Villeroy & Boch
1748

INTERIM REPORT
1 January to 30 June 2020

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1 January to 30 June 2020

- Coronavirus crisis leads to lower revenue and earnings.
  - Consolidated revenue down 13.4 % year-on-year to € 340.7 million.
  - Operating result (EBIT) declines significantly to € -10.0 million (previous year: € 15.5 million).
- Net liquidity remains high at € 82.4 million.
- Full-year forecast updated
  - Decline in revenue of no more than -10 % expected in 2020.
  - Operating result for the first six months will be more than offset in the second half of the year but down significantly year-on-year overall.

THE GROUP AT A GLANCE	**1/1/2020 - 30/6/2020** in € million	**1/1/2019 - 30/6/2019** in € million	**Change** in € million	**Change** in %
Revenue	340.7	393.2	-52.5	-13.4
Revenue – Germany	113.3	119.6	-6.3	-5.3
Revenue – Abroad	227.4	273.6	-46.2	-16.9
On a constant currency basis	341.6	393.2	-51.6	-13.1
Operating EBIT	-10.0	15.5	-25.5	-
EBIT (including non-operating result)	-14.3	15.5	-29.8	-
EBT	-16.4	13.1	-29.5	-
Group result	-12.5	9.2	-21.7	-
Return on net operating assets (rolling)	7.1 %	14.4 % (1)	-	-7.3 PP
Investments (without leasing)	7.1	10.0	-2.9	-29.0
Investments „Leases" - IFRS 16	7.0	10.8	-3.8	-35.2
Employees (FTEs as at end of period)	6,996 FTE	7,321 FTE	-325 FTE	-4.4

(1) Return on net operating assets as at 31 December 2019

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

ISIN: DE0007657207, DE0007657231

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INTERIM MANAGEMENT REPORT OF THE VILLEROY & BOCH GROUP FOR THE FIRST HALF-YEAR OF 2020

GENERAL CONDITIONS OF THE GROUP

The basic information on the Group as presented in the 2019 Group management report remains unchanged. Information on changes in the consolidated group and on research and development costs can be found on page 13 and in note 14 to the consolidated financial statements.

ECONOMIC REPORT

General economic conditions

Global economic activity slumped in the first half of the year as a result of the coronavirus pandemic.

This also applied to the euro area, where the measures taken to curb the pandemic led to the biggest downturn in economic activity since the introduction of the single currency. In France, Italy and Spain, economic output fell disproportionately as these countries were forced to take particularly drastic measures to get the infection under control.

The coronavirus crisis has seen the most pronounced downturn in economic output since the Federal Republic of Germany was founded. The economic consequences of the pandemic began to have an impact across the board from mid-March onwards.

Private consumer spending slumped as businesses closed their doors. By contrast, the German construction industry has not been as hard hit by the pandemic to date.

Course of business and position of the Villeroy & Boch Group

Based on the first half of the financial year, particularly in view of the significant impact of the coronavirus pandemic in the second quarter, the Management Board of Villeroy & Boch AG considers the current economic situation of the Group as a whole to be unsatisfactory and still subject to a great deal of uncertainty. However, we believe we are well positioned thanks to our considerable liquidity and high level of unused credit facilities.

We generated consolidated revenue of € 340.7 million (including licence income) in the first half of 2020, down € 52.5 million or 13.4 % on the previous year; this was largely due to the weak second quarter as a result of the coronavirus pandemic. The downturn in revenue in the Tableware Division (-21.7 %) was significantly more pronounced than in the Bathroom and Wellness Division (-9.7 %), with the two divisions each seeing a decrease of € 26 million in absolute terms.

The second quarter in particular was dominated by the coronavirus crisis, with total revenue declining by € 37.2 million or 19 %. The closure of our tableware shops around the world led to considerably lower revenue from March onwards, a situation that intensified significantly in April. This development was observed in almost all countries. In addition to Germany, revenue decline was most severe in the European pandemic hotspots of France, the United Kingdom, Italy and Spain. Among the markets outside Europe, China was particularly hard hit.

Adjusted for currency effects, i.e. using the same exchange rates as for the previous year, revenue fell by 13.1 %. Currency effects had a limited but differing impact in the two divisions. Negative currency effects resulted from the Norwegian krone and the Swedish krona, while positive currency effects resulted from the US dollar.

With incoming orders picking up again in June, orders on hand developed positively, increasing by € 46.1 million compared with 31 December 2019 to total € 90.9 million as at 30 June 2020. € 66.5 million (31 December 2019: € 35.3 million) of this figure relates to the Bathroom and Wellness Division, while € 24.4 million (31 December 2019: € 9.5 million) relates to the Tableware Division.

The slump in demand resulting from the coronavirus crisis and the plant shutdowns and restrictions we initiated meant that we closed the first half of 2020 with operating EBIT of € -10.0 million. After we reported a profit of € 4.3 million in the first quarter of 2020, our operating result declined by € 21.3 million in the second quarter, compared to the previous year.

The non-operating result (€ -4.3 million) includes non-recurring expenses for coronavirus-related structural adjustments, particularly abroad. These are expected to be realised in the second half of 2020 along with the transformation and efficiency improvement programme that was announced in the 2019 annual financial statements.

The Group's rolling return on net operating assets amounted to 7.1 % as at 30 June 2020, mainly as a result of the revenue-related development of earnings.

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

Course of business and position of the divisions

Bathroom and Wellness

The Bathroom and Wellness Division generated revenue of € 245.4 million in the first half of 2020 (previous year: € 271.6 million), down 9.7 % on the previous year. While the coronavirus pandemic still only affected Asia in the first quarter, with the division’s revenue declining by 4.3 % as a result, the impact of the crisis intensified in the second quarter of 2020. The Bathroom and Wellness Division generated revenue of € 119.6 million in this quarter, down 14.7 % year-on-year (previous year: € 140.2 million).
The reduction in revenue in the first half of the year was mainly attributable to the ceramic sanitary ware (-11.9 %) and wellness (-11.6 %) business areas. By contrast, we are pleased to report an increase in revenue of 0.7 % in the fittings business area.

In the second quarter, business proved to be particularly problematic in the countries that were hardest hit by the pandemic and that imposed stricter lockdown measures (United Kingdom -61.8 %, Italy -58.4 %, France -37.6 %, and China still at -28.7 %). By contrast, business development was positive in less hard-hit countries such as Germany (+1.5 %), the Netherlands (+6.9 %) and Sweden (+4.1 %).
Reflecting its revenue performance as a result of the pandemic, the Bathroom and Wellness division closed the first half of 2020 with an operating result (EBIT) of € 8.6 million, down a substantial € 13.7 million on the previous year, which was due to the weak second quarter (€ -0.1 million) in particular. The lower level of earnings due to the development of revenue and the impact of shutting down our plants was only partially offset by the massive savings in terms of structural costs.

The rolling operating return on net assets declined significantly to 12.4 % as a result of the earnings performance (31 December 2019: 17.4 %).
We expect the revenue situation to improve in the second half of 2020, particularly as a result of the increase in incoming orders since June.

Tableware

The Tableware Division generated revenue of € 93.9 million in the first half of 2020, down 21.7 % year-on-year (previous year: € 120.1 million). The significant reduction in revenue is due to the officially ordered worldwide closure of our sales outlets and the global slump in demand as a result of the coronavirus crisis. Following a downturn of -14.5 % in the first quarter of 2020, the coronavirus-related reduction in revenue intensified in the second quarter, particularly in April and May, totalling -30.5 %.
The negative revenue development in the first half of the year affected all sales channels except e-commerce. Our e-commerce activities enjoyed encouraging revenue growth of 26.0 %.
By contrast, revenue at our retail stores fell by 34.4 %.

Business with our retail outlet partners saw a decline in revenue of -21.3 %.
Our project business with hotel and restaurant clients was also extremely hard hit by the pandemic, with revenue falling by -47.0 % in the first half of 2020.

The Tableware Division ended the first half of the year with operating EBIT of € -18.6 million, down € -11.8 million on the same period of the previous year, € -8.1 million of which was accounted for by the second quarter of 2020. This was primarily due to the reduction in revenue and licence income as a result of the coronavirus crisis, as well as the downtime costs at our plants in Merzig and Torgau. These effects were only partially offset by the massive savings in terms of structural costs.

The rolling operating return on net assets decreased to -4.6 % as a result of the earnings situation (31 December 2019: 8.6 %).

Capital structure

Our equity declined by € 20.4 million as against the end of 2019, amounting to € 233.6 million as at 30 June 2020. In addition to the reduction in equity as a result of our earnings development (€ -12.5 million), this was due in particular to remeasurement effects in the revaluation surplus (€ -6.8 million) caused by strong currency fluctuations in various currencies (see note 8).
At 27.4 %, our equity ratio (including non-controlling interests) was only one percentage point lower than in the previous year due to the lower level of total assets (31 December 2019: 28.4 %).

Investments

We made investments in intangible assets and property, plant and equipment totalling € 7.1 million in the first half-year of 2020 (previous year: € 10.0 million). The Bathroom and Wellness Division accounted for € 4.8 million, with the remaining € 2.3 million attributable to the Tableware Division.

In the Bathroom and Wellness Division, we acquired new facilities for the sanitary ware plants in Thailand and Hungary in particular. Investment in the Tableware Division essentially included the maintenance and modernisation of the logistics centres in Merzig and acquisitions for the production in Merzig.
At the reporting date, the Group had obligations to acquire property, plant and equipment and intangible assets in the amount of € 6.5 million. With a view to 2020 as a whole, our investments are financed from operating cash flow.

As discussed in the report on the first quarter, our prediction in the annual financial statements of a moderate increase in our operating investments in property, plant and equipment and intangible assets no longer stands under the given circumstances. During the last quarter, all investments were halted or reduced to a minimum. Based on the course of business as currently anticipated, we expect the investment volume (excluding leasing) for 2020 as a whole to be lower than € 25 million.

Net liquidity

The cash and bank balances of € 207.1 million as at 30 June 2020 result in net liquidity of € 82.4 million, considering our financial liabilities of € 124.7 million.
The reduction in our net liquidity compared to December 31, 2019 (€ 97.8 million) was due to the usual seasonal effects such as the annual payment of customer bonuses and variable performance-based remuneration for employees, as well as the crisis-related loss in the first half of the year.
We also have unused credit facilities of € 180 million at our disposal.

Balance sheet structure

Total assets amounted to € 852.5 million as at the end of the reporting period as against € 893.1 million as at 31 December 2019, a reduction of € 40.6 million.

The share of total assets attributable to non-current assets decreased marginally to 33.2 % (31 December 2019: 33.3 %).
Current assets fell by € 30.4 million as against 31 December 2019, mainly as a result of the reduction in trade receivables due to the crisis (€ -28.8 million).

On the equity and liabilities side of the statement of financial position, the biggest change as against the end of 2019 was the reduction in current liabilities by € 27.0 million, in particular a decrease in trade payables (€ -19.3 million), current provisions for personnel (€ -6.0 million) and other current liabilities (€ -4.8 million).

REPORT ON RISKS AND OPPORTUNITIES

The risks and opportunities described in the 2019 annual report are unchanged. All risk areas are being continuously re-examined on account of the current coronavirus pandemic. In particular, potential risks in the supply chain and in receivables and currency management are being monitored even more intensively. Thanks to the available liquidity, we are currently well positioned to deal with the economic challenges arising from the coronavirus pandemic.
There is no evidence of any individual risks that could endanger the continued existence of the Group at this time.

OUTLOOK FOR THE CURRENT FINANCIAL YEAR

As public life around the world is still being impacted by the coronavirus pandemic, the second half of the year will also be subject to economic risks that are difficult to predict. However, the Management Board of Villeroy & Boch AG sees the recent upturn in incoming orders as a positive sign for the second half of the year and expects to be able to limit the year-on-year revenue shortfall for 2020 as a whole to less than -10 %. The Management Board also expects to be able to offset the loss in operating EBIT in the first half of the year and report positive earnings for the year as a whole, albeit at a considerably lower level than in the previous year.

COMBINED RESPONSIBILITY STATEMENT

To the best of our knowledge, and in accordance with the applicable reporting principles for interim financial reporting, the interim consolidated financial statements give a true and fair view of the net assets, financial position and results of operations of the Group in line with the German generally accepted standards for the audit of financial statements, and the interim management report of the Group includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group over the remainder of the financial year.

Mettlach 15 July 2020

Frank Göring

Gabriele Schupp

Andreas Pfeiffer

Dr Markus Warncke

CONSOLIDATED BALANCE SHEET

as of 30 June 2020

in € million

Assets	Notes	30/6/2020	31/12/2019
Non-current assets			
Intangible assets		42.4	42.2
Property, plant and equipment	1	175.7	187.9
Right-of-use assets	2	41.0	42.0
Investment property		6.1	6.4
Investment accounted for using the equity method		1.5	1.4
Other financial assets	3	16.7	17.5
		283.4	**297.4**
Other non-current assets	6	2.2	2.0
Deferred tax assets		41.4	37.8
		327.0	**337.2**
Current assets			
Inventories	4	175.7	176.4
Trade receivables	5	114.4	143.2
Other current assets	6	24.9	20.7
Income tax receivables		3.4	5.3
Cash and cash equivalents	7	207.1	210.3
		525.5	**555.9**
Total assets		**852.5**	**893.1**

Equity and Liabilities	Notes	30/6/2020	31/12/2019
Equity attributable to Villeroy & Boch AG shareholders			
Issued capital		71.9	71.9
Capital surplus		193.6	193.6
Treasury shares		-15.0	-15.0
Retained earnings		84.3	97.0
Revaluation surplus	8	-105.9	-98.1
		228.9	**249.4**
Equity attributable to minority interests		**4.7**	**4.6**
Total equity		**233.6**	**254.0**
Non-current liabilities			
Provisions for pensions		186.0	189.9
Non-current provisions for personnel	9	17.8	18.5
Other non-current provisions		24.1	23.8
Non-current financial liabilities	10	80.0	70.0
Non-current lease liabilities	11	28.9	30.2
Other non-current liabilities	12	31.1	28.9
Deferred tax liabilities		3.4	3.2
		371.3	**364.5**
Current liabilities			
Current provisions for personnel	9	9.4	15.4
Other current provisions		30.7	31.7
Current financial liabilities	10	44.7	42.5
Current lease liabilities	11	13.9	13.1
Other current liabilities	12	80.8	85.6
Trade payables		62.0	81.3
Income tax liabilities		6.1	5.0
		247.6	**274.6**
Total liabilities		**618.9**	**639.1**
Total equity and liabilities		**852.5**	**893.1**

CONSOLIDATED INCOME STATEMENT

for the period 1 January to 30 June 2020

in € million

	Notes	1/1/2020 - 30/6/2020	1/1/2019 - 30/6/2019
Revenue	13	**340.7**	**393.2**
Costs of sales		-219.3	-225.3
Gross profit		**121.4**	**167.9**
Selling, marketing and development costs	14	-108.2	-132.1
General administrative expenses		-18.7	-21.0
Other operating income and expenses		-8.9	0.5
Result of associates accounted for using the equity method		0.1	0.2
Operating result (EBIT)		**-14.3**	**15.5**
Financial result	15	**-2.1**	**-2.4**
Earnings before taxes		**-16.4**	**13.1**
Income taxes	16	3.9	-3.9
Group result		**-12.5**	**9.2**
Thereof attributable to:			
Villeroy & Boch AG shareholders		-12.7	9.1
Minority interests		0.2	0.1
		-12.5	**9.2**

EARNINGS PER SHARE		**in €**	**in €**
Earnings per ordinary share		-0.50	0.32
Earnings per preference share		-0.45	0.37

During the reporting period there were no share dilution effects.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the period 1 January to 30 June 2020

in € million

		1/1/2020 - 30/6/2020	1/1/2019 - 30/6/2019
Group result		**-12.5**	**9.2**
Other comprehensive income			
Items to be reclassified to profit or loss:			
Gains or losses on cash flow hedge		-2.4	-1.9
Gains or losses on translations of exchange differences		-3.6	-2.2
Deferred income tax effect on items to be reclassified to profit or loss		-1.1	-0.9
Items not to be reclassified to profit or loss:			
Actuarial gains or losses on defined benefit plans		-0.1	0.2
Gains or losses on other value changes		-0.7	0.2
Deferred income tax effect on items not to be reclassified to profit or loss		0.0	0.4
Total other comprehensive income		**-7.9**	**-4.2**
Total comprehensive income net of tax		**-20.4**	**5.0**
Thereof attributable to:			
Villeroy & Boch AG shareholders		-20.5	4.8
Minority interests		0.1	0.2
Total comprehensive income net of tax		**-20.4**	**5.0**

CONSOLIDATED INCOME STATEMENT

for the period 1 April to 30 June 2020

in € million

	Notes	1/4/2020 - 30/6/2020	1/4/2019 - 30/6/2019
Revenue	13	**158.3**	**195.5**
Costs of sales		-114.1	-113.0
Gross profit		**44.2**	**82.5**
Selling, marketing and development costs	14	-46.4	-65.8
General administrative expenses		-8.7	-10.0
Other operating income and expenses		-7.8	0.2
Result of associates accounted for using the equity method		0.1	0.1
Operating result (EBIT)		**-18.6**	**7.0**
Financial result	15	**-1.1**	**-1.2**
Earnings before taxes		**-19.7**	**5.8**
Income taxes	16	4.9	-1.7
Group result		**-14.8**	**4.1**
Thereof attributable to:			
Villeroy & Boch AG shareholders		-14.9	4.1
Minority interests		0.1	0.0
		-14.8	**4.1**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the period 1 April to 30 June 2020

in € million

		1/4/2020 - 30/6/2020	1/4/2019 - 30/6/2019
Group result		**-14.8**	**4.1**
Other comprehensive income			
Items to be reclassified to profit or loss:			
Gains or losses on cash flow hedge		1.1	-1.3
Gains or losses on translations of exchange differences		2.8	0.2
Deferred income tax effect on items to be reclassified to profit or loss		0.1	0.2
Items not to be reclassified to profit or loss:			
Actuarial gains or losses on defined benefit plans		-0.1	0.2
Gains or losses on other value changes		0.8	-0.4
Deferred income tax effect on items not to be reclassified to profit or loss		0.1	0.0
Total other comprehensive income		**4.8**	**-1.1**
Total comprehensive income net of tax		**-10.0**	**3.0**
Thereof attributable to:			
Villeroy & Boch AG shareholders		-10.6	3.0
Minority interests		0.6	0.0
Total comprehensive income net of tax		**-10.0**	**3.0**

CONSOLIDATED STATEMENT OF EQUITY

for the period 1 January to 30 June 2020

in € million

	Equity attributable to Villeroy & Boch AG shareholders							
	Issued capital	Capital surplus	Treasury shares	Retained earnings	Revaluation surplus	**Total**	Equity attri-butable to mi-nority interests	**Total equity**
Notes					8			
As of 1/1/2019	**71.9**	**193.6**	**-15.0**	**31.9**	**-77.9**	**204.5**	**4.9**	**209.4**
Group result				9.1		9.1	0.1	9.2
Other comprehensive income					-4.3	-4.3	0.1	-4.2
Total comprehensive income net of tax				**9.1**	**-4.3**	**4.8**	**0.2**	**5.0**
Dividend payments				-15.1		-15.1	-0.1	-15.2
As of 30/6/2019	**71.9**	**193.6**	**-15.0**	**25.9**	**-82.2**	**194.2**	**5.0**	**199.2**
As of 1/1/2020	**71.9**	**193.6**	**-15.0**	**97.0**	**-98.1**	**249.4**	**4.6**	**254.0**
Group result				-12.7		-12.7	0.2	-12.5
Other comprehensive income					-7.8	-7.8	-0.1	-7.9
Total comprehensive income net of tax				**-12.7**	**-7.8**	**-20.5**	**0.1**	**-20.4**
Dividend payments						0.0		0.0
As of 30/6/2020	**71.9**	**193.6**	**-15.0**	**84.3**	**-105.9**	**228.9**	**4.7**	**233.6**

CONSOLIDATED CASH FLOW STATEMENT

for the period 1 January to 30 June 2020

in € million

	1/1/2020 - 30/6/2020	1/1/2019 - 30/6/2019
Group result	-12.5	9.2
Depreciation of non-current assets	21.4	18.5
Change in non-current provisions	-5.1	-8.0
Profit from disposal of fixed assets	0.0	0.1
Change in inventories, receivables and other assets	28.8	-13.5
Change in liabilities, current provisions and other liabilities	-30.0	-22.8
Other non-cash income/expenses	-3.4	1.5
Cash Flow from operating activities	**-0.8**	**-15.0**
Purchase of intangible assets, property, plant and equipment	-7.2	-10.0
Investment in non-current financial assets	-1.2	-1.8
Cash receipts from disposals of fixed assets	1.9	2.8
Cash Flow from investing activities	**-6.5**	**-9.0**
Change in financial liabilities	12.1	13.1
Cash payments for the principal portion of the lease liabilities	-7.9	-7.0
Dividends paid to minority shareholders	-0.1	-0.1
Dividends paid to shareholders of Villeroy & Boch AG	-	-15.1
Cash Flow from financing activities	**4.1**	**-9.1**
Sum of cash flows	**-3.2**	**-33.1**
Balance of cash and cash equivalents as at 1 Jan	210.3	57.6
Net increase in cash and cash equivalents	-3.2	-33.1
Balance of cash and cash equivalents as at 30 June	**207.1**	**24.5**

CONSOLIDATED SEGMENT REPORT

for the period 1 January to 30 June 2020

in € million

	Bathroom & Wellness		Tableware		Transition / Other		Villeroy & Boch-Group	
	1/1/2020 - 30/6/2020	1/1/2019 - 30/6/2019	1/1/2020 - 30/6/2020	1/1/2019 - 30/6/2019	1/1/2020 - 30/6/2020	1/1/2019 - 30/6/2019	1/1/2020 - 30/6/2020	1/1/2019 - 30/6/2019
Revenue								
Segment revenue from sales of goods to external customers	245.2	271.3	93.1	117.3	-	-	338.3	388.6
Segment revenue from transactions with other segments	-	-	0.0	0.0	0.0	0.0	0.0	0.0
Segment revenue from licence	0.2	0.3	0.8	2.8	1.4	1.5	2.4	4.6
Revenue	245.4	271.6	93.9	120.1	1.4	1.5	340.7	393.2
Result								
Segment result	8.6	22.3	-18.6	-6.8	-	-	-10.0	15.5
Non operating result					-4.3	-	-4.3	-
Financial result	-	-	-	-	-2.1	-2.4	-2.1	-2.4
Investments and depreciations								
Investments of intangible assets, property, plant and equipment	4.8	8.6	2.3	1.4	-	-	7.1	10.0
Investments of rigth-of-use assets on leases	1.4	1.8	5.6	9.0	-	-	7.0	10.8
Scheduled depreciation of intangible assets, property, plant and equipment	9.9	9.5	2.7	2.6	-	-	12.6	12.1
Scheduled depreciation of rigth-of-use assets on leases	2.3	1.9	5.1	4.5	-	-	7.4	6.4
Assets and Liabilities	30/6/2020	31/12/2019	30/6/2020	31/12/2019	30/6/2020	31/12/2019	30/6/2020	31/12/2019
Segment assets	396.2	422.9	146.3	158.3	310.0	311.9	852.5	893.1
Segment liabilities	136.1	160.5	68.2	72.7	414.6	405.9	618.9	639.1

The rolling net operating assets and rolling operating result (EBIT) of the two divisions were as follows as at the end of the reporting period:

Rolling net operating assets	30/6/2020	31/12/2019	30/6/2020	31/12/2019	30/6/2020	31/12/2019	30/6/2020	31/12/2019
Rolling operating assets	411.2	411.4	153.6	153.7	-	-	564.8	565.1
Rolling operating liabilities	138.0	141.7	68.8	68.8	-	-	206.8	210.5
Rolling net operation assets	273.2	269.7	84.8	84.9	-	-	358.0	354.6
Rolling operating result (EBIT) *								
Rolling operating result (EBIT) *	33.9	47.0	-3.9	7.3	-4.5	-3.3	25.5	51.0

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

CONSOLIDATED SEGMENT REPORT

for the period 1 April to 30 June 2020

in € million

	Bathroom & Wellness		Tableware		Transition / Other		Villeroy & Boch-Group	
	1/4/2020 - 30/6/2020	1/4/2019 - 30/6/2019	1/4/2020 - 30/6/2020	1/4/2019 - 30/6/2019	1/4/2020 - 30/6/2020	1/4/2019 - 30/6/2019	1/4/2020 - 30/6/2020	1/4/2019 - 30/6/2019
Revenue								
Segment revenue from sales of goods to external customers	119.5	140.0	37.8	54.1	-	-	157.3	194.1
Segment revenue from transactions with other segments	-	-	0.0	0.0	0.0	0.0	0.0	0.0
Segment revenue from licence	0.1	0.2	0.1	0.5	0.8	0.7	1.0	1.4
Revenue	119.6	140.2	37.9	54.6	0.8	0.7	158.3	195.5
Result								
Segment result	-0.1	13.1	-14.2	-6.1	-	-	-14.3	7.0
Non operating result					-4.3	-	-4.3	-
Financial result	-	-	-	-	-1.1	-1.2	-1.1	-1.2
Investments and depreciations								
Investments of intangible assets, property, plant and equipment	2.1	5.0	1.5	0.8	-	-	3.6	5.8
Investments of rigth-of-use assets on leases	0.6	1.1	1.1	4.6	-	-	1.7	5.7
Scheduled depreciation of intangible assets, property, plant and equipment	4.8	4.7	1.4	1.3	-	-	6.2	6.0
Scheduled depreciation of rigth-of-use assets on leases	1.1	1.0	2.6	2.4	-	-	3.7	2.4

NOTES TO THE INTERIM FINANCIAL STATEMENTS OF THE VILLEROY & BOCH GROUP FOR THE FIRST HALF-YEAR OF 2020

GENERAL INFORMATION

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

This interim report covers the period from 1 January to 30 June 2020. It was approved for publication on 15 July 2020 after the Management Board discussed the interim report with the Audit Committee of the Supervisory Board. It was prepared in accordance with section 315e of the German Commercial Code (HGB), applying the IFRS regulations as endorsed by the European Commission. These condensed interim financial statements have not been audited or reviewed by an audit company. In the opinion of the Management Board, these interim financial statements provide a true and fair view of the net assets, financial position and results of operations of the Group. The interim report includes condensed consolidated financial statements with selected explanatory notes in accordance with IAS 34. For this reason, it should be read in conjunction with the consolidated financial statements as at 31 December 2019. These can be ordered in the Investor Relations section of the website at www.villeroyboch-group.com.

In the period under review, the accounting and consolidation methods described in the 2019 annual report were extended to include the accounting standards endorsed by the EU and effective for reporting periods beginning on or after 1 January 2020. None of these changes to accounting provisions had a material impact on this interim report. The change in the procedure for the measurement of finished products in response to the coronavirus crisis described in the interim financial statements for the period ended 31 March was reversed in the second quarter following the opening of our tableware shops and the lifting of the temporary restrictions on production in Germany and France. The effects of this are described in note 4 Inventories.

Basis of consolidation

The basis of consolidation of the Villeroy & Boch Group consists of 54 companies (31 December 2019: 55 companies). To optimise the Group's structure, Villeroy & Boch Tableware Oy, Finland, was merged with Villeroy & Boch Gustavsberg Oy, Finland, on 1 January 2020.

As in the previous year, two companies were treated as non-consolidated companies on account of their insignificance impact on the assets, liabilities, financial position and profit or loss of the Villeroy & Boch Group.

Annual General Meeting of Villeroy & Boch AG for the 2019 financial year

The Annual General Meeting planned for 27 March 2020 was cancelled on account of the ban on assemblies ordered by the Saarland Ministry for Social Affairs, Health, Women and Families due to the coronavirus pandemic. In conjunction with the law to mitigate the consequences of the COVID-19 pandemic, the Management Board resolved to hold the Annual General Meeting online without meeting in person, which is expected to take place in autumn 2020. The exact date will be announced in due time.

Dividend proposal on the basis of the 2019 annual financial statements / interim dividend

The postponement of the Annual General Meeting due to the COVID-19 pandemic means that no dividend resolution has been passed to date. On 8 July 2020, the Supervisory Board and Management Board of Villeroy & Boch AG resolved the payment of an interim dividend of € 0.15 per ordinary share and € 0.20 per preference share. The distribution corresponds to a dividend payment of € 2.1 million for the ordinary share capital and € 2.5 million for the preference share capital. The dividend was paid on 13 July 2020. The Annual General Meeting will decide on the amount of the total dividend.

Seasonal influences on business activities

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

NOTES ON SELECTED ITEMS OF THE CONSOLIDATED BALANCE SHEET

1. Property, plant and equipment

Property, plant and equipment in the amount of € 5.5 million was acquired in the period under review (previous year: € 8.3 million). Investment in the Bathroom and Wellness Division focused on international locations, mainly for new facilities for the sanitary ware plants in Thailand and Hungary. In Thailand, for example, investments related to a dryer, a chamber furnace, white plaster cabins, and construction work on a treatment plant. In addition, moulds for the Oberon 2.0 and Tokyo series were purchased at the Dutch wellness plant. The Tableware Division primarily invested in the maintenance and modernisation of the logistics centre in Merzig, including in a new automated picking system. Furthermore the division invested in revamping its trade fair appearances. Depreciation amounts to € 12.0 million (previous year: € 11.3 million). As at the end of the reporting period, the Villeroy & Boch Group had obligations to acquire property, plant and equipment in the amount of € 5.7 million (31 December 2019: € 6.0 million).

2. Right-of-use assets

Capitalized right-of-use assets declined by € 1.0 million to € 41.0 million in the reporting period. This change is mainly due to additions of € 6.9 million (previous year: € 10.8 million) and, offsetting this, depreciation of € 7.4 million (previous year: € 6.4 million). Expenses for short-term property leases amounted to € 6.1 million (previous year: € 7.1 million).

3. Other financial assets

Other financial assets include:

in € million	30/6/2020	31/12/2019
Shares in non-consolidated subsidiaries (see note 20)	0.7	0.7
Shares in other equity investments	2.2	2.1
Loans	2.3	2.4
Securities	11.5	12.3
Other financial assets (total)	**16.7**	**17.5**

4. Inventories

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

in € million	30/6/2020	31/12/2019
Raw materials and supplies	28.0	24.9
Work in progress	18.0	20.9
Finished goods and goods for resale	129.6	130.2
Advance payments	0.1	0.4
Inventories (total)	**175.7**	**176.4**

Impairment losses on inventories totalled € -31.4 million in the period under review. The change in measurement in conjunction with the current coronavirus crisis, which had an effect in profit or loss of € +3.8 million in the first quarter (Bathroom and Wellness Division: € +1.6 million; Tableware Division: € +2.2 million), was reversed in the second quarter following the opening of shops around the world and the end of the plant shutdowns.

5. Trade receivables

Trade receivables are broken down as follows:

by customer domicile/in € million	30/6/2020	31/12/2019
Germany	24.8	25.3
Rest of euro zone	22.2	28.8
Rest of world	72.5	93.2
Gross carrying amount of trade receivables	**119.5**	**147.3**
Impairment due to expected losses (step 1)	-0.5	-0.5
Impairment due to objective evidence (step 2)	-4.6	-3.7
Impairment losses	**-5.1**	**-4.2**
Receivables from affiliated, non-consolidated companies	**0.0**	**0.1**
Total trade receivables	**114.4**	**143.2**

6. Other non-current and current assets

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

in € million	30/6/2020		31/12/2019	
	Current	Non-current	Cur-rent	Non-current
Other tax receivables	5.0	-	6.2	-
Prepaid expenses	3.3	-	1.8	-
Advance payments and deposits	1.6	1.8	2.2	1.9
Receivables from equity investments	2.0	-	2.6	-
Fair values of hedging instruments	1.0	0.4	0.6	0.1
Contract assets	0.9	-	1.3	-
Miscellaneous assets	11.1	-	6.0	-
Other assets (total)	**24.9**	**2.2**	**20.7**	**2.0**

7. Cash and cash equivalents

Cash and cash equivalents are composed as follows:

in € million	30/6/2020	31/12/2019
Cash on hand incl. cheques	0.3	0.4
Current bank balances	48.0	53.9
Cash equivalents	158.8	156.0
Total cash and cash equivalents	**207.1**	**210.3**

The € 3.2 million decrease in cash and cash equivalents is primarily attributable to seasonal effects such as the payment of customer bonuses (see note 12) and variable remuneration for 2019. Bank balances were offset against matching liabilities in the amount of € 12.1 million (31 December 2019: € 13.1 million). Cash is held solely in the short term and at banks of good credit standing that are predominantly members of a deposit protection system.

8. Revaluation surplus

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

in € million	30/6/2020	31/12/2019
Items to be reclassified to profit or loss:		
Currency translation of financial statements of foreign group companies	-7.5	-11.4
Currency translation of long-term loans classified as net investments in foreign group companies	-11.8	-4.4
Reserve for cash flow hedges	-3.0	-0.6
Deferred taxes for this category	-6.6	-5.5
Sub-total (a)	**-28.9**	**-21.9**
Items not to be reclassified to profit or loss:		
Actuarial gains and losses on defined benefit obligations	-108.0	-107.9
Miscellaneous gains and losses on measurement	-0.5	0.2
Deferred taxes for this category	31.5	31.5
Sub-total (b)	**-77.0**	**-76.2**
Total revaluation surplus [(a)+(b)]	**-105.9**	**-98.1**

The change in the revaluation surplus predominantly results from currency effects recognised in other comprehensive income from various currencies, the most significant of which being the Hungarian forint and the Mexican peso.

9. Non-current and current provisions for personnel

Non-current provisions for personnel only changed to a minor extent. The change in current provisions for personnel is mainly due to the payment of variable remuneration components for 2019.

10. Non-current and current financial liabilities

Non-current financial liabilities increased by € 10.0 million in the reporting period while current financial liabilities were virtually unchanged.

11. Non-current and current lease liabilities

Non-current and current lease liabilities declined by € 0.5 million to € 42.8 million in the reporting period. This change mainly results from an addition from new leases of € 6.9 million and a decline of € 7.9 million from repayments of principal. Interest expenses for leased right-of-use assets amounted to € 0.4 million in the reporting period.

12. Other non-current and current liabilities

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

in € million	30/6/2020		31/12/2019	
	current	non-current	current	non-current
Bonus liabilities (a)	31.9	-	41.9	-
Personnel liabilities (a)	20.2	-	19.8	0.1
Other tax liabilities	13.4	-	12.4	-
Advance payments received on account of orders	4.2	-	4.1	-
Deferred income	5.2	1.0	3.0	1.1
Liabilities to affiliated, non-consolidated companies	0.3	-	0.4	-
Fair values of hedging instruments	1.3	3.1	0.6	0.7
Miscellaneous other liabilities	4.3	27.0	3.4	27.0
Other liabilities (total)	**80.8**	**31.1**	**85.6**	**28.9**

(a) Seasonal change

NOTES ON SELECTED ITEMS OF THE CONSOLIDATED INCOME STATEMENT

13. Revenue

Revenue is broken down in the segment reporting.

14. Selling, marketing and development costs

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

in € million	2020		2019	
	H1	Q2	H1	Q2
Bathroom and Wellness	-4.9	-2.0	-5.9	-3.0
Tableware	-1.6	-0.6	-2.2	-1.1
Research and development costs (total)	**-6.5**	**-2.6**	**-8.1**	**-4.1**

15. Financial result

The financial result is broken down as follows:

in € million	2020		2019	
	H1	Q2	H1	Q2
Financial expenses	-1.6	-0.8	-1.1	-0.6
Interest expense on lease liabilities	-0.4	-0.2	-0.4	-0.2
Interest expenses for provisions (pensions)	-0.9	-0.4	-1.5	-0.7
Financial income	0.8	0.3	0.6	0.3
Net finance expense (total)	**-2.1**	**-1.1**	**-2.4**	**-1.2**

16. Income taxes

The main components of income tax expense are as follows:

in € million	2020		2019	
	H1	Q2	H1	Q2
Current income taxes	-2.8	0.4	-4.6	-2.4
Deferred taxes	6.7	4.5	0.7	0.7
Income taxes (total)	**3.9**	**4.9**	**-3.9**	**-1.7**

OTHER NOTES

17. Human resources

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

in € million	2020		2019	
	H1	30/6	H1	30/6
	Staff costs in € million	Employees (FTEs)	Staff costs in € million	Employees (FTEs)
Bathroom and Wellness	-74.9	4,699	-85.6	4,971
Tableware	-37.0	1,806	-47.1	1,865
Other	-18.6	491	-16.3	485
Total	**-130.5**	**6,996**	**-149.0**	**7,321**

18. Contingent liabilities, commitments and financial obligations

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

in € million	30/6/2020	31/12/2019
Obligations to acquire property, plant and equipment	5.7	6.0
Obligations to acquire right-of-use assets	0.0	0.8
Obligations to acquire intangible assets	0.8	0.3
Guarantees	2.9	0.9
Trustee obligations	0.0	0.0
Total	**9.4**	**8.0**

19. Financial instruments

Primary and derivative financial instruments are reported in a wide range of items in the Villeroy & Boch consolidated statement of financial position. The shares measured in accordance with IFRS 9 for each statement of financial position item are shown at their methodical carrying amount in the following overview:

in € million	30/6/2020			31/12/2019		
Asset-side items containing financial instruments:	Carrying amount	Carrying amount at		Carrying amount	Carrying amount at	
		Cost	Fair value		Cost	Fair value
Assets						
Cash and cash equivalents (note 7)	207.1	207.1	207.1	210.3	210.3	210.3
Trade receivables (note 5)	114.4	114.4	114.4	143.2	143.2	143.2
Other financial assets (note 3)	16.7	2.3	16.7	17.5	2.4	17.5
Other assets (note 6)	18.7	17.3	18.7	14.7	14.0	14.7
Total asset-side instruments	356.9	341.1	356.9	385.7	369.9	385.7

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

in € million	30/6/2020			31/12/2019		
Liability-side items containing financial instruments:	Carrying amount	**Carrying amount at** Cost	Fair value	Carrying amount	**Carrying amount at** Cost	Fair value
Equity and liabilities						
Trade payables	62.0	62.0	62.0	81.3	81.3	81.3
Financial liabilities (note 10)	124.7	124.7	124.7	112.5	112.5	112.5
Other liabilities (note 12)	72.1	67.7	72.1	78.1	76.8	78.1
Total liability-side instruments	258.8	254.4	258.8	271.9	270.6	271.9

20. Related party disclosures

No material contracts were concluded with related parties in the period under review. The pro rata transaction volume is largely the same as in the 2019 annual financial statements. All transactions are conducted at arm’s-length conditions.

The two unconsolidated affiliated companies purchased goods and services from Villeroy & Boch AG in the amount of € 0.4 million. The Villeroy & Boch Group recognises trade receivables in the same amount.

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

Effective 31 December 2019, the Chairman of the Supervisory Board of Villeroy & Boch AG, Mr Yves Elsen, resigned as both a member of that body and its chairman. By way of resolution of the Saarbrücken Local Court of 23 January 2020, Mr Peter Prinz Wittgenstein was appointed to the Supervisory Board until the next statutory election. The Deputy Chairman of the Supervisory Board, Ralf Runge, performed the duties of the Chairman in accordance with the Articles of Association and the law until the election of a new Chairman of the Supervisory Board by the Supervisory Board. The Supervisory Board of Villeroy & Boch AG elected Dr Alexander von Boch-Galhau as the new Chairman of the Supervisory Board effective 15 January 2020, thus ending the acting chairmanship of the Deputy Chairman of the Supervisory Board, Ralf Runge.

The Chairwoman of the Audit Committee of Villeroy & Boch AG, Prof Dr Annette G. Köhler, resigned as a member of the Supervisory Board and the Chairwoman of the Audit Committee effective 29 February 2020. By resolution of the Saarbrücken Local Court, Ms Susanne Heckelsberger was appointed as her successor as a member of the Supervisory Board with effect from 1 July 2020.

Mr Dietmar Langenfeld stepped down as Chairman of the Central Works Council of Villeroy & Boch AG with effect from 30 June 2020. His elected substitute member Mr Thomas Scherer succeeded him on the Supervisory Board with effect from 1 July 2020.

22. Events after the end of the reporting period

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

Mettlach 15 July 2020

The Management Board

FINANCIAL CALENDAR

20 October 2020	Report on the first nine months of 2020
17 February 2021	Annual press conference for the 2020 financial year
26 March 2021	General Meeting of Shareholders of Villeroy & Boch AG

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