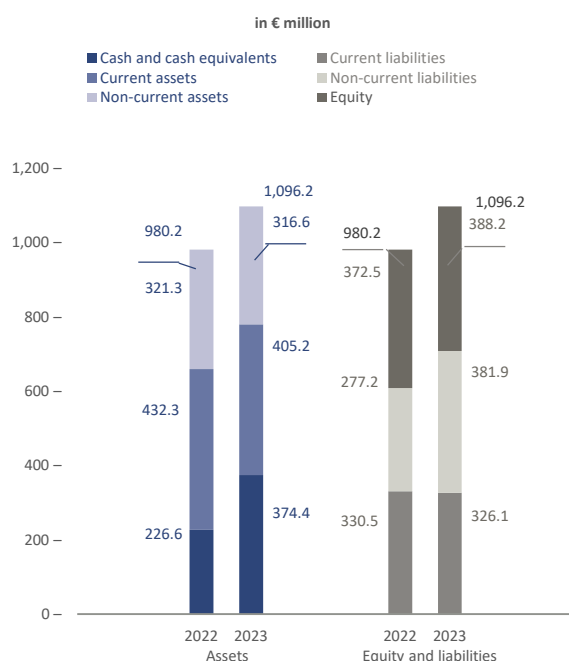
NET ASSETS

Balance sheet

The Villeroy & Boch Group had total assets of € 1,096.2 million at 31 December 2023 compared with € 980.2 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 € 316.6 million (previous year: € 321.3 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 (€ +13.4 million) and right-of-use assets (€ +2.9 million) as well as the reduction in financial assets (€ -19.5 million) and deferred tax assets (€ -2.1 million).

The share of total assets attributable to non-current fixed assets amounted to 26.2 % (previous year: 29.6 %).

Current assets were mainly composed of cash and cash equivalents, inventories, trade receivables, current financial assets, income tax receivables and other current assets. Current assets rose by € 120.7 million year-on-year to € 779.6 million (previous year: € 658.9 million).

Cash and cash equivalents amounted to € 374.4 million, € 147.8 million higher than the prior-year level. This was chiefly due to the promissory note loan issued to finance the

upcoming Ideal Standard acquisition and the disposal of near-liquid investments.

Current assets declined by € 27.1 million, from € 432.3 million to € 405.2 million. This was primarily due to the decrease in financial assets (€ -18.0 million) and inventories (€ -9.3 million). In addition, the decline in trade receivables (€ -5.7 million) and other current assets (€ -2.1 million) was offset by the rise in income tax receivables (€ +8.0 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 under “Financial position”.

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 rolling net operating assets is calculated as follows:

RETURN ON ROLLING NET OPERATING ASSETS

$$\text{Return on rolling net operating assets} = \frac{\text{Rolling operating result (EBIT)}}{\text{Rolling net operating assets (\text{Ø} 12 \text{ months})}}$$

As of 31 December 2023, the rolling net operating assets of the Villeroy & Boch Group were composed as follows:

DETERMINATION OF THE ROLLING RETURN ON NET OPERATING ASSETS

Group		
in € million	2023	2022
Rolling net operating assets	357.6	311.5
Property, plant and equipment	217.9	218.1
Inventories	247.3	220.4
Receivables (from third parties)	110.3	129.8
Liabilities	- 79.2	- 99.3
Other assets	- 138.7	- 157.5
Rolling operating result (EBIT)	88.7	98.2
Rolling return on net operating assets	24.8 %	31.5 %

The Group's rolling return on net operating assets fell by 6.7 percentage points to 24.8 % as at the end of 2023. This was chiefly due to the revenue-related decline in the operating result and the increase in rolling net operating assets. Although we reduced inventories by € 9.3 million as at 31 December 2023, the rolling figure still saw an increase.

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

DETERMINATION OF THE ROLLING RETURN ON NET OPERATING ASSETS

Bathroom & Wellness		
in € million	2023	2022
Rolling net operating assets	248.4	210.6
Property, plant and equipment	162.3	164.8
Inventories	149.0	132.6
Receivables (from third parties)	80.0	95.3
Liabilities	- 57.1	- 73.3
Other assets	- 85.8	- 108.8
Rolling operating result (EBIT) *	61.9	75.0
Rolling return on net operating assets	24.9 %	35.6 %

* Central function earnings components that cannot be influenced by the division are not taken into account in calculating the return on rolling net operating assets. Accordingly, the rolling operating result shown here differs from operating EBIT for the Bathroom & Wellness Division (see information on operating result (EBIT) by division).

The rolling return on net operating assets in the Bathroom & Wellness Division declined compared with the previous year. This was due partly to the negative earnings performance, which was mainly driven by revenue development, and partly to the increase in rolling net operating assets.

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

DETERMINATION OF THE ROLLING RETURN ON NET OPERATING ASSETS

Dining & Lifestyle		
in € million	2023	2022
Rolling net operating assets	109.2	100.9
Property, plant and equipment	55.6	53.3
Inventories	98.4	87.8
Receivables (from third parties)	30.3	34.5
Liabilities	- 22.1	- 26.0
Other assets	- 53.0	- 48.7
Rolling operating result (EBIT) *	36.4	35.7
Rolling return on net operating assets	33.3 %	35.4 %

* Central function earnings components that cannot be influenced by the division are not taken into account in calculating the return on rolling net operating assets. Accordingly, the rolling operating result shown here differs from operating EBIT for the Dining & Lifestyle Division (see information on operating result (EBIT) by division).

Despite the improvement in the rolling operating result, the rolling return on net operating assets in the Dining & Lifestyle Division declined from 35.4 % to 33.3 % as a result of the increase in inventories in particular.

SUSTAINABILITY

GENERAL EXPLANATIONS²

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. A Group-wide compliance management system ensures compliance with statutory and official provisions and internal guidelines and directives. This applies in particular to our Code of Conduct, which is required to be observed by all employees. 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

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

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 also helps 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 (Group) declaration. Reportable aspects within the meaning of section 289c HGB include company-related disclosures on environmental, employee and 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 in accordance with sections 289b (3) and 315b (3) HGB. This is published online at <https://www.villeroyboch-group.com/en/investor-relations/publications/sustainability-reports.html> no later than four months after the end of the reporting period. This non-financial report is integrated into our sustainability report for the financial year from 1 January to 31 December 2023, in which we report extensively on our sustainability activities.

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 evaluated in terms of their content and, where feasible, financial aspects.

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. Together with the necessary countermeasures, it is primarily the responsibility of the process owner, i.e. decentrally at divisional level. Risk controlling identifies, measures and evaluates all risks. Involving the controlling team for the respective division ensures that risk management is integrated into the decentralised controlling organisation. Risk management functions are also coordinated centrally with the help of IT 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. 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 executive directors of the Group companies are responsible for implementing the control objectives in their area of responsibility and for establishing and maintaining an effective ICS and RMS.

Group Internal Audit regularly examines the efficiency of business processes and the effectiveness of the internal control and risk management system in the legal units and central functions in a risk-oriented manner as an independent body acting on behalf of the Management Board.

This means Group Internal Audit and its process-independent audit activities are integrated into the Villeroy & Boch Group's internal control systems.

Group Internal Audit reports to the Management Board about the findings of its audits, and especially any control weaknesses and the resulting risks, in a timely manner. Group Internal Audit also agrees measures to resolve the identified

weaknesses and ensures their subsequent implementation. The agreed measures serve to continuously improve the control mechanisms and preventive and detective monitoring.

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

The Audit Committee of the Supervisory Board also monitors the effectiveness of the risk management, the internal control and audit system and, in particular, the financial reporting process. As part of the annual audit of the consolidated financial statements of Villeroy & Boch AG, our auditors assess in accordance with section 317 (4) HGB whether 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 to identify developments that could endanger the company's continued existence at an early stage, and whether the monitoring system to be set up in accordance with these provisions can fulfil its purpose. The auditors also confirm that the monitoring system is suitable, in all material respects, for identifying developments that could endanger the company's continued existence at an early stage and with reasonable assurance.

General internal control and risk management system³

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. These confirmations provide an overview of the key elements of the ICS and RMS at Villeroy & Boch AG and its affiliated companies, summarise the activities undertaken to assess their appropriateness and effectiveness, and highlight any critical control weaknesses identified in the course of these activities. The internal control weaknesses identified in the course of this process and by Group Internal Audit assessments are evaluated and corresponding countermeasures are initiated by the persons responsible.

³ This section is an unaudited part of the Group management report.

The Management Board issues an overall assessment of the appropriateness and effectiveness of the ICS and RMS as at the end of the reporting period. Based on the overall assessment of these management systems, the Management Board is not aware of any indications that these are not appropriate or effective.

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

As Villeroy & Boch AG is a publicly traded parent company within the meaning of section 264d of the Handelsgesetzbuch (HGB – German Commercial Code), it is required to disclose and explain the key characteristics of its internal control and risk management system with respect to the Group financial reporting process in the Group management report in accordance with section 315(4) HGB. This includes both appropriateness and effective design. Doing so guarantees with reasonable assurance that financial reporting is reliable and that the Group accounting is consistent with legal requirements, generally accepted principles of proper accounting and internal guidelines. Integrating the Group accounting-related internal control and risk management system into the Group-wide control and risk management system serves to avoid redundancies. It therefore 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 Group financial reporting process is provided by the relevant laws and standards, applicable accounting principles and internal provisions and principles. These are set out in a Group-wide 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). This ensures 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 Group 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, and the fundamental establishment of functional separations and predefined approval processes. The principle of dual control is implemented for all material processes relating to Group financial reporting. Strictly regulated access controls and authorisation concepts for the IT systems – both physically and in terms of software – prevent unauthorised data access to Group accounting content in line with the minimum information principle.

To ensure the functionality and effectiveness of the internal control and risk management system in terms of the Group financial reporting process, the Group companies' compliance with the control systems and accounting provisions is regularly monitored by analytical audits, which are performed by the local executive directors of the Group company, the central Group reporting department and Group Internal Audit. This monitoring includes identifying and communicating vulnerabilities, initiating appropriate countermeasures and examining whether these are successful. 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 Group financial reporting in 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).

The risk types are assessed based on the individual risk with the highest financial impact. 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). Risks

with a very low probability ($\leq 5\%$) are excluded from the assessment.

Compared with the previous year, there have been not substantial changes. Only the probability of occurrence of procurement risks has decreased significantly from high to low. This is due primarily to the stabilisation of electricity and gas prices and remains subject to further geopolitical uncertainties. 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.

RISK PROFILE OF THE VILLEROY & BOCH GROUP

Risk type	Probability of occurrence			Potential financial impact		
	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

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.

The Bathroom & Wellness Division is exposed to an industry-specific risk on account of current developments in the construction industry. High interest rates, financing costs and inflation-driven cost increases are making conditions for

construction projects more difficult. Furthermore, the risk of potential geopolitical uncertainties could affect our business performance in individual markets. As in the previous year, the potential slowdown in the Chinese construction sector represents a specific risk.

In addition to continued economic sales risks, the Dining & Lifestyle Division remains faced with the challenge of the sustained shift in our customers' consumer behaviour away from physical retail in favour of e-commerce; however, we consider this to be more of an opportunity than a risk. To this end, we will further intensify our initiatives to optimise our store portfolio and our online strategy.

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. Villeroy & Boch has defined suitable countermeasures for these risks as part of its risk management. As well as permanently monitoring markets and the financial stability of key suppliers, these include defining and implementing procurement strategies and preventing single sourcing scenarios wherever possible. However, in some exceptional cases – including the key area of raw materials – the current circumstances may be such that there are hardly any alternative sources available on the market. Sources are reviewed on an ongoing basis so that suitable measures can be taken at an early stage.

The procurement markets continued to settle down in the year under review, with delivery times and availability largely returning to normal. This has reduced supply risks significantly. As the threat to the energy supply was also lower than in the previous year, it was possible to further reduce the stocks that had been built up.

The sustained weakness of the economy and the fact that excess inventories are being worked through at various stages of the value chain is leading to considerable underutilisation, especially among suppliers of products, materials and raw materials in some industries. To prevent default risks, Villeroy & Boch intensified its monitoring of the procurement markets and began consolidating its procurement volumes with strategically important suppliers in individual cases.

In the year under review, procurement prices once again increased significantly compared with the previous year. Where it is possible and reasonable to do so, Villeroy & Boch counteracts 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. Alongside strong competition, these factors mean that not all of the products developed at present or in the future 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, for example due to machine or kiln failures. They 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. A rapid response is also guaranteed in the event of any operational problems (e.g. having internal tradespeople on call, external responses in the form of maintenance contracts).

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 CO₂ 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. Uncertainties resulting from the energy crisis last year have abated considerably. Electricity and gas prices stabilised at a lower level than was anticipated for the reporting year and earlier than expected. Our future investment activity will continue to 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 can never be avoided altogether. In order to prevent the resulting environmental risks, especially in light of increasingly stringent legislation, Villeroy & Boch analyses environmental and occupational safety laws at regular intervals and initiates suitable organisational measures where relevant.

We also continuously monitor emission levels at all of our production sites. As well as analysing the specific environmental impact, this includes monitoring 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.

Ensuring that employees are regularly made aware of current environmental and energy-related topics is another preventive measure at Villeroy & Boch. Employees are included in various operational projects in their respective area in order to leverage further potential and minimise risk.

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 trading and settlement functions. Group-wide principles regulate all relevant issues, such as banking policy, financing agreements and global liquidity management.

Management of inventory risks: Property, plant and equipment and inventories are insured against the various risks of 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 2023.

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. Villeroy & Boch has protected the main receivables from customers 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 some 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). 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 continuously. As Villeroy & Boch deals only with contract partners with an investment grade rating from an international rating agency, the default risks for investments and derivative financial instruments are considered low. The Group also ensures external security 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 2023. We also do not anticipate any significant changes in 2024.

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. There were no changes to the risk management and measurement methods in 2023. 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. 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 2023. As in the previous years, however, there is an increased risk due to the volatility of various currencies, for example the Norwegian and Swedish krona and the Chinese yuan. These currencies can be expected to see a heightened exchange rate risk once again in 2024. 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. An appropriate relationship is maintained between fixed- and variable-interest borrowings. Fixed-interest loan agreements limit the risk of volatile interest markets. There were no changes in interest risk positions or the risk management and measurement methods in 2023. Interest rates as a whole have increased as the central banks have raised key interest rates. However, the higher short-term lending rates were more than offset by the higher deposit rates for investments. 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 2023, 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. In 2023, price change risks receded again following the turbulence on the energy markets in 2022. 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. These can have a negative financial impact.

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

The Villeroy & Boch Group is subject to the *Mindeststeuergesetz* (German Minimum Tax Act - MinStG), which came into force on 27 December 2023. Its provisions apply to financial years starting on or after 31 December 2023. After this date, the Group is required to pay additional tax for all countries with an effective tax rate of below 15 %. The Villeroy & Boch Group has begun working with tax advisors to examine the application of the legislation and initiate the implementation of the necessary processes in order to ensure compliance with the forthcoming reporting and tax conformity obligations. Given the complexity of the act, the specific quantitative effects of the legislation on current taxes and tax payments for countries that do not qualify for the relief cannot yet be reliably estimated.

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 talent and expertise for the long term, the Group places great value on a targeted human resources policy. This focuses on 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.

Increasingly tough competition for new employees is proving a growing challenge as societal developments, and especially demographic change, lead to a shift in terms of supply and demand on the employment market. In some cases, this is resulting in lengthier recruitment processes to find the necessary replacements for qualified employees in key positions. At the same time, fluctuation is 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. Recruiting “Generation Z” is also proving challenging as they have high expectations of companies in terms of flexibility, salary structures and benefits. Employer loyalty among this age group seems to be lower than other generations, making long-term collaboration difficult. 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 human capital management 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 as well as industrial property rights and potential 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. Provisions are recognised to a sufficient extent for obligations going above and beyond this. Regular production monitoring and continuous improvements ensure the high quality of our products and reduce the potential cost of legal risks. The compliance organisation established by the Management Board ensures responsible and legally compliant behaviour.

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. The number of employees in the internal IT security organisation was increased in the year under review and close collaboration continued 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, NIST) 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 2023 are accelerating the continuous evolution of the IT security architecture. These focus on production and logistics, as the threat level in these areas remains high. The partial or complete failure of these operational technologies would inevitably have a negative impact on value chains. Accordingly, the Group continually monitors these systems at all locations and significantly increased its responsiveness in the event of an incident. The business continuity plan forms the basis for good cyber resilience. It contains organisational and technical instructions for maintaining emergency operations. 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 also results in greater potential for losses. A state-of-the-art application firewall launched in 2023 mitigates the resulting risks. In addition, the Group uses standardised, centrally managed firewall technology to protect all locations. Further protection is provided by 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. The annual benchmark calculated by the insurance agency Aon Cyber Solutions shows a significant improvement in the risk position, which is better than the peer group average in all dimensions.

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. The risk profile did not change materially compared with the previous year in the 2023 financial year, although the revenue and earnings level on which this assessment is based decreased year-on-year.

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 Group controls the individual risks using the risk management system and ensures 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 over 275-year history as a company.

The Bathroom & Wellness Division focuses on combining product design and raw material and production expertise with product functionality and quality. Examples of this include successful products like the rimless DirectFlush WC and technical improvements to the state-of-the-art ViClean-I 100 shower toilet, in which all the technology is integrated inside the WC's ceramic. Another example is TwistFlush, the latest flush technology, which harnesses the physical force of a water vortex 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 the matte TitanGlaze, which gives ceramics a very scratch- and impact-resistant finish thanks to a high-purity, crystalline aluminium oxide. The successful Artis surface-mounted washbasin

family is now available in a bi-colour look in addition to classic white. And our bi-colour range allows us to follow the latest colour trends with the help of our many years of ceramic colour expertise. At the ISH in March 2023, the most important international trade fair for bathrooms, the new Antao collection set new standards in ceramic design and colours. The dewdrop-shaped Antao washbasins and the new colour, Morning Green, met with an enthusiastic response from customers and the press alike. 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.

In the Dining & Lifestyle Division, we use special production techniques to develop products that showcase our innovative strength in the sector. For example, we successfully replicated the look and feel of slate, a popular material in the hospitality business, with porcelain: a solid-colour mass and semi-transparent glaze give our successful Manufacture Rock collection, which combines the authentic appearance of slate with the benefits of premium porcelain, its special design. Thanks to our expertise in the isostatic pressing of large asymmetrical parts and, in particular, cups, we can offer our customers a huge variety of different shapes in solid colours. Another example of our ceramics expertise is Perlemor, décor made using reactive glazes on fine china slips. This puts us in a position to apply the current pottery trend to premium porcelain that meets the demands of the hospitality industry. At our own plants in Merzig and Torgau, we work continuously on innovative solutions to develop exceptional products and production techniques that set us apart from the competition.

Opportunities through addressing current trends in society

One key opportunity in the Dining & Lifestyle Division involves identifying trends in society with regard to how people enjoy food and drink at an early stage 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. 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.

Additional growth drivers include the development and marketing of shower toilets and fittings from the Villeroy & Boch brand. In other countries, such as in Southeast Asia and Australia, distributors support market expansion, which is being supplemented by new ranges of fittings. We expanded our local presence in the high-potential Gulf states in 2023. This included appointing a dedicated Villeroy & Boch sales employee to address the booming project business in Saudi Arabia for the first time.

In the Dining & Lifestyle Division, a differentiated product range policy is helping us to continue to strengthen the existing retail structure, especially on European markets. This includes our domestic market (Germany, Austria and Switzerland) and our focus markets of France and Italy, in addition to the continued expansion of our e-commerce channels.

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. This is offsetting the slowdown in the residential construction sector on some Central European markets. We also see the areas of health care and international residential construction as offering particularly strong potential for continued growth. Additionally, ranges such as fittings and front wall installation will contribute more than before to future growth in project business.

Around the world, we also believe there is still good potential for robust organic sales growth in the hotel and restaurant project business in the Dining & Lifestyle Division. The sales team based in Luxembourg primarily targets high-end international hotel groups, with a focus on the Middle East, the US, Europe and Southeast Asia. Our first-class service throughout the entire decision-making process, our ability to develop individual décor according to customer specifications, our social media activities and extensive reference reporting make us an outstanding partner in the high-end hotel and restaurant business and allow us to harness further revenue potential.

Opportunities through licence partnerships

Granting brand licences is another instrument we use to position the Villeroy & Boch brand outside our core business areas. This helps us attract new target groups and expand our product range. In the brand licence area, current licensing

partners offer tiles, lighting, blankets and plaids, kitchen and bathroom textiles, cabinet furniture for living and dining rooms, and kitchen furniture under the Villeroy & Boch brand.

Opportunities through digitalisation

Opportunities of digitalisation for marketing

In recent years, we have continuously 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 continuously. 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. Key aspects of our online strategy now also include the activation of existing customers through channels such as e-mail marketing and the realignment of our Villeroy & Boch customer club. This also involves a focus on the increased use of our cloud-based omnichannel 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. After acceleration due to the COVID-19 pandemic in particular, Villeroy & Boch expects growth rates here to return to normal levels and continue to develop dynamically. 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 important pillars of this process, our own

online shops and our customer club 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 area. In the context of digitalisation, we offer a dealer search on our website and send varied digital newsletters to our partners. We have also launched a new B2B customer retention program called “Vi-Partner”. Digital training with corresponding tools and virtual trade fairs and events take place regularly. 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, the main focus is on digital services and tools. With applications like our Bathroom Planner, Bathroom Inspirator and Style Finder, consumers can plan their ideal bathroom and take inspiration. Digital channels are also used to reach both end customers and business customers (including architects, planners and plumbers) in a targeted and efficient manner. This generates 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, tablet or PC, including current prices, measurements and 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 on these platforms.

Opportunities of digitalisation for production

The digital transformation holds vast potential for our production sites. Tried-and-tested methods have become established as standards that have already been transferred to 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.

Statistical fault analysis and the stabilisation of process parameters offers the potential to make improvements, while predictive analytics helps improve earnings. The basis for this

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 additional 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 in this area 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 faults on products already during production. Our hope is that the data on fault patterns and categorisations that is automatically collected as a result will help us to further improve the production process, leading to considerably fewer faults and a more sustainable overall process.

A knowledge database was established as another important element. The knowledge gained from process digitalisation combined with the specialist knowledge of the experts is stored there. 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.

Opportunities of digitalisation for administration

Last but not least, the positive effects of digitalisation can be seen in Villeroy & Boch’s 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. Harmonising and standardising repetitive processes across the Group optimises all areas of activity. For the HR departments in particular, the enhancement of a cloud-based platform has created a system

for modern human resources management. The use of standardised processes and uniform IT systems also established the foundations 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 further improving process performance and quality while also raising 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 increasingly focus on the development of methods and expertise in the field of data science, such as the use of big data or artificial intelligence (AI) 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. To this end, data experts at every stage of the value chain (e.g. Procurement) and in some support areas (including Human Resources and Controlling) have been trained in the targeted use of data for applications such as AI. With regard to the development and use of generative AI, we are currently in the trial phase in cooperation with a major innovation partner. In addition, there is an increased focus on internal programmes and initiatives to accompany the digital transformation and cultural change in the company.

Opportunities through acquisitions

In addition to organic growth, acquisitions also offer potential for the expansion of our business activities.

Acquisition of Ideal Standard

On 18 September 2023, Villeroy & Boch signed binding contracts to acquire all operating companies of the Ideal Standard Group. The Ideal Standard shares covered by the share purchase agreement (SPA) were sold by funds managed by the Anchorage Capital Group and CVC Credit. The acquisition includes all operating Group companies, including business activities in the Middle East/Africa that the Ideal Standard Group previously operated through a joint venture with Roots Group Arabia.

The total purchase price is based on a company valuation of approximately € 600 million. Villeroy & Boch will finance the transaction using existing funds and debt capital of around € 280 million.

The completion of the transaction is subject to the usual conditions and regulatory reservations, in particular merger

control approvals, as well as the redemption of the € 325 million bond issued by the seller company Ideal Standard International S.A., Luxembourg. The transaction is expected to close in the first quarter of 2024.

The acquisition of the Ideal Standard Group is of strategic importance to Villeroy & Boch's future performance. The merger creates a powerful partnership with complementary brand and sales strategies: While Villeroy & Boch's sales activities focus primarily on high-end retail customer business, Ideal Standard has extensive expertise in project business. In addition to bathroom ceramics and other product areas, Ideal Standard has an attractive fittings business. Acquiring the Ideal Standard Group offers significant synergy potential in the longer term.

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, especially in Mettlach and Merzig.

A sale agreement subject to conditions precedent has already been concluded for the site of the former mosaic factory in Mettlach. Depending on the building rights that can be secured, this could result in high seven-figure income potential over a longer period of time. The site of the tile factory in Merzig, which will be vacated at the end of 2024, will also be developed and marketed. This will result in additional future income potential.

REPORT ON EXPECTED DEVELOPMENT

We expect the weak economic conditions seen last year to continue in 2024. The war in Ukraine and the interest rate hikes by central banks in recent years to combat inflation are continuing to stifle economic activity. However, we expect global inflation to decline further.

Economic performance in the euro area is likely to be restrained, with only very low economic growth anticipated for our domestic market of Germany. We expect the global economic slowdown caused by waning momentum in China and the US to impact the APAC (Asia/Pacific) and Americas regions. Developments in the war in Ukraine could also pose risks to global economic development. Furthermore, a renewed escalation of the trade dispute and the political conflict between the US and China cannot be ruled out. Geopolitical tension, especially in the Middle East, 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 continue to decline as a whole, especially in new construction. On the other hand, we expect renovation business to stabilise, especially in our key German and Swedish markets. The Chinese construction industry is experiencing high levels of uncertainty, with the consequences of the insolvency and recent court-ordered liquidation of the property group Evergrande not yet known. We do not currently expect this to have any material impact on our business activities.

Private consumer spending remains one of the key factors in our Dining & Lifestyle business. With inflation declining and real incomes gradually picking up again, we expect to see slight growth momentum, although probably not until the second half of the year.

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

Thanks to the acquisition, we anticipate a significant rise in revenue, the operating result (EBIT) and investments assuming that the purchase of the Ideal Standard Group's operating companies is completed in the first quarter of 2024. No statement can be made on the rolling return on net operating assets before the opening statement of financial position is prepared for the Ideal Standard Group companies to be acquired.

Excluding these companies, we expect the rolling return on net operating assets in 2024 to be less than four percentage points lower than in the previous year (24.8 %). In addition to the expected investments in connection with the acquisition, investments in property, plant and equipment and intangible assets (operating) are expected to total up to € 50 million in the 2024 financial year. Investing activities include the strategic expansion of the two divisions as well as investments to reduce CO₂ emissions. Most of our total investment will take place in the Bathroom & Wellness Division, where the expansion of our one-piece capacities at the Thai production site will continue. We also plan to make further investments in the "Mettlach 2.0" site development project. The forward-looking statements contained in this management report are based on assessments made by the 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. The statements made 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 and in note 8 ("Issued capital") of the notes to the single-entity financial statements of Villeroy & Boch AG.

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 in accordance with Article 7(1)(2) 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 declaration on corporate governance printed in the 2023 Annual Report, which is available online at <https://www.villeroyboch-group.com/en/investor-relations/financial-news/declaration-on-corporate-governance.html>.

Mettlach, 23 February 2024



Gabriele Schupp



Dr Peter Domma



Esther Jehle



Georg Lörz



Dr Markus Warncke

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CONSOLIDATED BALANCE SHEET

as of 31 December 2023

in € million	Notes	31/12/2023	31/12/2022
Assets			
Non-current assets			
Intangible assets	5	33.4	33.3
Property, plant and equipment	6	188.8	175.4
Right-of-use assets	7	44.2	41.3
Investment property	8	4.8	4.6
Investments accounted for using the equity method	9	2.7	2.4
Other non-current financial assets	10	13.2	32.7
Fixed assets		287.1	289.7
Other non-current assets	14	0.1	0.1
Deferred tax assets	11	29.4	31.5
		316.6	321.3
Current assets			
Inventories	12	229.1	238.4
Trade receivables	13	123.7	129.4
Other current financial assets	10	23.0	41.0
Other current assets	14	12.3	14.4
Income tax receivables	15	17.1	9.1
Cash and cash equivalents	16	374.4	226.6
		779.6	658.9
Total assets		1,096.2	980.2

in € million	Notes	31/12/2023	31/12/2022
Equity and Liabilities			
Equity			
Equity attributable to Villeroy & Boch AG shareholders			
Issued capital	17	71.9	71.9
Capital surplus	18	194.7	194.2
Treasury shares	19	- 13.9	- 14.5
Retained earnings	20	225.4	195.8
Revaluation surplus	21	- 93.7	- 78.7
		384.4	368.7
Equity attributable to minority interests	22	3.8	3.8
		388.2	372.5
Non-current liabilities			
Provisions for pensions	26	147.7	126.9
Non-current provisions for personnel	27	11.4	13.0
Other non-current provisions	28	29.0	18.8
Non-current financial liabilities	29	151.2	75.0
Non-current lease liabilities	30	31.9	29.2
Other non-current liabilities	31	4.2	8.4
Deferred tax liabilities	11	6.5	5.9
		381.9	277.2
Current liabilities			
Current provisions for personnel	27	17.1	17.5
Other current provisions	28	30.5	28.4
Current financial liabilities	29	58.3	10.4
Current lease liabilities	30	13.5	12.7
Other current liabilities	31	99.7	143.1
Trade payables	32	92.0	99.4
Income tax liabilities	15	15.0	19.0
		326.1	330.5
Total liabilities		708.0	607.7
Total equity and liabilities		1,096.2	980.2

CONSOLIDATED INCOME STATEMENT

for the period 1 January to 31 December 2023

in € million	Notes	01/01/2023 – 31/12/2023	01/01/2022 – 31/12/2022
Revenue	33	901.9	994.5
Costs of sales	34	- 509.7	- 569.0
Gross profit		392.2	425.5
Selling, marketing and development costs	35	- 265.9	- 271.7
General administrative expenses	36	- 47.3	- 48.4
Other operating income	37	51.6	16.6
Other operating expenses	38	- 41.9	- 25.6
Result of associates accounted for using the equity method	39	0.3	0.4
Operating result (EBIT)		89.0	96.8
Interest income and other finance income	40	8.9	6.0
Interest expenses and other finance expenses	41	- 12.5	- 7.5
Financial result		- 3.6	- 1.5
Earnings before taxes (EBT)		85.4	95.3
Income taxes	42	- 24.4	- 23.8
Group result		61.0	71.5
Thereof attributable to:			
Villeroy & Boch AG shareholders		60.7	71.2
Minority interests	43	0.3	0.3
Group result		61.0	71.5
Earnings per share		in €	in €
Earnings per ordinary share	44	2.26	2.67
Earnings per preference share	44	2.31	2.72

During the reporting period there were no dilution effects.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the period 1 January to 31 December 2023

in € million	Notes	2023	2022
Group result		61.0	71.5
Other comprehensive income			
Items to be reclassified to profit or loss:			
Gains or losses on translations of exchange differences	21	0.4	- 7.3
Gains or losses on cash flow hedges	21	3.5	1.0
Gains and losses from other changes in value	21	1.4	- 2.3
Deferred income tax effect on items to be reclassified to profit or loss	21	- 1.1	- 0.5
Items not to be reclassified to profit or loss:			
Actuarial gains or losses on defined benefit plans	21	- 28.0	40.1
Gains and losses from other changes in value	21	0.2	0.4
Deferred income tax effect on items not to be reclassified to profit or loss	21	8.6	- 11.5
Total other comprehensive income		- 15.0	19.9
Total comprehensive income net of tax		46.0	91.4
Thereof attributable to:			
Villeroy & Boch AG shareholders		45.7	91.1
Minority interests		0.3	0.3
Total comprehensive income net of tax		46.0	91.4

CONSOLIDATED STATEMENT OF EQUITY

for the period 1 January to 31 December 2023

in € million	Equity attributable to Villeroy & Boch AG shareholders						Equity attributable to minority interests	Total equity
	Issued capital	Capital surplus	Treasury shares	Retained earnings	Revaluation surplus	Total		
Notes	17	18	19	20	21		22	
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
As of 01/01/2023	71.9	194.2	- 14.5	195.8	- 78.7	368.7	3.8	372.5
Group result				60.7		60.7	0.3	61.0
Other comprehensive income					- 15.0	- 15.0		- 15.0
Total comprehensive income net of tax				60.7	- 15.0	45.7	0.3	46.0
Employee share program		0.5	0.6			1.1		1.1
Dividend payments				- 31.1		- 31.1	- 0.3	- 31.4
As of 31/12/2023	71.9	194.7	- 13.9	225.4	- 93.7	384.4	3.8	388.2

CONSOLIDATED CASH FLOW STATEMENT

for the period 1 January to 31 December 2023

in € million	Notes	01/01/2023 – 31/12/2023	01/01/2022 – 31/12/2022
Group result		61.0	71.5
Depreciation/Impairment of non-current assets	45 & 38	44.2	41.4
Change in non-current provisions		- 1.8	- 14.2
Profit from disposal of fixed assets		- 0.6	- 3.1
Change in inventories, receivables and other assets		10.6	- 68.8
Change in liabilities, current provisions and other liabilities		- 23.6	36.5
Taxes paid/received in the financial year		- 16.6	- 18.2
Interest paid in the financial year		- 3.9	- 3.2
Interest received in the financial year		6.4	1.1
Other non-cash income/expenses	49	- 8.1	11.1
Cash flow from operating activities	49	67.6	54.1
Purchase of intangible assets, property, plant and equipment		- 41.0	- 36.7
Investment in non-current financial assets and cash payments		- 6.1	- 3.2
Investment in current financial assets and cash payments		49.6	–
Proceeds/investments from/in other current assets		–	15.0
Proceeds from the sale of subsidiaries and other business units		2.6	1.4
Proceeds from the disposal of fixed assets		0.1	4.3
Cash flow from investing activities	50	5.2	- 19.2
Cash repayments of amounts borrowed		- 2.1	- 24.9
Cash payments of amounts borrowed	29	126.2	–
Cash repayments of lease liabilities	30	- 17.2	- 18.2
Dividends paid to minority shareholders	22	0.0	- 0.1
Cash proceeds from issuing own shares	19	0.7	–
Dividends paid to shareholders of Villeroy & Boch AG	23	- 31.1	- 25.8
Cash flow from financing activities	51	76.5	- 69.0
Sum of cash flows		149.3	- 34.1
Balance of cash and cash equivalents as of 01.01.		226.6	264.1
Change based on total cash flows		149.3	- 34.1
Changes due to exchange rates		- 1.5	- 3.4
Net increase in cash and cash equivalents		147.8	- 37.5
Balance of cash and cash equivalents as of 31.12.	16+52	374.4	226.6

NOTES

GENERAL INFORMATION

Villeroy & Boch Aktiengesellschaft, domiciled in 66693 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 2023 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 23 February 2024. The Supervisory Board is responsible for examining the consolidated financial statements and declaring whether it approves the consolidated financial statements.

Further explanations on the performance in the 2023 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.

1. ACCOUNTING POLICIES

Modifications due to the adoption of accounting principles

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 2023 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 2023. 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.

Intangible assets

Intangible assets 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. The value in use is the basis for determining recoverability. 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. 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 pollutant emissions corresponding to the emission certificates allocated free of charge. The measurement of the provision takes into account

the cost of the certificates still to be purchased as at the reporting date.

Property, plant and equipment

Property, plant and equipment are carried at cost less depreciation in accordance with the useful life. Maintenance and repair costs for property, plant and equipment are recognised in profit or loss. 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 their acquisition and production costs. 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 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.

Government grants

Government grants are recognised and measured at the expected amount according to the subsidy notice if the Group fulfils the associated conditions with reasonable certainty and the grant has been approved. 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

Investment property is carried at amortised cost. Depreciation is performed in the same way as for property, plant and equipment used in operations. The fair value of these properties are determined in order to check whether additional impairment is required for the land and buildings. Fair 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, 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 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.

Financial assets

On initial recognition, trade receivables (see note 13) and other current financial assets (see note 10) are carried at fair value. As these receivables do not contain significant financing components, their fair value generally corresponds to the transaction price. These receivables are subsequently carried at amortised cost using the effective interest method less write-downs.

On initial recognition, all other financial assets are measured at fair value plus transaction costs unless they are recognised at fair value through profit or loss (see note 54).

Impairment of financial assets is determined using the expected credit loss method. The simplified approach is applied for trade receivables. A loss allowance reflecting the lifetime expected credit losses must be recognised on initial recognition and at each subsequent reporting date. In order to measure expected credit risks, the assets are grouped based on the existing credit risk characteristics and the respective maturity structure (see note 13). The general approach is not applied at the Villeroy & Boch Group because non-current receivables relate solely to counterparties with extremely good ratings. Accordingly, write-downs on all other receivables are recognised only on an ad hoc basis.

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

On initial recognition, financial liabilities are measured at their fair value including transaction costs. Subsequent measurement is at amortised cost using the effective interest method. Other financial liabilities are 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

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 inter-company 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 when they occur.

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.

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 or production costs
Right-of-use assets	(Amortised) cost
Investment property	(Amortised) cost
Financial assets	
Trade account receivables	Transaction price
Other financial assets	(Amortised) cost using the effective interest method or at fair value in OCI
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	(Amortised) cost (nominal amount)
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 financial liabilities	(Amortised) cost
Finance Liabilities	(Amortised) cost using the effective interest method
Lease Liability IFRS 16	Present value of future lease payments using the effective interest method
Promissory note loan	(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

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, 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. In individual cases, the actual values may deviate from the projected estimates. 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 37 (previous year: 38) 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. 2023	14	38	52	53
Disposals due to liquidation (a)	–	- 1	- 1	- 1
As at 31 Dec. 2023	14	37	51	52

(a) Disposal due to liquidation:

In order to optimize the Group structure, Villeroy & Boch Tableware (Far East) Ltd., Hongkong, was liquidated on June 2, 2023.

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	2023	Germany	Abroad	2022
Shareholding: 100 %						
Division						
Bathroom & Wellness	3	23	26	3	23	26
Dining & Lifestyle	4	19	23	4	20	24
Other business purposes	8	2	10	8	2	10
Reconciliation	- 1	- 9	- 10	- 1	- 9	- 10
Total	14	35	49	14	36	50
Shareholding: 50 % to 99 %						
Bathroom & Wellness	–	2	2	–	2	2
Group total	14	37	51	14	38	52

Property and operator companies for restaurants and a hotel 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.

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 2023, 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 315e(1) in connection with 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 2023 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 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 in German language with the Luxembourg commercial and companies register.

3. CONSOLIDATION PRINCIPLES

On 18 September 2023, Villeroy & Boch signed binding contracts to acquire all operating companies of the Ideal Standard Group. The Ideal Standard shares covered by the share purchase agreement were sold by funds managed by the Anchorage Capital Group and CVC Credit. The acquisition includes all operating Group companies, including business activities in the Middle East/Africa that the Ideal Standard Group previously operated through a joint venture with Roots Group Arabia. The total purchase price is based on a company valuation of approximately € 600 million. Villeroy & Boch will finance the transaction using existing funds and debt capital of around € 280 million.

Closing of the transaction is subject to standard conditions and regulatory approvals, in particular to merger control procedures and the redemption of the € 325 million bond issued by the seller Ideal Standard International S.A., Luxembourg. The transaction is expected to close in the first quarter of 2024. This means that Ideal Standard is not included in the consolidated Group as at 31 December 2023.

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 returns. 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 re-measured 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. 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

continues to dominate the same subsidiaries without changes. 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 currency effects from net investments 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	
		2023	2022	2023	2022
Swedish krona	SEK	11.10	11.12	11.45	10.58
Chinese yuan	CNY	7.85	7.35	7.65	7.08
US dollar	USD	1.11	1.07	1.08	1.06
Australian dollar	AUD	1.63	1.57	1.63	1.51
Thai baht	THB	37.97	36.84	37.63	37.02
Norwegian krone	NOK	11.24	10.51	11.37	10.07
Hungarian forint	HUF	382.80	400.87	384.95	390.72
Mexican peso	MXN	18.72	20.86	19.28	21.32
Romanian leu	RON	4.97	4.95	4.94	4.93

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. 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 1 Jan. 2023	23.5	39.4	62.9
Currency adjustments	–	0.0	0.0
Additions	1.3	–	1.3
Disposals	- 0.5	–	- 0.5
Reclassifications	0.0	–	0.0
As at 31 Dec. 2023	24.3	39.4	63.7
Accumulative amortisation and impairment			
As at 1 Jan. 2022	19.1	8.8	27.9
Currency adjustments	–	–	–
Amortisation	1.7	–	1.7
Impairment losses	0.3	–	0.3
Disposals	- 0.3	–	- 0.3
As at 1 Jan. 2023	20.8	8.8	29.6
Amortisation	1.5	–	1.5
Impairment losses/Write Up	- 0.3	–	- 0.3
Disposals	- 0.5	–	- 0.5
As at 31 Dec. 2023	21.5	8.8	30.3
Residual carrying amounts			
As at 31 Dec. 2023	2.8	30.6	33.4
As at 31 Dec. 2022	2.7	30.6	33.3

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: € 0.8 million), capitalised software licences in the amount of € 1.4 million (previous year: € 1.6 million).

Goodwill in the amount of € 30.6 million (previous year: € 30.6 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 10.5 % p.a. (previous year: 9.4 % p.a.), while subsequent cash flows are discounted using an interest rate before income tax of 9.5 % p.a. (previous year: 8.5 % p.a.) and applying a growth rate.

In forecasting the future cash flows for the first three years, the legal representatives assumed moderate revenue growth. The growth rates applied are based on past experience, taking into account the economic slowdown in Europe and restrained consumer behaviour in the current financial year. The forecast future cash flows also assume an increase in personnel expenses as well as a reduction in inflation leading to a corresponding rise in demand. Moderate growth in perpetuity is shown by applying a growth discount of 1.0 % to the cash flows from the 2027 financial year onwards. 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.

The Group conducted an analysis of the sensitivity of impairment testing to changes in the most important assumptions in order to determine the recoverable amount for the Bathroom & Wellness cash-generating unit. Management does not currently consider any change in a key measurement parameter possible that would result in a write-down.

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
Accumulated acquisition or production costs					
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	0.0
As at 1 Jan. 2023	190.2	374.1	95.8	30.0	690.1
Currency adjustments	–	0.3	- 0.2	0.2	0.3
Additions	0.6	6.9	4.8	27.4	39.7
Disposals	- 5.7	- 9.3	- 3.4	–	- 18.4
Reclassifications	6.9	7.8	2.6	- 11.7	5.6
As at 31 Dec. 2023	192.0	379.8	99.6	45.9	717.3
Accumulative depreciation and impairment					
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 1 Jan. 2023	127.5	307.0	80.2	–	514.7
Currency adjustments	0.1	0.1	- 0.3	–	- 0.1
Depreciation	2.9	14.1	5.7	–	22.7
Impairments	–	–	–	–	–
Disposals	- 3.6	- 8.5	- 3.0	–	- 15.1
Reclassifications	6.3	–	–	–	6.3
As at 31 Dec. 2023	133.2	312.7	82.6	–	528.5
Residual carrying amounts					
As at 31 Dec. 2023	58.8	67.1	17.0	45.9	188.8
As at 31 Dec. 2022	62.7	67.1	15.6	30.0	175.4

Property, plant and equipment amounting to € 39.7 million (previous year: € 35.6 million) was acquired in the financial year. Of this figure, € 9.1 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 € 28.8 million (previous year: € 24.9 million). Investment in the Bathroom & Wellness Division focused on international locations. In Hungary, purchases included new toilet pressure casting machines, a new roof and a photovoltaic system. Investments in Romania included a washbasin pressure casting system and the energy optimisation of kilns. New moulds were purchased for the wellness plant in the Netherlands, while investments in Belgium included a new vertical moulding machine. € 10.9 million (previous year: € 10.7 million) was invested in the Dining & Lifestyle Division. Investment in the Dining & Lifestyle Division focused on Germany. At the Merzig site, the packing facility roof was renovated and a palletiser and two grinders were acquired. The company also invested in reducing the gas consumption of kilns. In addition, the company's own retail stores were modernised at several locations.

Facilities worth € 11.7 million were completed and integrated into operational value added in the reporting period (previous year: € 8.7 million). € 3.1 million of this figure related to Hungary, which mainly saw the commissioning of a second pressure casting machine and a glazing line. In addition, assets worth € 1.5 million went live in France. This mainly related to the installation of a new glazing line. Assets worth a total of € 3.4 million were completed in Germany. This includes the aforementioned roof renovation in Mettlach, the replacement of kiln isolation in Mettlach and the completion of a cup printing machine in Torgau. In the previous year, new facilities were used for the first time mainly in Germany (€ 1.6 million), Hungary (€ 3.5 million) and Rumania (€ 1.4 million). The disposals in the financial year of € 18.4 million (previous year: € 18.8 million) and the cumulative depreciation of € 15.1 million (previous year: € 18.1 million) predominantly result from the sale of the bathroom furniture plant in Mondsee, Austria, during the financial year. This resulted in the Group derecognising assets with a carrying amount of € 2.8 million. In addition, the figures result mainly from the scrapping of assets that had already been written off in full and were no longer usable. In the current financial year, land and properties in Finland and Hungary with a carrying amount of € 0.7 million were reclassified from property, plant and equipment to investment property (see note 8).

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 of- fice equipment	Total
Accumulative cost			
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 1 Jan. 2023	81.5	12.2	93.7
Currency adjustments	- 0.6	–	- 0.6
Additions	13.3	5.9	19.2
Disposals	- 5.2	- 2.9	- 8.1
As at 31 Dec. 2023	89.0	15.2	104.2
Accumulative amortisation and impairment			
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 1 Jan. 2023	44.0	8.4	52.4
Currency adjustments	- 0.3	–	- 0.3
Depreciation	12.5	3.3	15.8
Disposals	- 4.9	- 3.0	- 7.9
As at 31 Dec. 2023	51.3	8.7	60.0
Residual carrying amounts			
As at 31 Dec. 2023	37.7	6.5	44.2
As at 31 Dec. 2022	37.5	3.8	41.3

In the financial year, we capitalised new right-of-use assets worth € 19.2 million (previous year: € 21.5 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.

Straight-line depreciation of € 15.8 million (previous year: € 15.2 million) is based on the following useful lives of the assets:

in € million	2023	2022
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). Long-term lease liabilities are discounted (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	31/12/2023	31/12/2022
Expenses for variable payments for property leases	- 8.2	- 8.5
Expenses for short-term property leases	- 1.9	- 1.3
Expenses for leases of low-value assets	- 0.4	- 1.2
Expenses for short-term leases for movable assets	- 0.8	- 0.9
Expenses for variable payments for leases for movable assets	- 0.2	- 0.1
Expenses for retrospective amendments to leases	- 0.7	-
Expenses for leases not included in capitalisation	- 12.2	- 12.0

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 € 1.0 million (previous year: € 1.5 million) was generated from these operating leases. We expect the following future minimum lease payments from our lessees:

in € million	2023	2022
Due within next 12 months	0.2	0.4
Due between 13 and 24 months	0.1	0.3
Due between 25 and 36 months	0.1	0.3
Due between 37 and 48 months	0.1	0.2
Due between 49 and 60 months	0.1	0.2
Due between 61st month and end of contract	0.7	2.4
Total expected lease payments	1.3	3.8

Income of € 0.0 million was generated from subletting unused properties held under uncanceled 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	2023	2022
Due within next 12 months	0.0	0.4
Due between 13 and 24 months	0.0	0.0
Due between 25 and 36 months	0.0	0.0
Due between 37 and 48 months	-	0.0
Due between 49 and 60 months	-	0.0
Due between 61st month and end of contract	-	0.1
Total expected incoming payments from leases	0.0	0.5

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

8. INVESTMENT PROPERTY

Investment property developed as follows:

in € million	Land	Buildings	Asset not used for business purposes	
			2023	2022
Accumulative cost				
As at 1 Jan.	0.3	62.8	63.1	63.1
Transfer	0.2	- 5.8	- 5.6	-
As at 31 Dec.	0.5	57.0	57.5	63.1
Accumulative depreciation				
As at 1 Jan.	-	58.5	58.5	58.0
Depreciation	-	0.5	0.5	0.5
Transfer	-	- 6.3	- 6.3	-
As at 31 Dec.	-	52.7	52.7	58.5
Residual carrying amounts				
As at 31 Dec.	0.5	4.3	4.8	4.6

This item includes property in Saarland, France and Hungary. In the year under review, properties in Finland with a carrying amount of € 0.5 million and land in Hungary with a carrying amount of € 0.2 million were reclassified to this item, among other items.

The fair value of all the properties reported in this item is € 14.2 million as at 31 December 2023 (previous year: € 11.2 million). These fair 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	31/12/2023	31/12/2022
Rental income	1.9	1.4
Property management and similar expenses	-	0.1

Rent is expected to develop as follows:

in € million	31/12/2023	31/12/2022
Due within next 12 months	1.9	0.7
Due between 13 and 24 months	1.3	0.7
Due between 25 and 36 months	0.9	0.3
Due between 37 and 48 months	0.9	0.3
Due between 49 and 60 months	0.9	0.3
Due between 61st month and end of contract	5.5	1.9
Total expected lease payments	11.4	4.2

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

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 315e(1) in conjunction with 313(3) HGB applies, is not allocated to any division.

10. OTHER FINANCIAL ASSETS

Other financial assets include:

in € million	Carrying amount	Remaining term		Carrying amount	Remaining term	
	31/12/2023	Less than 1 year	More than 1 year	31/12/2022	Less than 1 year	More than 1 year
Deposits (*)	3.0	1.2	1.8	2.6	0.8	1.8
Fair values of hedging instruments (*)	5.8	1.9	3.9	5.4	4.3	1.1
Other financial assets (*)	19.9	19.87	–	10.9	10.90	–
Securities	1.7	–	1.7	45.1	25.0	20.1
Equity investments	2.1	–	2.1	2.1	–	2.1
Loans	1.3	–	1.3	1.2	–	1.2
Shares in non-consolidated affiliated companies	2.4	–	2.4	6.4	–	6.4
Total financial assets	36.2	23.0	13.2	73.7	41.0	32.7

(*) In order to present all financial assets collectively in accordance with IAS 1.54, assets in connection with financial instruments have been reclassified from note 14 to this note. This had the effect of increasing the prior-year carrying amounts by € 18.9 million.

As at the end of the reporting period, the Group's hedging instruments comprised currency futures (€ 5.4 million; previous year: € 4.1 million) and commodity hedges for brass and gas (€ 0.4 million; previous year: € 1.3 million).

Capitalised security deposits in the amount of € 3.0 million (previous year: € 2.6 million) were provided to the respective lessors in cash. The fair value of these deposits is equal to their carrying amounts.

Other financial assets increased by € 9.0 million year-on-year, from € 10.9 million to € 19.9 million. The increase was mainly due to the sale of the bathroom furniture plant in Mondsee, Austria, to the kitchen manufacturer HAKA. Following the sale, bathroom furniture production capacities are focused on the plant in Treuchtlingen. The land including the production buildings and machinery, which had a carrying amount of € 2.8 million, were transferred to the buyer at the end of December 2023 for a gross purchase price of € 10.7 million under an asset deal. The buyer also acquired personnel obligations amounting to € 1.2 million as at 31 December 2023 (see note 27) and inventories amounting to € 1.2 million at the same date. This resulted in net assets sold of € 2.8 million. Moreover, "miscellaneous financial 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.

Securities are categorised in level 1 of the IFRS 13 fair value hierarchy.

The € 25.0 million reduction in current securities was due to the sale of short-term securities purchased in the 2021 financial year to avoid deposit fees. Changes in the value of these securities were recognised in equity in the revaluation surplus (see note 21(f)) and reclassified in profit or loss on disposal in the amount of € 0.2 million.

Due to the change in the interest rate situation in the 2023 financial year, Villeroy & Boch AG wound up its securities account with Deutsche Bank in November 2023. The amount of long-term securities decreased from € 20.1 million to € 1.7 million as a result. The disposal of bonds and investment funds that have passed the SPPI test with a fair value of € 11.6 million resulted in the reclassification of expenses of € 0.8 million from the revaluation surplus in equity (see note 21(f)) to profit or loss. Changes in the value of other bonds and investment funds were recognised directly in profit or loss. The sale of these securities with a fair value of € 2.3 million resulted in a loss of € 0.6 million. Of this figure, expenses of € 0.5 million were already recognised in profit or loss in the previous year. Changes in the value of shares acquired for trading purposes are recognised directly in profit or loss. The sale of these shares with a fair value of € 5.3 million resulted in income of € 0.3 million. As expenses of € 0.2 million were already recognised in profit or loss in the previous year, the

income from the sale in the current financial year amounted to € 0.5 million.

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 (previous year: € 0.5 million) reported in this item were sold. The corresponding win on disposal of € 0.1 million (previous year: € 0.4 million) was reclassified directly to retained earnings. Dividend income from securities recognised at fair value through other comprehensive income amounted to € 0.0 million (previous year: € 0.1 million) in the financial year under review.

The investments break down as follows:

in € million	31/12/2023	31/12/2022
Special assets provided by the ordinary shareholders	1.4	1.5
Other free assets	0.3	43.6
Residual term up to 1 year	0.0	25.0
Residual term over 1 year	0.3	18.6
Total	1.7	45.1

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. All changes in the value of special funds are recognised in equity in the revaluation surplus (see note 21(f)).

The capital is invested to achieve an optimal return. Changes in value are recognised in profit or loss. A 2.29 % holding in the share capital of V & B Fliesen GmbH, Merzig, with a fair value of € 2.1 million (previous year: € 2.1 million) is reported under equity investments. It is recognised at fair value through profit or loss. The value was unchanged compared with the previous year.

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

Loans to third parties are carried at amortised cost and mature as follows:

in € million	2023	2022
Gross carrying amount as at 31 Dec.	1.3	1.2
Of which: Not past due as at end of reporting period	1.3	1.2
Due within one year	0.2	0.2
Due in two to five years	0.2	0.2
Due in more than five years	0.9	0.8

Shares in unconsolidated affiliated companies are recognized at fair value through profit or loss and contain the equity interest in Villeroy & Boch Innovations GmbH, Mettlach (see note 2). The fair value calculation identified an impairment loss of € 4.0 million for this equity interest. The recognition of this impairment loss in profit or loss meant that the item declined to € 2.4 million in the financial year under review (see note 38). The business relations with this company are presented in note 57.

Loss allowances for miscellaneous financial assets are based on the simplified approach in accordance with IFRS 9.5.5.15. As in the previous year, this item contained no past due receivables as at 31 December 2023. There are no significant concentrations of default risks within the Group as such risks are distributed across a large number of contractual partners.

11. DEFERRED TAX ASSETS AND LIABILITIES

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

in € million	31/12/2023	31/12/2022
Deferred tax assets from temporary differences	27.2	20.8
Deferred tax assets from tax loss carryforwards	2.2	10.7
Deferred tax assets	29.4	31.5
Deferred tax liabilities	6.5	5.9

Deferred tax assets from tax loss carryforwards amounted to € 2.2 million (previous year: € 10.7 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:

in € million	Notes	Deferred tax assets		Deferred tax liabilities	
		31/12/2023	31/12/2022	31/12/2023	31/12/2022
Intangible assets	5	0.2	0.3	1.1	1.0
Property, plant and equipment	6	1.1	1.3	1.8	1.9
Rights of use	7	0.1	0.0	9.0	7.7
Financial assets	10	0.2	0.5	3.8	1.8
Inventories	12	7.1	4.0	0.0	0.0
Other assets	14	0.9	1.8	2.7	1.4
Special tax items		0.0	0.0	3.4	3.8
Provisions for pensions	26	16.0	8.6	0.0	0.0
Other provisions	28	9.2	5.3	0.0	0.1
Lease liabilities	30	9.3	7.9	0.0	0.0
Other liabilities		2.0	3.2	0.5	0.3
Write-downs		- 3.1	0.0	0.0	0.0
Subtotal		43.0	32.9	22.3	18.0
Offsetting of deferred tax assets/liabilities		- 15.8	- 12.1	- 15.8	- 12.1
Deferred taxes from temporary differences		27.2	20.8	6.5	5.9

The € 6.4 million change in deferred tax assets from temporary differences to € 27.2 million (previous year: € 20.8 million) is essentially attributable to the decrease in deferred taxes on provisions for pensions of € 7.4 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 not likely to be recovered increased from € 11.8 million to € 17.9 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 € 30.3 million (previous year: € 55.0 million). The majority of tax loss carryforwards (€ 21.0 million) relate to Group companies domiciled in Mexico. Deferred taxes on these loss carryforwards were written off in full as their recovery is not probable.

Villeroy & Boch AG did not recognise deferred tax liabilities for taxable temporary differences in connection with shares in subsidiaries and associates in the amount of € 1.4 million (previous year: € 1.4 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. To determine outside basis differences, the valuation method was changed and the value for the previous year was adjusted accordingly to improve comparability.

12. INVENTORIES

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

in € million	31/12/2023	31/12/2022
Raw materials and supplies	37.0	40.2
Work in progress	19.2	22.4
Finished goods and goods for resale	172.9	175.8
Carrying amount	229.1	238.4

Inventories were broken down between the individual divisions as follows:

in € million	31/12/2023	31/12/2022
Bathroom & Wellness	144.1	140.8
Dining & Lifestyle	85.0	97.6
Total	229.1	238.4

The € 12.6 million decline in inventories in the Dining & Lifestyle Division to € 85.0 million is due to reduced purchases of finished goods. The € 3.3 million increase in inventories in the Bathroom & Wellness Division to € 144.1 million is attributable to higher input prices as well as lower demand due to the slowdown in the construction industry in 2023.

A valuation allowance of € 38.8 million was recognized for inventory risks arising from the storage period or reduced usability. This increased by € 5.5 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	31/12/2023	31/12/2022
Germany	27.1	28.7
Rest of euro zone	25.5	29.8
Rest of world	76.4	76.1
Gross carrying amount	129.0	134.6
Write-down due to expected losses	- 0.6	- 0.9
Write-down due to objective indications and overdue items	- 4.7	- 4.9
Write-downs	- 5.3	- 5.8
Total trade receivables	123.7	129.4

€ 80.5 million (previous year: € 90.5 million) of trade receivables relate to the Bathroom & Wellness Division and € 43.2 million (previous year: € 38.9 million) to the Dining & Lifestyle Division.

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

Write-downs are calculated using the simplified approach. A loss allowance reflecting the lifetime expected credit losses must be recognised on initial recognition and at each subsequent reporting date. 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 expected default risk for uninsured receivables is estimated at 1 %. Any additional write-downs on these receivables are analysed at the end of each reporting period using an impairment matrix to determine the expected credit losses. The rates to be applied are determined on the basis of the number of days overdue and the credit rating of the respective counterparty. For receivables that are more than three

months overdue, we apply a probability of default of 40 %. A probability of default of 60 % is assumed for receivables that are six months overdue, while we apply a probability of default of either 80 % or 90 % for receivables that are twelve months overdue, depending on whether the counterparty is domiciled in Germany or abroad.

Receivables are written off altogether if we have information that a counterparty is in serious financial difficulty and there is no longer any realistic expectation of payment. This is the case when a counterparty is in liquidation or insolvency proceedings, for example. The following table shows the current level of receivables and the associated write-downs.

in € million	2023		2022	
	Gross	Write-downs	Gross	Write-downs
Receivable due in 90 days or less	107.2	- 0.9	116.1	- 0.8
Receivable due between 91 and 180 days	2.8	–	1.5	- 0.1
Receivable due in 181 days or more	0.1	–	–	- 1.2
Total receivables not due yet	110.1	- 0.9	117.6	- 2.1
Receivable in default for 90 days or less	13.9	- 0.1	13.0	- 0.3
Receivable in default between 91 and 360 days	1.9	- 1.8	1.4	- 1.2
Receivable in default for 361 days or more	3.1	- 2.5	3.2	- 2.2
Receivable in default for 361 days or more	18.9	- 4.4	17.6	- 3.7
Total gross amount	129.0	- 5.3	135.2	- 5.8
Write-downs	- 5.3	–	- 5.8	–
Net carrying amount	123.7	–	129.4	–

Within the write-downs on trade receivables, loss allowances are recognised for uninsured receivables using the simplified impairment model as follows: A write-down of € 0.6 million (previous year: € 0.9 million) was recognised to take account of the general default risk for receivables that are not yet due and receivables that are up to 90 days overdue. Write-downs for default risks in connection with overdue receivables were recognised in the amount of € 2.3 million (previous year:

€ 2.1 million) and related to probabilities of default of between 40 % and 80 % (previous year: between 40 % and 80 %). The specific valuation allowances recognised in the case of objective evidence of impairment or payment difficulties amounted to € 2.4 million (previous year: € 2.8 million). Impairment developed as shown in the following table:

in € million	2023			2022		
	General default risk	Impairment on an individual basis	Total	General default risk	Impairment on an individual basis	Total
As at 1 Jan.	0.9	4.9	5.8	0.8	3.9	4.7
Additions	0.3	1.9	2.2	0.1	2.7	2.9
Currency adjustments	- 0.0	- 0.1	- 0.1	0.0	0.1	0.1
Utilisation	–	- 0.6	- 0.6	0.0	- 1.0	- 1.0
Reversals	- 0.6	- 1.4	- 1.9	- 0.1	- 0.8	- 0.9
As at 31 Dec.	0.6	4.7	5.3	0.9	4.9	5.8

Write-downs account for 4.1 % of the total amount of trade payables (previous year: 4.3 %). There are no significant concentrations of default risks within the Group as such risks are distributed across a large number of customers. 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.

14. OTHER NON-CURRENT AND CURRENT ASSETS

Other assets are composed as follows:

in € million	Carrying amount	Remaining term		Carrying amount	Remaining term	
	31/12/2023	Less than 1 year	More than 1 year	31/12/2022	Less than 1 year	More than 1 year
Other tax receivables	7.3	7.3	–	8.9	8.9	–
Advance payments	2.5	2.4	0.1	3.0	2.9	0.1
Contract assets	0.1	0.1	–	0.6	0.6	–
Prepaid expenses	2.5	2.5	–	2.0	2.0	–
Total other assets	12.4	12.3	0.1	14.5	14.4	0.1

(*) In order to present all financial assets collectively in accordance with IAS 1.54, assets in connection with financial instruments have been reported in note 10 since the 2023 financial year. This had the effect of reducing the prior-year carrying amounts by € 18.9 million.

Other tax receivables in the amount of € 7.3 million (previous year: € 8.9 million) primarily include VAT credit of € 5.2 million (previous year: € 6.4 million).

Contract assets comprise licence claims included but not yet invoiced of € 0.1 million (previous year € 0.6 million). € 0.5 million (previous year: € 0.3 million) of the assets recognised as at the end of the previous year were invoiced to licensees in the 2023 financial year and € 0.1 million were de-recognised. New claims were recognised in the amount of € 0.1 million (previous year € 0.6 million).

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

15. INCOME TAX RECEIVABLES AND INCOME TAX PAYABLES

The income tax receivables of € 17.1 million (previous year: € 9.1 million) primarily include outstanding corporate income tax assets. € 4.1 million (previous year: € 3.8 million) of this figure relate to foreign Group companies. In addition, the total amount includes € 1.1 million in receivables from the German fiscal authorities in connection with the reimbursement of research subsidies (previous year: € 0.0 million). The recognised income tax liabilities of € 15.0 million (previous year: € 19.0 million) include provisions for tax risks in the amount of € 6.9 million (previous year: € 9.8 million). Of this figure, € 5.4 million (previous year: € 8.4 million)

relates to transfer pricing risks. The change compared with the previous year is due to agreements reached in connection with the completion of the tax audit.

16. CASH AND CASH EQUIVALENTS

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

in € million	31/12/2023	31/12/2022
Cash on hand incl. cheques	0.5	0.4
Current bank balances	76.3	104.4
Cash equivalents	297.6	121.8
Total cash and cash equivalents	374.4	226.6

The sharp rise in cash and cash equivalents is due in particular to the issue of the promissory note loan (see note 29) and the winding-up of liquid assets (see note 10) in response to the change in the interest rate situation. 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 defaults 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	2023	2022
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	1,565,954	1,627,199
Shares outstanding	12,478,846	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;
- 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

Capital reserves were increased from € 194.2 million to € 194.7 million in the current financial year through the issue of treasury shares in connection with the employee share scheme (see note 19).

19. TREASURY SHARES

The cost for the 1,565,954 (previous year: 1,627,199) preference treasury shares was € -13.9 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.

The General Meeting of Shareholders on 26 March 2021 resolved that preference treasury shares can be issued in conjunction with a share-based remuneration or employee share scheme of the company (see note 17).

The second employee share scheme that was launched in November 2023 allows all employees of Villeroy & Boch AG and its Group companies based in Germany the opportunity to participate directly in the company's success. All employees who had been with the company for at least one year were permitted to acquire a maximum of 160 shares at a price of € 17.01 in the period from 2 November 2023 to 24 November 2023. For each two shares purchased, the entitled employees were granted a third share for free. The number of preference treasury shares was reduced by 61,245 from 1,627,199 to 1,565,954 as a result (see note 17). We received cash funds of € 0.7 million in connection with the acquisition of shares by employees. The issuance of the free shares was recognised in staff costs as variable remuneration of € 0.3 million. Treasury shares were reduced by € 0.6 million - their original cost - to € 13.9 million as a result. The amount in excess of the cost increased capital reserves by € 0.5 million (see note 18). The fair value of the shares issued was calculated based on the average traded price for Villeroy & Boch preference shares on the stock market in the period from 25 October 2023 to 31 October 2023. An appropriate valuation discount was taken into account based on the contractually stipulated holding period of at least two years.

20. RETAINED EARNINGS

The retained earnings of the Villeroy & Boch Group in the amount of € 225.4 million (previous year: € 195.8 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	2023	2022
As at 1 Jan.	195.8	150.4
Consolidated earnings attributable to Villeroy & Boch AG shareholders	60.7	71.2
Dividend distribution	- 31.1	- 25.8
As at 31 Dec.	225.4	195.8

21. REVALUATION SURPLUS

The revaluation surplus comprises the reserves of “Other comprehensive income”:

in € million	2023	2022	Change
Items to be reclassified to profit or loss:			
Currency translation of financial statements of foreign Group companies (a)	- 24.5	- 21.2	- 3.3
Currency translation of long-term loans classified as net investments in foreign Group companies (b)	- 2.0	- 5.7	3.7
Cash flow hedges (c)	- 0.3	- 3.8	3.5
Other valuation results (f)	0.0	- 1.4	1.4
Deferred tax effect on items to be reclassified to profit or loss (d)	- 2.0	- 0.9	- 1.1
Items not to be reclassified to profit or loss:			
Actuarial gains and losses on defined benefit obligations (e)	- 95.0	- 67.0	- 28.0
Other valuation results (f)	0.7	0.5	0.2
Deferred tax effect on items not to be reclassified to profit or loss (g)	29.4	20.8	8.6
As at 31 December	- 93.7	- 78.7	- 15.0

(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 € -3.3 million in the 2023 financial year (previous year: € -9.6 million).

(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 € +3.7 million (previous year: € +2.3 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 financial assets (see note 10) or other liabilities (see note 31). Changes in fair value amounted to € 4.4 million in the period under review (previous year: € 0.6 million). Cumulative prior-period changes in value in the amount of € -0.9 million (previous year: € 0.3 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 € +3.5 million (previous year: € +0.9 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	2023	2022
As at 1 January	- 1.0	- 0.5
Additions	- 1.1	- 1.7
Disposals	0.1	1.3
As at 31 December	- 2.0	- 0.9

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 € --28.0 million from € -67.0 million to € -95.0 million (see note 26).

(f) Reserve for miscellaneous gains and losses on measurement

This reserve comprises:

in € million	2023	2022	Change
Valuation gains and losses on securities reclassified to the income statement	0.0	- 1.4	1.4
Valuation gains and losses on securities that are not reclassified to the income statement	0.0	- 0.1	0.0
Valuation results on long-term obligations to employees	0.7	0.6	0.1
As at 31 December	0.7	- 0.9	1.5

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. On derecognition, the gains and losses on securities reported in this item are partially reclassified to profit or loss, with the remainder continuing to be recognised in reserves. The winding-up of the securities account in the period under review resulted in the reclassification of € 1.5 million to profit or loss.

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 € 0.1 million from € 0.6 million to € 0.7 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 € +8.6 million (previous year: € -11.4 million)

22. EQUITY ATTRIBUTABLE TO MINORITY INTERESTS

Non-controlling interests in equity amounted to € 3.8 million (previous year: € 3.8 million). As in the previous year, there are non-controlling interests in two Group companies (see note 62). Argent Australia Pty. Ltd., Brisbane, is the only shareholding with significant non-controlling interests. 45.36 % of the shares were acquired in conjunction with the

acquisition of this company. As there is an option for the acquisition of a further 10 % of the shares that can be exercised at any time, the company is included in the consolidated financial statements as a consolidated company. The information for Argent Australia Pty. Ltd. was as follows at the reporting date:

in € million	Argent Australia Pty. Ltd., Australia	
	31/12/2023	31/12/2022
Percentage of minority interests	55.0%	55.0%
Non-current assets	4.6	6.0
Current assets	14.0	16.6
Non-current liabilities	- 3.4	- 4.6
Current liabilities	- 7.7	- 10.4
Net assets	7.5	7.5
Net assets of minority interests	3.7	3.7
Revenue	22.9	23.4
Result	0.6	0.6
Thereof attributable to minority interests	0.3	0.3
Dividend payment to minority interests	- 0.3	- 0.2

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.

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 2023 amounted to € 28.7 million. Taking into account the profit carryforward of € 26.1 million, the unappropriated surplus amounts to € 54.8 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:

1.00 € per ordinary share
 1.05 € per preference share

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

Ordinary share:	14.1 million
Preference share:	14.7 million
	28.8 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:

Eligible share class	06/04/2023		13/07/2022	
	Dividend per unit in €	Total dividend in € million	Dividend per unit in €	Total dividend in € million
Ordinary shares	1.15	16.1	0.95	13.4
Preference shares	1.20	15.0	1.00	12.4
		31.1		25.8

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	31/12/2023	31/12/2022
Equity	388.2	372.5
Provisions for pensions (note 26)	147.7	126.9
Non-current Financial liabilities (note 29)	151.2	75.0
Non-current sources of finance	687.1	574.4

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).

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	31/12/2023	31/12/2022
Germany	136.0	115.5
Rest of euro zone	7.4	7.4
Rest of world	4.3	4.0
Provisions for pensions	147.7	126.9

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, 7,551 people (previous year: 7,622) have a defined benefit pension plan. Their regional distribution is as follows:

Headcount	31/12/2023	31/12/2022
Germany		
Members	1,942	2,030
Vested former members	1,477	1,388
Pensioners	2,337	2,360
Total	5,756	5,778
Rest of euro zone		
Members	356	363
Vested former members	38	38
Pensioners	75	76
Total	469	477
Rest of world		
Members	883	923
Vested former members	170	169
Pensioners	273	275
Total	1,326	1,367
Persons with a commitment	7,551	7,622

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

in %	2023		2022	
	Ø	Range	Ø	Range
Discount rate	3.0	1.9 – 9.1	4.0	2.0 – 9.25
Expected long-term wage and salary trend	3.0	1.2 – 7.0	3.0	1.2 – 10.0
Expected long-term pension trend	2.0	0.0 – 3.0	1.8	0.0 – 3.8

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 1.9 % in Switzerland to 9.1 % in Mexico. In the previous year, the country-specific discount rates ranged from 2.0 % in Switzerland to 9.25 % in Mexico. A discount rate of 3.00 % (previous year: 4.00 %) 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	31/12/2023	31/12/2022
Present value of defined benefit obligations	172.2	149.2
Fair value of plan assets	- 24.5	- 22.3
Carrying amount	147.7	126.9

The present value of pension obligations developed as follows:

in € million	2023	2022
As at 1 Jan	149.2	201.0
Current service cost	1.1	2.1
Interest income and interest expenses	5.5	1.9
Actuarial gains and losses arising from		
changes in demographic assumptions	0.0	- 0.1
changes in financial assumptions	21.7	- 43.5
changes in other assumptions	6.5	2.2
Past service cost	- 0.1	- 0.1
Contributions from plan participants	0.7	0.5
Benefits paid	- 12.7	- 13.2
Disposals	0.0	- 0.1
Currency changes arising from non-euro-denominated plans	0.3	- 1.5
As at 31 Dec	172.2	149.2

There were the following changes to plan assets:

in € million	2023	2022
As at 1 Jan	22.3	25.5
Interest income and interest expenses	0.2	0.0
Revenue from plan assets without interest	0.4	0.3
Gains and losses from plan assets	0.2	- 1.4
Contributions from the Villeroy & Boch Group as employer	2.1	0.8
Contributions from plan participants	0.7	0.5
Benefits paid	- 1.7	- 2.2
Currency changes arising from non-euro-denominated plans	0.3	- 1.2
As at 31 Dec	24.5	22.3

The plan assets are distributed among the companies in Switzerland (25.1 %), Norway (6.0 %), Sweden (68.9 %) and Mexico (0.0 %). In the previous year, the plan assets were distributed among the companies in Switzerland (25.2 %), Norway (7.1 %), Sweden (67.7 %) and Mexico (0.0 %). Their portfolio structure was as follows:

	31/12/2023		31/12/2022	
	in € million	%	in € million	%
Annuities/annuity funds	9.9	40	9.1	41
Equities/equity funds	5.7	23	5.0	22
Property/REITs	2.5	10	2.4	11
Cash and cash equivalents	0.2	1	0.2	1
Investments on an active market	18.3	74	16.7	75
Insurance policies	6.2	26	5.6	25
Plan assets	24.5	100	22.3	100

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. 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 2024	Forecast 2023
Defined benefit obligations as at 31 Dec. 2023 or 2022 resp.	172.2	149.2
Forecast service cost	1.4	1.1
Forecast interest costs	4.9	5.5
Forecast pension payments	- 12.0	- 11.5
Forecast defined benefit obligations	166.5	144.3

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 2023 was 9.9 years (previous year: 10.1 years). The weighted duration for the pension plans of German companies amounted to 9.2 years (previous year: 9.4 years).

	Change in actuarial assumption	Effect on defined benefit obligation as at	
		31/12/2023	31/12/2022
Present value of defined benefit obligations		172.2	149.2
Discount rate	Increase by 0.1 %	172.9	147.7
	Reduction by 0.1 %	171.5	150.7
Life expectancy	Increase by 1 year	173.5	156.7
	Reduction by 1 year	170.9	142.5
Pension trend	Increase by 0.1 %	181.2	150.5
	Reduction by 0.1 %	164.1	148.0

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:					Current provisions	Total amount
	Anniversary bonuses	Severance pay	Partial retirement	Other	Total		
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	–	1.2	15.8	17.0
As at 1 Jan. 2023	5.2	6.5	0.3	1.0	13.0	17.5	30.5
Currency adjustments	–	- 0.1	–	–	- 0.1	–	- 0.1
Utilisation	- 0.5	- 0.9	- 0.2	- 0.2	- 1.8	- 14.3	- 16.1
Reversals	- 0.1	- 1.1	–	–	- 1.2	- 1.5	- 2.7
Additions	0.3	0.8	0.1	0.3	1.5	15.2	16.7
Reclassifications	–	–	0.1	- 0.1	–	0.2	0.2
As at 31 Dec. 2023	4.9	5.2	0.3	1.0	11.4	17.1	28.5

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 € 3.6 million (previous year: € 4.0 million).

This corresponds to 74.2 % (previous year: 75.7 %) 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. 57.3 % of the provision relates to the claims of employees of Villeroy & Boch Thailand (previous year: 48.2 %) and 11.5 % to the claims of employees of Villeroy & Boch Austria GmbH (previous year: 25.5 %). The reduction in provisions for severance pay in Austria was attributable to the sale of the bathroom furniture plant. Performance obligations amounting to € 1.0 million were transferred to the buyer.

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. 52.8 % of the provision relates to the employees of Villeroy & Boch AG (previous year: 50.3 %).

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 € 15.1 million (previous year: € 16.7 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.

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:					Total	Total amount
		Restructuring	Warranties	Recultivation and demolition	Legal and consultancy fees	Miscellaneous		
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 1 Jan. 2023	18.8	2.1	7.7	6.1	2.2	10.3	28.4	47.2
Currency adjustments	0.1	–	- 0.1	–	–	- 0.1	- 0.2	- 0.1
Utilisation	- 0.3	- 0.5	- 0.9	- 0.4	- 1.9	- 4.7	- 8.4	- 8.7
Reversals	0.0	–	- 0.1	- 1.5	- 2.3	- 1.3	- 5.2	- 5.2
Additions	11.3	3.5	- 0.8	–	2.7	9.8	15.2	26.5
Reclassifications	- 0.9	- 0.2	–	0.9	–	–	0.7	- 0.2
As at 31 Dec. 2023	29.0	4.9	5.8	5.1	0.7	14.0	30.5	59.5

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.

€ 27.1 million of the non-current provisions recognised relate to provisions for environmental obligations (previous year: € 17.0 million).

These cover corresponding obligations in Germany, Luxembourg, France, Sweden, Hungary and Romania. An amount of € 9.2 million was added to these provisions in the 2023 financial year (previous year: € 0.2 million). Furthermore, there were additions of € 2.1 million (previous year: € 2.5 million) relating to inflation effects and utilisations of € -0.2 million (previous year: € -2.2 million) from discounting effects in connection with the long remaining term of the recultivation and restoration obligations. Provisions of € 0.9 million were reclassified from non-current provisions to current provisions for recultivation and restoration obligations. € 1.5 million of the current provisions for recultivation and restoration obligations were reversed as the cost of the remediation measures proved to be lower than anticipated.

The implementation and partial expansion of restructuring plans resulted in utilisations of € -0.5 million and additions of € 3.5 million in the 2023 financial year, which related almost exclusively 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, audit fees and a large number of individual items.

29. NON-CURRENT AND CURRENT FINANCIAL LIABILITIES

The successful placement of the promissory note loan meant that financial liabilities increased by € 124.1 million to € 209.5 million as at 31 December 2023. To ensure the medium- to long-term financing base for the purchase price payment for the acquisition of Ideal Standard, the company placed its first promissory note loan with a total volume of € 280 million in 2023. The promissory note loan comprises

twelve tranches in all, half of which are variable-interest. The individual tranches mature in three, five and seven years. The loan will be paid out at two different dates. The first tranche of € 126.5 million was paid out in December 2023. The second tranche of € 153.5 million will be paid out in January 2024. As at 31 December 2023, the composition of the issued promissory note loan was as follows:

FINANCE LIABILITIES IN € MILLION

in € million	Interest structure	Nominal Value	Fair value 2023	Fair value 2022
Up to 1 year	Fixed interest rate	–	–	–
1 to 5 years	Fixed interest rate	60.5	60.3	–
Over 5 years	Fixed interest rate	16.5	16.5	–
Up to 1 year	Variable interest rate	–	–	–
1 to 5 years	Variable interest rate	44.5	44.4	–
Over 5 years	Variable interest rate	5.0	5.0	–
Total promissory note loan		126.5	126.2	–

Furthermore, there were non-current liabilities to banks of € 25.0 million (previous year: € 75.0 million) and current liabilities to banks of € 58.3 million (previous year: € 10.4 million) as at 31 December 2023.

A € 10.0 million bank loan was repaid on schedule in January 2023. This reduced the number of bank loans currently in place to three (previous year: four). Two of these bank loans, each with a volume of € 25.0 million, are short-term in nature and are due in 2024. The third bank loan with a volume of € 25.0 million is due in 2025 and hence is reported as non-current.

The bank loans include negative pledges on the part of Villeroy & Boch AG. Two loan agreements with a total volume of € 50.0 million and the promissory note loan could end prematurely in the event of a change of control at Villeroy & Boch AG. The fair value of all of the bank loans is € 72.1 million (previous year: € 70.1 million).

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. 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 1 Jan. 2023	29.2	12.7	41.9
Cash changes	–	- 17.2	- 17.2
Non-cash changes:			
First-time application	19.2	–	19.2
Interest capitalisation	- 1.5	–	- 1.5
Reclassifications	- 18.0	18.0	–
Currency adjustments	3.0	–	3.0
As at 31 Dec. 2023	31.9	13.5	45.4

Interest expenses for lease liabilities of € -1.5 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	2023	2022
Due within next 3 months	4.1	3.6
Due between 4 and 12 months	11.1	9.8
Due between 13 and 24 months	11.6	10.5
Due between 25 and 36 months	8.4	8.0
Due between 37 and 48 months	5.0	5.4
Due between 49 and 60 months	3.0	2.8
Due between 61st month and end of contract	7.4	4.1
Total undiscounted lease payments	50.6	44.2
Interest portion included	- 5.2	- 2.3
Recognised lease liability	45.4	41.9

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	31/12/2023	31/12/2022
Future potential outflows due to		
variable lease payments	2.0	1.7
renewal and termination options	12.4	11.8
penalties	–	0.0
leases for which the asset has not yet been provided	0.6	0.5
	15.0	14.0

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	31/12/2023	31/12/2022
Cash flow from operating activities			
Expenses for short-term leases	7	- 2.7	- 2.1
Expenses for leases for low-value assets	7	- 0.5	- 1.2
Expenses for variable lease payments	7	- 8.4	- 8.6
Miscellaneous lease expenses	7	- 0.7	- 0.1
Income from the rental of property, plant and equipment	7	1.0	1.5
Income from sub-leases	7	0.0	0.5
Income from the rental of investment property	8	1.7	0.7
Interest expenses for lease liabilities	30	- 1.5	- 0.6
Change in cash flow from operating activities		- 11.1	- 9.9
Cash flow from financing activities			
Payments for the principal portion of lease liabilities	30	- 17.2	- 18.2
Change in cash flow from financing activities		- 17.2	- 18.2
Total change in cash and cash equivalents from cash outflow for leases		- 28.3	- 28.1

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	
	31/12/2023	Less than 1 year	More than 1 year	31/12/2022	Less than 1 year	More than 1 year
Bonus liabilities	51.0	51.0	–	64.6	64.6	–
Fair values of hedging instruments	6.1	3.8	2.3	9.2	2.7	6.5
Liabilities to affiliated, non-consolidated companies	0.2	0.2	–	0.2	0.2	–
Miscellaneous other liabilities	8.2	6.6	1.6	30.3	28.8	1.5
Total financial assets	65.5	61.6	3.9	104.3	96.3	8.0
Personnel liabilities	18.7	18.7	–	21.6	21.6	–
Other tax liabilities	13.6	13.6	–	10.8	10.8	–
Contract liabilities	4.6	4.6	–	13.6	13.6	–
Deferred income	1.5	1.2	0.3	1.2	0.8	0.4
Total other liabilities	38.4	38.1	0.3	47.2	46.8	0.4
Total amount	103.9	99.7	4.2	151.5	143.1	8.4

* Financial instruments are described in note 54.

The lower level of other liabilities in the year under review is due among other things to the € 13.6 million reduction in bonus liabilities under agreements with customers to € 51.0 million. The measurement of hedging instruments (see note 54) includes currency hedges in the amount of € 2.3 million (previous year: € 6.4 million) and commodity hedges in the amount of € 3.8 million (previous year: € 2.8 million). Contract liabilities include advance payments received on account of orders in the amount of € 4.6 million (previous year: € 13.6 million). In the 2023 financial year, € 6.6 million of the advance payments recognised as at 31 December 2022 were settled by way of delivery (previous year: € 9.6 million) and € 0.4 million were derecognised (previous year: € 0.2 million).

Miscellaneous financial liabilities mainly decreased due to the derecognition of the potential repayment obligation in connection with the sale of the plant site in Luxembourg in the amount of € 24.7 million. When the development plan came into force in June 2023, the repayment obligation was partially reversed in the amount of € 10 million. The remaining repayment obligation of € 14.7 million was then reversed to profit or loss when the period for filing an appeal expired in December 2023 (see note 37).

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 is determined by the final development plan. 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 in the year 2019. Taking into account the asset disposal and the advisory costs incurred, this resulted in the recognition of income of € 87.7 million in the 2019 financial year. In turn, this resulted in the recognition of a potential repayment obligation of € 24.7 million that was reversed to profit or loss in the current financial year.

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

Other tax liabilities primarily include VAT in the amount of € 8.4 million (previous year: € 5.7 million) and payroll and church tax in the amount of € 4.3 million (previous year: € 4.4 million).

Deferred income comprised rent payments received and government grants among other things.

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).

32. TRADE PAYABLES

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

in € million	31/12/2023	31/12/2022
Germany	44.8	46.9
Rest of euro zone	9.3	10.5
Rest of world	37.9	42.0
Carrying amount as at 31 Dec.	92.0	99.4

Liquidity risk management is discussed in note 54.

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 (note 31) please refer to the notes.

Revenue of € 6.6 million (previous year: € 9.6 million) was recognised in the 2023 financial year that was included in net advance payments (€ 13.6 million) at the start of the reporting period. The amount of revenue recognised in the 2023 financial year from performance obligations that were settled in prior periods was € 9.5 million (previous year: € 2.8 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 € 109.9 million (previous year: € 137.3 million), € 109.7 million (previous year: € 136.9 million) of which are expected to be fulfilled in the coming twelve months and € 0.2 million (previous year: € 0.4 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 € -509.7 million (previous year: € - 569.0 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 € -265.9 million (previous year: € -271.7 million). The expenses for research and technical development are broken down across the two divisions as follows:

in € million	2023	2022
Bathroom & Wellness	- 14.0	- 15.1
Dining & Lifestyle	- 4.9	- 4.7
Total	- 18.9	- 19.8

36. GENERAL ADMINISTRATIVE EXPENSES

General administrative expenses in the amount of € - 47.3 million (previous year: € -48.4 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	2023	2022
Income from the reversal of the potential repayment obligation in Luxembourg (see note 31)	24.7	–
Exchange rate gains	6.6	3.8
Income from the sale of the bathroom furniture plant	5.9	–
Reversal of provisions *	5.6	3.7
Income from government grants	2.1	0.8
Reversal of write-downs on receivables	1.6	0.9
Reversal of liabilities	1.1	0.5
Book profits on the disposal of non-current assets	0.8	3.4
Reimbursement for damages	0.2	0.6
Other	3.0	2.9
Total	51.6	16.6

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

Further information on income from the reversal of the potential repayment obligation in Luxembourg can be found in note 31. Income from the sale of the bathroom furniture plant in Mondsee, Austria, amounted to € 5.9 million. Further information on the sale can be found in note 10. € 1.1 million of income from government grants relates to the German fiscal authorities in connection with the reimbursement of research subsidies (previous year: € 0.0 million).

38. OTHER OPERATING EXPENSES

Other operating expenses were composed as follows:

in € million	2023	2022
Consulting services	- 11.8	- 3.4
Costs for recultivation and demolition	- 11.3	- 1.9
Impairment of non-consolidated affiliated companies	- 4.0	–
Service costs	- 2.7	- 1.0
Addition to write-downs on receivables	- 3.9	- 2.7
Reorganisation costs	- 0.9	- 0.2
Exchange rate losses	- 0.8	- 8.1
Book losses on the disposal of non-current assets	- 0.2	- 0.3
Costs for maintenance/repairs	- 0.2	- 0.2
Other	- 6.1	- 7.8
Total	- 41.9	- 25.6

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 € 0.3 million

(previous year: € 0.4 million). Further details can be found in note 9.

40. INTEREST INCOME AND OTHER FINANCIAL INCOME

Financial income consisted of:

in € million	2023	2022
Interest income from:		
Cash and cash equivalents	6.3	1.3
Loans and receivables	0.9	0.3
Provisions	0.6	4.0
Total interest income	7.8	5.6
Dividends from securities	0.2	0.2
Other financial income	0.9	0.2
Total financial income	8.9	6.0

Interest income from cash and cash equivalents increased by € 5.0 million to € 6.3 million due to the rise in key interest rates. This effect was offset by the € 3.4 million reduction in interest income from provisions to € 0.6 million. This was mainly due to the income from the discounting of environmental provisions of € 2.2 million and from the adjustment of the discount rate used to measure Villeroy & Boch AG's anniversary obligations in the amount of € 1.0 million that was recognised in the previous year. As the discount rates remained relatively constant, no significant income was recognised in the 2023 financial year. In the year under review, other financial income mainly increased due to Villeroy & Boch AG winding up its securities account with Deutsche Bank (see note 10).

41. INTEREST EXPENSES AND OTHER FINANCIAL EXPENSES

Finance expenses related to:

in € million	2023	2022
Interest expenses from:		
Provisions	- 5.7	- 2.0
Lease liabilities	- 1.5	- 0.6
Overdraft facilities	- 3.1	- 2.2
Non-current loans	- 1.0	- 1.1
Other borrowing	0.0	- 0.3
Total interest expenses	- 11.3	- 6.2
Other finance expenses	- 1.2	- 1.3
Total finance expenses	- 12.5	- 7.5

The interest expense for provisions increased by € 3.7 million to € 5.7 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 2022 of 4.0 % was applied in the reporting period and the interest rate of 1.0 % for 2021 was applied in the previous year (see note 26). The current pension interest rate of 3.0 % will affect net interest income in the 2024 financial year. Other financial expenses changed only to a minor extent compared with the previous year.

42. INCOME TAXES

Income taxes include the taxes on income paid or due and deferred taxes. The German tax law applicable in the 2023 financial year stipulates a tax rate of 31.0 % (previous year: 30.79 %) 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	2023	2022
Taxes paid or due in Germany	- 2.1	- 10.7
Taxes paid or due outside Germany	- 12.3	- 11.9
Current taxes	- 14.4	- 22.6
Deferred taxes	- 10.0	- 1.2
Income taxes	- 24.4	- 23.8

The expected income tax expense (current and deferred) based on the overall German tax rate of 31 % differs from the reported income tax expense as follows:

in € million	2023	2022
Earnings before taxes (EBT)	85.4	95.3
Expected income tax (EBT × tax rate of 31.0 %)	- 26.4	- 29.3
Differences arising from foreign tax rates	6.7	2.6
Tax effects arising from:		
Non-deductible expenses	- 4.2	- 5.9
Adjustment/write-downs on deferred taxes	- 3.7	4.6
Tax-free income	1.1	1.9
Tax in previous years	2.9	1.6
Change of tax rates	0.1	-
Other deferred taxes	- 0.9	0.7
Actual income tax expense	- 24.4	- 23.8
Actual tax rate in %	28.5	25.0

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	2023	2022
Change in statement of financial position item:		
Deferred tax assets (note 10)	- 2.2	- 10.7
Deferred tax liabilities (note 10)	- 0.7	- 1.7
Sub-total	- 2.9	- 12.4
Pass to other comprehensive income (note 21(d))	- 7.6	11.9
Currency adjustments	0.5	- 0.7
Deferred taxes recognised in income statement	- 10.0	- 1.2

The Villeroy & Boch Group falls within the scope of the German Minimum Tax Act (MinStG), the provisions of which apply to financial years beginning on or after 31 December 2023. Under the legislation, the Group is required to pay additional tax for all countries with an effective tax rate of less than 15 %. Determining the effective tax rate is extremely complex and involves a number of specific adjustments. The legislation provides relief in the form of a temporary "safe harbour" provision under which no additional tax is due for the respective year under certain conditions. On 27 December 2023, the German Minimum Tax Act came into force with effect from 1 January 2024. As Villeroy & Boch AG is domiciled in Germany, it is subject to the statutory provisions with effect from 1 January 2024 irrespective of when corresponding legislation comes into force in other jurisdictions.

The Villeroy & Boch Group has begun working with tax advisors to examine the application of the legislation and initiate the implementation of the necessary processes in order to ensure compliance with the forthcoming reporting and tax conformity obligations. Villeroy & Boch is currently examining the impact of the legislation, and especially the applicability of the CbCR safe harbour. Investigations to date have found that the CbCR safe harbour would have applied in 27 out of 31 countries in 2021, meaning that no tax would have been payable in these countries if the MinStG had applied in this year. The only countries in which the CbCR safe harbour would not have applied are Australia, Luxembourg, Mexico and the US. Furthermore, investigations to date have found that the CbCR safe harbour would also have applied in 27 out of 31 countries in 2022. The only countries in which the CbCR safe harbour would not have applied are Finland, France, the UK and the US. The complexity of the legislation means it is not yet possible to estimate with sufficient

certainty the specific quantitative impact of the legislation on current taxes and tax payments for countries to which the CbCR safe harbour would not have applied.

The Villeroy & Boch Group has exercised the exception for the recognition and disclosure of deferred taxes related to income taxes in connection with global minimum tax as provided by the amendment to IAS 12 that was published in May 2023 and adopted by the EU in November 2023.

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.

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	31/12/2023	31/12/2022
Number of shares outstanding	14,044,800	14,044,800
Pro rata consolidated net income (in € million) *	31.8	37.5
Earnings per share (in €) *	2.26	2.67

Preference shares	31/12/2023	31/12/2022
Number of shares outstanding	12,478,846	12,417,601
Pro rata consolidated net income (in € million) *	28.9	33.7
Earnings per share (in €) *	2.31	2.72

* 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	2023	2022
Amortisation of intangible assets	1.5	1.7
Impairment/Write up on intangible assets	- 0.3	0.3
Depreciation of property, plant and equipment	22.7	23.1
Impairment losses on property, plant and equipment	-	0.3
Depreciation of right-of-use assets	15.8	15.2
Impairment losses on right-of-use assets	-	-
Depreciation of investment property	0.5	0.5
Total depreciation, amortisation and impairments	40.2	41.1

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

46. COST OF MATERIALS

The cost of materials comprised the following:

in € million	2023	2022
Cost of raw materials and supplies (including primary products)	- 136.2	- 161.5
Cost of purchased goods	- 133.1	- 159.6
	- 269.3	- 321.1
Cost of purchased services	- 57.5	- 58.4
Total cost of materials	- 326.8	- 379.5

47. PERSONNEL EXPENSES

Personnel expenses were composed as follows:

in € million	2023	2022
Wages and salaries	- 234.7	- 239.8
Post-employment benefits:		
Expenses for defined benefit plans (see note 26)	- 0.9	- 2.0
Expenses for defined contribution plans	- 17.4	- 17.3
Termination benefits	- 7.7	- 3.0
Other services	- 34.0	- 34.0
Total staff costs	- 294.7	- 296.1

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.

Average number of employees

NUMBER OF EMPLOYEES		
	2023	2022
Wage earners	3,280	3,519
Salaried employees	3,197	3,259
Average	6,477	6,778

Of the workforce as a whole, a total of 2,665 people are employed in Germany (previous year: 2,521), with the remaining 3,812 employed outside Germany (previous year: 4,258).

The divisions employ:

NUMBER OF EMPLOYEES		
	2023	2022
Bathroom & Wellness	4,107	4,421
Dining & Lifestyle	1,852	1,855
Other	518	502
Average	6,477	6,778

48. OTHER TAXES

The cost of other taxes was € -3.9 million in the reporting period (previous year: € -4.0 million).

Companies based in Germany accounted for € -0.9 million (previous year: € -1.0 million) and Group companies abroad for € -3.0 million (previous year: € -3.0 million).

“Other taxes” include mainly real estate tax expenses of € -1.6 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 € 67.6 million (previous year: € 54.1 million) in the year 2023. This cash flow was mainly defined by the excellent Group result (€ 61.0 million). The reduction in trade payables (€ 7.4 million) and other liabilities – mainly lower advance payments and bonus liabilities – also contributed to the decrease in cash flow from operating activities. The operating cash flow was also impacted by taxes paid in the amount of € 16.6 million. Offsetting effects resulted from the reduction in

inventories (€ 9.3 million) and trade receivables (€ 5.7 million).

The “Other non-cash income and expenses” item includes:

in € million	2023	2022
Interest from the provision for pensions and similar obligations	5.3	1.8
Expenses / income from deferred taxes	10.5	0.4
Additions to tax provisions	7.2	9.7
Income from the reversal of the potential repayment obligation in Luxembourg (see note 31)	- 24.7	–
Income from the sale of the bathroom furniture plant in Mondsee (see note 10)	- 5.9	–
Other non-cash items	- 0.5	- 0.8
Total	- 8.1	11.1

50. CASH FLOW FROM INVESTING ACTIVITIES

The cash flow from investing activities of € 5.2 million (previous year: € -19.2 million) mainly included payments for investments in property, plant and equipment and intangible assets in the 2023 financial year of € -41.0 million (previous year: € -36.7 million) and in non-current financial assets of € -6.1 million (previous year: € -3.2 million) (see note 10). Offsetting effects resulted from the disposal of assets of € 0.1 million (previous year: € 4.3 million) and the disposal of securities of € 49.6 million (see note 10). In addition, the fourth purchase price instalment from the sale of the Mexican sanitary ware plant in the 2020 financial year in the amount of € 2.6 million (previous year: € 1.4 million) was paid.

51. CASH FLOW FROM FINANCING ACTIVITIES

Net cash flow from financing activities amounted to € 76.5 million (previous year: € -69.0 million). This mainly included proceeds from the issue of the promissory note loan in the amount of € 126.2 million. Offsetting effects resulted from payments of lease liabilities of € -17.2 million (previous year: € -18.2 million) and the dividend paid in the 2023 financial year of € -31.1 million in total (previous year: € -25.8 million). Furthermore, there were loan repayments of € -2.1 million (previous year: € -24.9 million).

52. CASH AND CASH EQUIVALENTS

As at the end of the reporting period, cash and cash equivalents amounted to € 374.4 million (previous year: € 226.6 million), an increase of € 147.8 million as against the previous year.

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	
	2023	2022	2023	2022	2023	2022	2023	2022
in € million								
Bathroom & Wellness	579.5	661.6	- 0.1	0.3	-	-	579.4	661.9
Dining & Lifestyle	317.6	328.5	1.7	0.9	-	-	319.3	329.4
Transition/Other	-	-	3.2	3.2	-	-	3.2	3.2
Total segment revenue	897.1	990.1	4.8	4.4	-	-	901.9	994.5
Eliminations	-	-	-	-	-	-	-	-
Consolidated revenue	897.1	990.1	4.8	4.4	-	-	901.9	994.5

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

in € million	31/12/2023	31/12/2022
Bathroom & Wellness	57.3	67.3
Dining & Lifestyle	31.4	30.9
Non-operating result ⁽¹⁾	0.3	- 1.4
Operating result (EBIT)	89.0	96.8
Net finance cost (see notes 40 and 41)	- 3.6	- 1.5
Earnings before taxes	85.4	95.3
Income taxes (see note 42)	- 24.4	- 23.8
Group result	61.0	71.5

⁽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:

in € million	Assets		Liabilities		Net assets	
	31/12/2023	31/12/2022	31/12/2023	31/12/2022	31/12/2023	31/12/2022
Bathroom & Wellness	400.7	403.3	152.3	189.1	248.4	214.2
Dining & Lifestyle	200.5	198.2	91.0	88.7	109.5	109.5
Reconciliation	495.0	378.7	464.7	329.9	30.3	48.8
Total	1,096.2	980.2	708.0	607.7	388.2	372.5

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

in € million	Rolling assets		Rolling liabilities		Rolling operating net assets	
	31/12/2023	31/12/2022	31/12/2023	31/12/2022	31/12/2023	31/12/2022
Bathroom & Wellness	400.0	400.4	151.6	189.8	248.4	210.6
Dining & Lifestyle	191.8	185.4	82.6	84.5	109.2	100.9
Total	591.8	585.8	234.2	274.3	357.6	311.5

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.

Other segment information:

in € million	Additions to intangible assets and property, plant and equipment		Additions to right-of-use assets		Total	
	31/12/2023	31/12/2022	31/12/2023	31/12/2022	31/12/2023	31/12/2022
Bathroom & Wellness	29.6	25.6	7.6	8.5	37.2	34.1
Dining & Lifestyle	11.4	11.1	11.6	13.0	23.0	24.1
Total	41.0	36.7	19.2	21.5	60.2	58.2

in € million	Depreciation and amortisation of intangible assets and property, plant and equipment		Depreciation and amortisation of right-of-use assets		Total	
	31/12/2023	31/12/2022	31/12/2023	31/12/2022	31/12/2023	31/12/2022
Bathroom & Wellness	- 19.3	- 19.9	- 6.2	- 5.6	- 25.5	- 25.5
Dining & Lifestyle	- 5.4	- 5.4	- 9.6	- 9.6	- 15.0	- 15.0
Total	- 24.7	- 25.3	- 15.8	- 15.2	- 40.5	- 40.5

Depreciation and amortisation relates to the intangible assets, property, plant and equipment and right-of-use assets allocated to the individual divisions. € 0.0 million (previous year: € 0.2 million) of write-downs related to the Bathroom & Wellness Division (see note 45). No write-downs 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 *	
	31/12/2023	31/12/2022	31/12/2023	31/12/2022
German companies	439.1	503.7	110.9	98.8
Registered office in the rest of the euro zone	138.4	148.3	46.7	43.8
Registered office outside the euro zone	319.6	338.1	119.3	115.0
Total	897.1	990.1	276.9	257.6

* in accordance with IFRS 8.33 (b)

OTHER NOTES

54. FINANCIAL INSTRUMENTS

Financial instruments are contracts that give rise to financial assets of one entity and a financial liability or equity instrument of another entity.

Financial assets:

Financial assets are recognised when a Group company is a contractual party to the financial instrument. Financial assets are measured at fair value on initial recognition with the exception of trade receivables without significant financing components, which are measured at the transaction price. Transaction costs directly attributable to the acquisition of financial assets not measured at fair value through profit or loss serve to increase the fair value of the financial assets on initial recognition. Transaction costs directly attributable to the acquisition of financial assets measured at fair value through profit or loss are recognised directly in profit or loss.

Financial assets that are delivered within the customary period for the market in question are recognised and derecognised at the respective trade date. As a whole, all recognised financial assets are measured either at amortised cost or fair value subsequent to initial recognition, depending on their classification.

Debt instruments are measured at amortised cost if they are held within a business model whose objective is achieved by collecting contractual cash flows. Furthermore, the contractual conditions of the financial asset must contain solely payments of principal and interest on the principal amount outstanding.

Debt instruments are measured at fair value through other comprehensive income if they are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets. Furthermore, the contractual conditions of the financial asset must contain solely payments of principal and interest on the principal amount outstanding.

All other financial instruments that do not meet the aforementioned conditions for measurement at amortised cost or at fair value through other comprehensive income are classified as "at fair value through profit or loss". Positive and negative changes in fair value are recognised in profit or loss.

In the case of equity instruments, the Group may, in contrast to debt instruments, make an irrevocable election on initial recognition to recognise each individual equity instrument at fair value through other comprehensive income. Such designation is not permitted if the equity instrument is held for trading or constitutes contingent

consideration recognised by an acquirer in a business combination. Equity instruments measured at fair value through other comprehensive income are measured at fair value plus transaction costs on initial recognition. Gains and losses due to changes in fair value are subsequently recognised in the revaluation surplus in other comprehensive income. Cumulative gains and losses are reclassified to retained earnings when the equity instrument is derecognised.

Impairment of financial assets is determined using the expected credit loss method. The fundamental principle of the model is to reflect a deterioration or improvement in the credit quality of financial instruments. The IFRS 9 impairment model applies to all debt instruments other than debt instruments with subsequent measurement at fair value through profit or loss. The simplified approach is applied for trade receivables and miscellaneous financial assets. A loss allowance reflecting the lifetime expected credit losses must be recognised on initial recognition and at each subsequent reporting date. In order to measure expected credit risks, the assets are grouped based on the existing credit risk characteristics and the respective maturity structure. In addition to bank balances, all other items discussed in note 10 are allocated to miscellaneous financial assets.

Financial liabilities:

Financial liabilities are recognised when a Group company is a contractual party to the financial instrument underlying the financial liability. At the Villeroy & Boch Group, these financial instruments are measured solely at amortised cost using the effective interest method with the exception of financial liabilities forming part of hedges.

The effective interest method is a method of calculating the amortised cost of a financial liability and allocating the interest expense over the relevant period. The effective interest rate is the interest rate that discounts estimated future cash payments – including all fees and payments paid or received that are an integral part of the effective interest rate, transaction costs and other premiums or discounts – over the expected life of the financial instrument to the net carrying amount on initial recognition.

The Group derecognises a financial liability when the corresponding obligation has been settled or cancelled or has expired.

Hedging instruments:

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 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 hedge 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) and other financial assets (note 10) at amortized cost in accordance with IFRS 9. This does not include:

Other financial assets of € 1.4 million (previous year: € 37.6 million) at fair value through OCI (note 10) and € 4.8 million (previous year: € 16.0 million) at fair value through profit or loss. In addition, cash flow hedges amounting to € 5.8 million (previous year: € 5.4 million) were measured at fair value.

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 derivative financial instruments that relate to cash flow hedges and are measured at fair value:

Owing to the short maturities of cash and cash equivalents, trade receivables, other financial assets, trade payables and other financial liabilities, it is assumed that the fair values are the carrying amounts. The fair values of long-term financial 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 securities 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.

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 1.04, HUF 422.6 and RON 5.38. 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 2023:

in € million	Assets as at end of reporting period		Liabilities as at end of reporting period	
	Transaction volume	Changes in fair value	Transaction volume	Changes in fair value
Within the next three months	12.7	0.4	13.4	0.6
In three to six months	13.6	0.4	12.2	0.6
In six to twelve months	28.0	0.9	21.8	0.6
After twelve months	24.0	3.7	15.3	0.5
Total	78.3	5.4	62.7	2.3

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

in € million	Assets as at end of reporting period		Liabilities as at end of reporting period	
	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

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 2023 would have been € 5.4 million higher/lower (previous year: € 4.0 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 2023. The average hedged price for gas is € 61.26 per MWh and the average hedged price for brass is € 5,570.3 per tonne:

in € million	Assets as at end of reporting period		Liabilities as at end of reporting period	
	Transaction volume	Changes in fair value	Transaction volume	Changes in fair value
Within the next three months	0.4	0.0	2.1	0.6
In three to six months	0.4	0.0	1.9	0.5
In six to twelve months	1.0	0.1	3.8	1.1
After twelve months	4.2	0.2	8.9	1.6
Total	6.0	0.3	16.7	3.8

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

in € million	Assets as at end of reporting period		Liabilities as at end of reporting period	
	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

On the basis of production planning, there is an unhedged brass position totalling 2,492 tonnes as at the end of the reporting year for the following four financial years (previous year: 3,920 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 2023 would have been € 1.4 million higher/lower (previous year: € 2.1 million). As in the previous year, these two scenarios would have had no effect on the statement of comprehensive income in 2023. On the basis of planning, there is an unhedged gas position of 160,447 MWh (previous year: 305,197 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 2023 would have been € 0.6 million (previous year: € 2.6 million) higher/lower. As in the previous year, these two scenarios would have no impact on the 2023 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 2023 financial year of +/- 50 bp and assuming all other variables remained constant, the net finance cost would have been +/- € 0.3 million (previous year: +/- € 0.3 million).

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”.

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:

in € million	Carrying amount as at 31 Dec.	Cash outflow expected in the following time bands				
		Gross	Within three months	Between three months and one year	Between one and five years	More than five years
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	–
Hedging instrument 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
Trade payables	92.0	92.0	92.0	–	–	–
Current and non-current financial liabilities (a)	209.5	232.3	2.3	55.2	151.2	23.6
Lease liabilities	45.4	50.6	4.1	11.1	28.1	7.4
Other liabilities	59.3	59.3	55.1	2.6	1.6	–
Hedging instrument liabilities (b)	6.1	79.5	15.5	39.7	24.3	–
Total as at 31 Dec. 2023	412.3	513.7	169.0	108.6	205.2	31.0

- a) The cash flow from current and non-current financial liabilities includes future interest payments of € 30.2 million (previous year: € 1.8 million) that will not be incurred until after 31 December 2023.
- b) The gross amount of liabilities from hedging instruments of € 79.5 million (previous year: € 63.8 million) includes the undiscounted cash flows from the respective hedges. These are offset by the opposing effects of the respective hedged items. The recognised carrying amount of € 6.1 million (previous year: € 9.2 million) corresponds to the fair value of the hedges. € 0.8 million of this will be settled in the next three months (previous year: € 1.2 million). In liquidity planning, recognised liabilities are carried at their gross amount on maturity. The gross amount includes the undiscounted interest and principal payments.

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 31 December 2023, there are assets from financial futures amounting to € 5.8 million (previous year: € 5.5 million) and liabilities from financial futures amounting to € 6.1 million (previous year: € 9.2 million). After offsetting in the amount of € 1.7 million (previous year: € 3.8 million), the following assets remain as of 31 December 2023: assets amounting to € 4.0 million (previous year: € 1.0 million) and liabilities amounting to € 4.4 million (previous year: € 4.5 million).

Net income from financial instruments

In the reporting year the Villeroy & Boch Group generated a net result of € 2.4 million (previous year: € -3.0 million) from the use of primary and derivative financial instruments.

€ -0.1 million (previous year: € 0.2 million) of this related to derivative financial instruments and € -2.5 million (previous year: € -2.8 million) to primary financial instruments. Net income from primary financial instruments mainly includes interest income from cash and cash equivalents and interest expenses for credit financing. The earnings effects of the winding-up of the securities account are also reported in net income from financial instruments (see note 10).

55. CONTINGENT LIABILITIES AND COMMITMENTS

There were the following contingent liabilities and commitments in the Villeroy & Boch Group:

in € million	31/12/2023	31/12/2022
Guarantees	0.8	0.8
Contingent liabilities from rental obligations	0.2	0.3

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	31.12.2023	31.12.2022
Obligations arising from orders placed:		
For investments in property, plant and equipment	12.7	19.2
For investments in right-of-use assets	0.6	0.5
For investments in intangible assets	0.4	0.4

58.7 % of the obligations to acquire property, plant and equipment in the amount of € 12.7 million related to Villeroy & Boch AG, followed by Mondial S.A. (6.9 %) and Villeroy & Boch Austria (6.5 %). In the previous year, 54.4 % related to Villeroy & Boch AG, followed by Villeroy & Boch Magyarország Kft. (23.3 %) and Villeroy & Boch Austria (4.5 %).

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 was required to write down the carrying amount of its investment in one of these companies by € 4 million in the year under review. It also recognised write-downs on intercompany receivables in the amount of € 1.8 million. Furthermore, there are cash pooling liabilities of € 1.5 million in total (previous year: € 0.2 million) from these companies. These are offset by cash pooling receivables of € 0.2 million (previous year: € 0.6 million).

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	2023	2022
Current employee benefits	6.1	5.3
Post-employment benefits	0.6	0.5
Other long-term benefits	–	–
Total	6.7	5.8

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.

58. REMUNERATION OF THE SUPERVISORY BOARD AND MANAGEMENT BOARD

Supervisory Board remuneration

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 Chair receives an additional € 80 thousand, while the Deputy Chair 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 2023 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 € 0.9 million for the performance of their duties (previous year: € 1.0 million). € 0.7 million (previous year: € 0.7 million) of this related to their fixed basic remuneration, € 0.2 million (previous year: € 0.1 million) to attendance fees and € 0.0 million (previous year: € 0.2 million) to variable remuneration for their work in the year 2021. A total expense for Supervisory Board remuneration of € 1.137 thousand was recognised in the Group result for the 2023 financial year (previous year: € 992 thousand).

In addition to the fixed remuneration paid and the meeting fees for 2023, this figure includes insurance premiums of € 195 thousand (previous year: € 195 thousand).

Management Board remuneration

An expense of € 4,288 thousand (previous year: € 3,763 thousand) is reported in the income statement for the 2023 financial year. This figure is composed of fixed (€ 2,105 thousand; previous year: € 1,753 thousand) and variable salary components (€ 1,860 thousand; previous year: € 1,866 thousand) as well as expenses for pension benefits and similar obligations of active members of the Board of Management amounting to € 215 thousand (previous year: € 144 thousand). The variable remuneration is composed of a one-year remuneration in the amount of € 506 thousand (previous year: € 850 thousand) and a remuneration for several years in the amount of € 1,355 thousand (previous year: € 1,016 thousand). Remuneration in kind of € 107 thousand (previous year: € 78 thousand) was also granted, including € 5 thousand (previous year: € 4 thousand) relating to insurance premiums.

Provisions for pensions for former members of the Management Board amount to € 17,412 thousand (previous year: € 14,712 thousand). In the financial year, former members of the Management Board received pension benefits totalling € 1,836 thousand (previous year: € 2,054 thousand). In addition, a subsequent payment in connection with termination benefits was made in the amount of € 49 thousand (previous year: € 0 thousand).

59. AUDITORS' FEES AND SERVICES

The fees for the auditor Deloitte GmbH Wirtschaftsprüfungsgesellschaft (previous year: Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft) were broken down as follows:

in € million	2023	2022
Audits of financial statements	0.6	0.5
Other assurance or valuation services	0.1	0.1
Other services	–	0.0

Among other things the fees for other assurance or valuation services related to the audit of the remuneration report and the voluntary audit of the sustainability report.

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 2023 financial year was submitted by the Management Board and the Supervisory Board of Villeroy & Boch AG on 15 December 2023. 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.

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		
		Direct	Indirect	Total
	Germany			
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 (Netherlands)	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., Hódmezővásárhely (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., Faïencerie de Septfontaines-lez-Luxembourg, Luxemburg (Luxembourg)	100	–	100

41.	Villeroy & Boch Sales India Private Limited, Mumbai (India)	99.99	0.01	100
42.	Villeroy & Boch Tableware B.V., Oosterhout (Netherland)	100	–	100
43.	Villeroy & Boch Tableware Ltd., Toronto (Canada)	–	100	100
44.	Villeroy & Boch Trading (Shanghai) Co. Ltd., Shanghai (China)	100	–	100
45.	Villeroy & Boch Ukraine TOV, Kiev (Ukraine)	100	–	100
46.	Villeroy & Boch USA Inc., New Jersey (USA)	–	100	100
47.	Villeroy & Boch Wellness N.V., Roeselare (Belgium)	99.99	0.01	100
48.	Villeroy et Boch Arts de la Table S.A.S., Paris (France)	–	100	100
49.	Villeroy et Boch S.A.S., Paris (France)	100	–	100
50.	Villeroy et Boch Valence d' Agen S.A.S., Valence d' Agen (France)	–	100	100
	Affiliated, unconsolidated companies	Direct	Indirect	Total
51.	Villeroy & Boch Innovations GmbH, Mettlach (Germany)	100.00	–	100
52.	Villeroy & Boch Ventures GmbH, Mettlach (Germany)	–	100	100
53.	Wabu GmbH, München (Germany)	–	100	100

⁽¹⁾ Section 264 (3) HGB is applied to this subsidiary.

* Section 313(3) p. 4 HGB is applied to one German investment.

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 2022:

Standard		Name
IFRS	17	Insurance contracts
IFRS	17	Initial Application of IFRS 17 and IFRS 9 Comparative Information
IAS	1	Disclosure of Accounting Policies
IAS	8	Definition of Accounting Estimates
IAS	12	International Tax Reform - Pillar Two Model Rules
IAS	12	Deferred tax related to Assets and Liabilities arising from a Single Transaction

The application of all of the above mentioned IASB pronouncements endorsed by the EU was mandatory for the 2023 financial year.

The amendments to IAS 12 introduce a temporary exception for the accounting treatment of deferred taxes in connection with the implementation of global minimum tax (OECD Pillar Two). They also introduce disclosure requirements aimed at helping investors to better understand the impact on entities of the top-up taxes resulting from the reform (see note 42).

As set out in the 2022 Annual Report, the aforementioned changes had no material effect on the accounting policies of the Villeroy & Boch Group.

Following the amendments to IAS 1, Villeroy & Boch has only presented its material accounting policies since the 2023 financial year (see note 1).

The following IASB pronouncements were adopted by the EU and were not yet effective for the past 2023 financial year:

Standard		Name
IAS	1	Classification of liabilities as short- or long term
IAS	1	Non current Liabilities with Covenants
IFRS	16	Lease Liability in a Sale and Leaseback

In the 2023 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 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.

The EU has not yet adopted the following IASB pronouncements:

Standard		Name
IAS	21	Lack of Exchangeability
IAS / IFRS	7	Supplier Finance Arrangements

The above new and amended standards will be applied from 1 January 2024 subject to their endorsement in EU law. One exception is the amendments to IAS 21, which will be applied from 1 January 2025 subject to their endorsement in EU law. The amendments to IAS 7 and IFRS 7 are intended to enhance the transparency of supplier finance arrangements. They require entities to provide qualitative and quantitative information on the impact of supplier finance arrangements. The amendments to IAS 21 require entities to adopt a uniform approach to specifying whether a currency is exchangeable into another currency and determining the exchange rate to apply when a currency is not exchangeable.

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 or to postpone their adoption indefinitely:

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)

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. In the absence of an official German translation, these texts are given with their English titles.

Mettlach, 23 February 2024



Gabriele Schupp



Dr Peter Domma



Esther Jehle



Georg Lörz



Dr Markus Warncke

ADDITIONAL INFORMATION

INDEPENDENT AUDITOR'S REPORT

TO VILLEROY & BOCH AKTIENGESELLSCHAFT, METTLACH/GERMANY

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS AND OF THE GROUP MANAGEMENT REPORT

Audit Opinions

We have audited the consolidated financial statements of Villeroy & Boch Aktiengesellschaft, Mettlach/Germany, and its subsidiaries (the Group) which comprise the consolidated balance sheet as at 31 December 2023, the consolidated statement of profit and loss, the consolidated statement of other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the financial year from 1 January to 31 December 2023, 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, Mettlach/Germany, for the financial year from 1 January to 31 December 2023. In accordance with the German legal requirements, we have not audited the content of the combined corporate governance statement pursuant to Sections 289f and 315d German Commercial Code (HGB) to which reference is made in the section "Other information" of the group management report, and the content of the separate combined non-financial report pursuant to Sections 289b (3) and 315b (3) HGB to which reference is made in the section "Non-financial statement" in the chapter "Sustainability" of the group management report. Furthermore, we have not audited the content of the two sections "General explanations" in the chapter "Sustainability" and "General internal control and risk management system" in the chapter "Report on risks and opportunities" included in the group management report which are extraneous to management reports and marked as "unaudited".

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 IFRS as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315e (1) HGB 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 2023 and of its financial performance for the financial year from 1 January to 31 December 2023, 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. Our audit opinion on the group management report does not cover the content of the combined corporate governance statement referred to above, of the separate combined non-financial report referred to above, and of the two sections extraneous to management reports and marked as "unaudited" referred to above.

Pursuant to Section 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 Audit Opinions

We conducted our audit of the consolidated financial statements and of the group management report in accordance with Section 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 (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 Article 10 (2) point (f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 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 audit opinions on the consolidated financial statements and on the group management report.

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 financial year from 1 January to 31 December 2023. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and in forming our audit opinion thereon; we do not provide a separate audit opinion on these matters.

In the following we present the key audit matter we have determined in the course of our audit, which is the recognition and valuation of provisions for recultivation and asset retirement obligations:

Our presentation of this key audit matter has been structured as follows:

- a) description (including reference to corresponding information in the consolidated financial statements)
- b) auditor's response

Recognition and valuation of provisions for recultivation and asset retirement obligations

- a) Provisions for recultivation and asset retirement obligations recognised in the consolidated financial statements of Villeroy & Boch Aktiengesellschaft as of 31 December 2023 under other long-term and short-term provisions include a significant amount of provisions for different recultivation and asset retirement obligations arising from factories in Germany, Luxembourg, Sweden and France that have, in the meantime, been shut down or leased out, and for self-occupied factories in Germany, France, Hungary and Romania. Because the recognition and valuation of the provisions is based on assessments and assumptions of the executive directors about the probability of the future expenditure required to settle the obligations and amount that could be payable, and hence requires the exercise of significant judgment, we have classified the recognition and valuation of provisions for recultivation and asset retirement obligations as a key audit matter.

Information provided by the executive directors about the recognition and valuation of provisions for recultivation and asset retirement obligations, including applied accounting and valuation methods, has been included in the Notes under items 1 and 28.

- b) During our audit, we examined, among other things, the processes put in place by Villeroy & Boch Aktiengesellschaft to record, recognise and measure recultivation and asset retirement obligations in the consolidated financial statements and, in doing so, evaluated the extent to which the recognition and valuation of the obligations can be influenced by subjectivity, complexity, or other inherent risk factors, and assessed the appropriateness of the methods applied, assumptions made, and data used, when estimates were made by the executive directors. Our audit concerning provisions for recultivation and asset retirement obligations included enquiring of the executive directors of the parent and other persons in charge of these issues within the Group about the current status of pollution testing and current discussions with the relevant authorities. In addition, we inspected internal and external correspondence with the authorities, and expert opinions and, on this basis, considered the scenarios created for specific issues and potential effects on the most recent assessment. We also evaluated the consistency with internal reporting (risk report). We reperformed mathematically and methodologically the calculation of the provisions which we compared with external cost estimates.

Other Information

The executive directors and/or the supervisory board are responsible for the other information. The other information comprises

- the report of the supervisory board,
- the remuneration report pursuant to Section 162 German Stock Corporation Act (AktG) which we expect to receive after this auditor's report is issued,
- the combined corporate governance statement to which reference is made in the group management report,
- the separate combined non-financial report to which reference is made in the group management report,
- the sections "General explanations" in the chapter "Sustainability" and "General internal control and risk management system" in the chapter "Report on risks and opportunities" included in the group management report which are extraneous to management reports and marked as "unaudited",
- the executive directors' combined confirmation regarding the consolidated financial statements and the group management report pursuant to Section 297 (2) sentence 4 and Section 315 (1) sentence 5 HGB,

- all other parts of the annual report published after this auditor's report is issued,
- but not the consolidated financial statements, not the audited content of the group management report and not our auditor's report thereon.

The supervisory board is responsible for the report of the supervisory board. The executive directors and the supervisory board are responsible for the statement according to Section 161 AktG concerning the German Corporate Governance Code, which is part of the combined corporate governance statement, and for the remuneration report. Otherwise the executive directors are responsible for the other information.

Our audit 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 audit opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information identified above and, in doing so, to consider whether the other information

- is materially inconsistent with the consolidated financial statements, with the audited content of 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 IFRS as adopted by the EU and the additional requirements of German commercial law pursuant to Section 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 audit 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 Section 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 decisions of users taken on the basis of these consolidated financial statements and this group management report.

We exercise professional judgment and maintain professional scepticism 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 audit 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 controls.
- obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures 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 audit 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 audit 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 IFRS as adopted by the EU and with the additional requirements of German commercial law pursuant to Section 315e (1) HGB.

- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express audit 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 audit 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.

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 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 actions taken or safeguards applied to eliminate independence threats.

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 for the current period and are therefore the key audit matters. We describe these matters in the auditor's report unless law or regulation precludes public disclosure about the matter.

OTHER LEGAL AND REGULATORY REQUIREMENTS

Report on the Audit of the Electronic Reproductions of the Consolidated Financial Statements and of the Group Management Report Prepared for Publication Pursuant to Section 317 (3a) HGB

Audit Opinion

We have performed an audit in accordance with Section 317 (3a) HGB to obtain reasonable assurance whether the electronic reproductions of the consolidated financial statements and of the group management report (hereinafter referred to as “ESEF documents”) prepared for publication, contained in the file, which has the SHA-256 value c8649f8b60817aeb11c70a7992534c5ffe378b9226c35fb98a63ae395aa2acdf, meet, in all material respects, the requirements for the electronic reporting format pursuant to Section 328 (1) HGB (“ESEF format”). In accordance with the German legal requirements, this audit only covers the conversion of the information contained in the consolidated financial statements and the group management report into the ESEF format, and therefore covers neither the information contained in these electronic reproductions nor any other information contained in the file identified above.

In our opinion, the electronic reproductions of the consolidated financial statements and of the group management report prepared for publication contained in the file identified above meet, in all material respects, the requirements for the electronic reporting format pursuant to Section 328 (1) HGB. Beyond this audit opinion and our audit opinions on the accompanying consolidated financial statements and on the accompanying group management report for the financial year from 1 January to 31 December 2023 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 electronic reproductions or on any other information contained in the file identified above.

Basis for the Audit Opinion

We conducted our audit of the electronic reproductions of the consolidated financial statements and of the group management report contained in the file identified above in accordance with Section 317 (3a) HGB and on the basis of the IDW Auditing Standard: Audit of the Electronic Reproductions of Financial Statements and Management Reports Prepared for Publication Purposes Pursuant to Section 317 (3a) HGB (IDW AuS 410 (06.2022)). Our responsibilities in this context are further described in the “Group Auditor’s Responsibilities for the Audit of the ESEF Documents” section. Our

audit firm has applied the IDW Standards on Quality Management.

Responsibilities of the Executive Directors and the Supervisory Board for the ESEF Documents

The executive directors of the parent are responsible for the preparation of the ESEF documents based on the electronic files of the consolidated financial statements and of the group management report according to Section 328 (1) sentence 4 no. 1 HGB and for the tagging of the consolidated financial statements according to Section 328 (1) sentence 4 no. 2 HGB.

In addition, the executive directors of the parent are responsible for such internal controls that they have considered necessary to enable the preparation of ESEF documents that are free from material intentional or unintentional non-compliance with the requirements for the electronic reporting format pursuant to Section 328 (1) HGB.

The supervisory board is responsible for overseeing the process for preparing the ESEF documents as part of the financial reporting process.

Group Auditor’s Responsibilities for the Audit of 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 Section 328 (1) HGB. We exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material intentional or unintentional non-compliance with the requirements of Section 328 (1) HGB, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinion.
- obtain an understanding of internal control relevant to the audit on the ESEF documents in order to design audit 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 the Delegated Regulation (EU) 2019/815, in the version in force at the balance sheet date, on the technical specification for this electronic file.

- evaluate whether the ESEF documents enable a XHTML reproduction with content equivalent to the audited consolidated financial statements and to the audited group management report.

GERMAN PUBLIC AUDITOR RESPONSIBLE FOR THE ENGAGEMENT
The German Public Auditor responsible for the engagement is Marco Koch.
- evaluate whether the tagging of the ESEF documents with Inline XBRL technology (iXBRL) in accordance with the requirements of Articles 4 and 6 of the Delegated Regulation (EU) 2019/815, in the version in force at the balance sheet date, enables an appropriate and complete machine-readable XBRL copy of the XHTML reproduction.

Stuttgart/Germany, 23 February 2024
Deloitte GmbH
Wirtschaftsprüfungsgesellschaft

Further information pursuant to Article 10 of the EU Audit Regulation

We were elected as Group auditor by the general meeting on 21 April 2023. We were engaged by the supervisory board on 11/24 October 2023. We have been the Group auditor of Villeroy & Boch Aktiengesellschaft, Mettlach/Germany, since the financial year 2023.

Signed:

Marco Koch
Wirtschaftsprüfer
(German Public Auditor)

Signed:

Wilhelm Röscheisen
Wirtschaftsprüfer
(German Public Auditor)

We declare that the audit opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Article 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 with the audited ESEF documents. The consolidated financial statements and the group management report converted into the ESEF format – including the versions to be submitted for inclusion in the Company Register – are merely electronic reproductions 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 audit opinion contained therein are to be used solely together with the audited ESEF documents made available in electronic form.