



Villeroy & Boch

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INTERIM REPORT
1 January to 30 September 2020

INTERIM REPORT

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- Strong revenue growth to € 548.7 million in the third quarter halves the deficit compared with the previous year (-6.7 % after -13.4 % in the first half of the year).
- Operating result (EBIT) returns to double-digit positive territory at € 10.3 million following earnings growth in the third quarter (first half of year: € -10.0 million).
- Operating result forecast for full-year 2020 raised to € 30-35 million (previously: second half of the year to offset the losses recorded in the first half due to the coronavirus).

THE GROUP AT A GLANCE	1/1/2020 - 30/9/2020 in € million	1/1.2019 - 30/9/2019 in € million	Change in € million	Change in %
Revenue	548.7	587.9	-39.2	-6.7
Revenue – Germany	179.5	179.0	0.5	0.3
Revenue – Abroad	369.2	408.9	-39.7	-9.7
On a constant currency basis	551.4	587.9	-36.5	-6.2
Operating EBIT	10.3	22.3	-12.0	-
EBIT (including non-operating result)	5.9	22.3	-16.4	-
EBT	2.7	18.3	-15.6	-
Group result	1.9	12.8	-10.9	-
Return on net operating assets (rolling)	11.1 %	14.4 % ⁽¹⁾	-	-3.3 PP
Investments (without leasing)	10.7	17.9	-7.2	-40.2
Investments „Leases“ - IFRS 16	8.8	11.7	-2.9	-24.8
Employees (FTEs as at end of period)	6,852 FTE	7,359 FTE	-507 FTE	-6.9

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

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ISIN: DE0007657207, DE0007657231

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

INTERIM MANAGEMENT REPORT OF THE VILLEROY & BOCH GROUP FOR THE THIRD QUARTER 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 had slumped in the first half of the year as a result of the coronavirus pandemic. The gradual relaxation of the restrictions on economic and social life led to a quicker recovery of the economic situation than had been anticipated. This is reflected in economic performance in China, the USA and Europe in particular. However, there remains considerable uncertainty as to how the coronavirus crisis will proceed, particularly as the number of infections is rising again.

Course of business and position of the Villeroy & Boch Group

Following the significant impact of the coronavirus pandemic in the second quarter of 2020 in particular, the strong performance in the third quarter means the Management Board of Villeroy & Boch AG considers the current economic situation of the Group to be broadly satisfactory once again. At the same time, there remains considerable uncertainty with regard to the further progress of the COVID-19 pandemic. However, we feel we are well prepared thanks to our considerable liquidity and high level of unused credit facilities.

Following unexpectedly positive business performance, we closed the third quarter of 2020 with revenue of € 208.0 million (including licence income), up 6.8 % on the same period of the

previous year (€ 194.7 million). This applies to both the Bathroom and Wellness Division (+6.5 %) and the Tableware Division (+8.0 %). This means the downturn in revenue in the second quarter due to the pandemic has already been substantially recovered after nine months. In the first nine months of 2020, we generated consolidated revenue of € 548.7 million (previous year: € 587.9 million), thereby reducing the deficit recorded in the first half of the year from -13.4 % to -6.7 %.

Adjusted for currency effects, i.e. using the same exchange rates as for the previous year, revenue fell by 6.2 %.

Orders on hand more than doubled, from € 44.8 million as of 31 December 2019 to € 100.5 million as of 30 September 2020. € 80.7 million (31 December 2019: € 35.3 million) of this figure relates to the Bathroom and Wellness Division, while € 19.8 million (31 December 2019: € 9.5 million) relates to the Tableware Division.

The extremely good performance in the third quarter allowed us to close the first nine months of the 2020 financial year with operating EBIT of € 10.3 million, thereby already offsetting the loss recorded in the second quarter in full. This was due to the significantly improved sales performance in the third quarter as well as the savings achieved through our stringent cost management. Despite this, the slump in demand resulting from the coronavirus crisis and the plant shutdowns and restrictions initiated in the second quarter mean the cumulative figure is still down € 12.0 million on the previous year (€ 22.3 million).

The non-operating result (€ -4.4 million) includes non-recurring expenses for coronavirus-related structural adjustments, particularly

abroad. It is planned to complete these measures as far as possible in 2020.

The Group's rolling return on net operating assets amounted to 11.1 % as at 30 September 2020.

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

In the Bathroom and Wellness Division, we generated revenue of € 138.4 million in the third quarter of 2020, up an unexpected 6.5 % on the previous year (€ 130.0 million). Encouragingly, this development was reflected in all business areas, particularly Wellness (+16.7 %) and our business area with the highest revenue, ceramic sanitary ware (+4.6 %).

On the back of the strong third quarter, the Bathroom and Wellness Division reported revenue of € 383.8 million in the first nine months of the 2020 financial year (previous year: € 401.6 million), down just 4.4 % on the previous year (after the first half of the year: -9.7 %). In other words, the division substantially offset the revenue deficit as of the end of the third quarter.

Thanks to the considerable improvement in the revenue situation in the third quarter and successful stringent cost management, the Bathroom and Wellness Division reported an operating result (EBIT) of € 19.3 million in the first nine months of the 2020 financial year, down € 9.6 million on the previous year.

The rolling operating return on net assets declined significantly to 14.9 % as a result of the earnings performance (31 December 2019: 17.4 %).

Tableware

The Tableware Division also enjoyed extremely encouraging development on the whole in the third quarter. Quarterly revenue increased by

8.0 % year-on-year to € 69.1 million (previous year: € 64.0 million), allowing the revenue deficit from the first half of the year due to the coronavirus (-21.7 %) to be reduced to -11.5 %.

The Tableware Division closed the first nine months of the 2020 financial year with revenue of € 163.0 million (previous year: € 184.1 million). After 26.0 % in the first half of the year, the encouraging revenue growth in our e-commerce activities increased further to 30.9 % as of 30 September 2020. By contrast, revenue from our retail stores (-23.5 %) and our project business with hotel and restaurant clients (-47.6 %) in particular was still down on the previous year due to pandemic-related factors.

The positive business performance in the third quarter meant that the Tableware Division reported an operating result (EBIT) of € -9.0 million, down just € 2.4 million on the previous year. The shortfall in earnings in the first half of the year was made up significantly in the third quarter, partly as a result of sales and partly through massive savings in structural costs.

The rolling operating return on net assets decreased to 6.4 % as a result of the earnings situation (31 December 2019: 8.6 %).

Capital structure

Our equity declined by € 11.9 million as against the end of 2019, amounting to € 242.1 million as at 30 September 2020.

This was due in particular to remeasurement effects in the revaluation surplus (€ -8.9 million) caused by strong currency fluctuations in various currencies (see note 8).

Despite the lower level of total assets, the reduction in the revaluation surplus meant that our equity ratio (including non-controlling interests) declined to 27.6 % compared with 28.4 % as of 31 December 2019.

Investments

We made investments in intangible assets and property, plant and equipment totalling € 10.7

million in the first nine months of 2020 (previous year: € 17.9 million). The Bathroom and Wellness Division accounted for € 7.0 million, with the remaining € 3.7 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 € 6.1 million. With a view to 2020 as a whole, our investments are financed from operating cash flow.

Under the given circumstances, the 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. The coronavirus crisis means all investments have been 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 € 21 million.

Net liquidity

The cash and bank balances of € 230.0 million as at 30 September 2020 result in net liquidity of € 114.4 million, considering our financial liabilities of € 115.6 million.

This represents an increase of € 16.6 million compared with 31 December 2019 (€ 97.8 million). Among other things, this reflects the effects of reduced investing activity, the efforts that have been undertaken to cut costs and the dividend that has not yet been paid in full.

We also have unused credit facilities of € 173 million at our disposal.

Balance sheet structure

Total assets amounted to € 878.0 million as at the end of the reporting period as against € 893.1 million as at 31 December 2019, a reduction of € 15.1 million.

The share of total assets attributable to non-current assets decreased marginally to 31.4 % (31 December 2019: 33.3 %).

Current assets are largely unchanged compared with 31 December 2019. The reduction in trade receivables (€ -17.4 million) is offset by the increase in cash and cash equivalents (€ 19.7 million).

On the equity and liabilities side of the balance sheet, the main changes as against the end of 2019 were the reduction in trade payables (€ -8.9 million) and provisions for pensions (€ -6.4 million). The decrease in current financial liabilities (€ -31.9 million) is offset by an increase in non-current financial liabilities due to refinancing (€ 35.0 million).

REPORT ON RISKS AND OPPORTUNITIES

The risks and opportunities described in the 2019 annual report are unchanged. A regular, focused re-examination of all risk areas is continuously performed.

In particular, potential risks in the supply chain and in receivables and currency management are being monitored intensively due to the ongoing coronavirus pandemic.

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

In addition to the worldwide uncertainty due to the pandemic, global trade conflicts and the threat of a no-deal Brexit are weighing on the outlook.

INTERIM REPORT ON THE THIRD QUARTER OF 2020

In light of the upturn in business in the summer months, the Management Board of Villeroy & Boch AG has raised its forecast for the 2020 financial year substantially and is now anticipating an operating result (EBIT) of € 30-35 million. The previously announced target was to offset the losses recorded in the first half of the year due to the COVID-19 pandemic in the second half of the year and report a positive operating result. Thanks to stringent cost management since the onset of the COVID-19 pandemic and significantly improved revenue performance in

the third quarter, with revenue even increasing year-on-year, this target was achieved sooner than expected.

On account of the revised targets, the return on net operating assets is expected to amount to 10-12 %.

The new forecast is based on the assumption that there will be no further significant measures taken by states to contain the pandemic and the associated negative effects on the economy.

Mettlach, 14 October 2020



Frank Göring



Andreas Pfeiffer



Gabriele Schupp



Dr Markus Warncke

CONSOLIDATED BALANCE SHEET

as of 30 September 2020

in € million

Assets	Notes	30/9/2020	31/12/2019
Non-current assets			
Intangible assets		42.2	42.2
Property, plant and equipment	1	170.2	187.9
Right-of-use assets	2	39.0	42.0
Investment property		6.0	6.4
Investment accounted for using the equity method		1.6	1.4
Other financial assets	3	16.9	17.5
		275.9	297.4
Other non-current assets	6	2.6	2.0
Deferred tax assets		45.2	37.8
		323.7	337.2
Current assets			
Inventories	4	176.1	176.4
Trade receivables	5	125.8	143.2
Other current assets	6	19.1	20.7
Income tax receivables		3.3	5.3
Cash and cash equivalents	7	230.0	210.3
		554.3	555.9
Total assets		878.0	893.1
Equity and Liabilities	Notes	30/9/2020	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		93.7	97.0
Revaluation surplus	8	-107.0	-98.1
		237.2	249.4
Equity attributable to minority interests		4.9	4.6
Total equity		242.1	254.0
Non-current liabilities			
Provisions for pensions		183.5	189.9
Non-current provisions for personnel	9	17.4	18.5
Other non-current provisions		24.0	23.8
Non-current financial liabilities	10	105.0	70.0
Non-current lease liabilities	11	27.5	30.2
Other non-current liabilities	12	31.6	28.9
Deferred tax liabilities		11.3	3.2
		400.3	364.5
Current liabilities			
Current provisions for personnel	9	12.5	15.4
Other current provisions		32.0	31.7
Current financial liabilities	10	10.6	42.5
Current lease liabilities	11	13.0	13.1
Other current liabilities	12	88.7	85.6
Trade payables		72.4	81.3
Income tax liabilities		6.4	5.0
		235.6	274.6
Total liabilities		635.9	639.1
Total equity and liabilities		878.0	893.1

CONSOLIDATED INCOME STATEMENT

for the period 1 January to 30 September 2020

in € million

	Notes	1/1/2020 - 30/9/2020	1/1/2019 - 30/9/2019
Revenue	13	548.7	587.9
Costs of sales		-339.6	-342.6
Gross profit		209.1	245.3
Selling, marketing and development costs	14	-164.4	-194.8
General administrative expenses		-28.0	-31.2
Other operating income and expenses		-10.9	3.1
Result of associates accounted for using the equity method		0.1	-0.1
Operating result (EBIT)		5.9	22.3
Financial result	15	-3.2	-4.0
Earnings before taxes		2.7	18.3
Income taxes	16	-0.8	-5.5
Group result		1.9	12.8
Thereof attributable to:			
■ Villeroy & Boch AG shareholders		1.3	12.8
■ Minority interests		0.6	0.0
		1.9	12.8
EARNINGS PER SHARE		in €	in €
■ Earnings per ordinary share		0.03	0.46
■ Earnings per preference share		0.08	0.51

During the reporting period there were no share dilution effects.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the period 1 January to 30 September 2020

in € million

	1/1/2020 - 30/9/2020	1/1/2019 - 30/9/2019
Group result	1.9	12.8
Other comprehensive income		
Items to be reclassified to profit or loss:		
■ Gains or losses on cash flow hedge	-2.6	-3.2
■ Gains or losses on translations of exchange differences	-4.2	-5.6
■ Deferred income tax effect on items to be reclassified to profit or loss	-1.8	-1.0
Items not to be reclassified to profit or loss:		
■ Actuarial gains or losses on defined benefit plans	0.3	0.0
■ Gains or losses on other value changes	-0.7	0.7
■ Deferred income tax effect on items not to be reclassified to profit or loss	-0.1	0.4
Total other comprehensive income	-9.1	-8.7
Total comprehensive income net of tax	-7.2	4.1
Thereof attributable to:		
■ Villeroy & Boch AG shareholders	-7.6	3.9
■ Minority interests	0.4	0.2
Total comprehensive income net of tax	-7.2	4.1

CONSOLIDATED INCOME STATEMENT

for the period 1 July to 30 September 2020

in € million

	Notes	1/7/2020 - 30/9/2020	1/7/2019 - 30/9/2019
Revenue	13	208.0	194.7
Costs of sales		-120.3	-117.3
Gross profit		87.7	77.4
Selling, marketing and development costs	14	-56.2	-62.7
General administrative expenses		-9.3	-10.2
Other operating income and expenses		-2.0	2.6
Result of associates accounted for using the equity method		0.0	-0.3
Operating result (EBIT)		20.2	6.8
Financial result	15	-1.1	-1.6
Earnings before taxes		19.1	5.2
Income taxes	16	-4.7	-1.6
Group result		14.4	3.6
Thereof attributable to:			
■ Villeroy & Boch AG shareholders		14.0	3.7
■ Minority interests		0.4	-0.1
		14.4	3.6

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the period 1 July to 30 September 2020

in € million

	1/7/2020 - 30/9/2020	1/7/2019 - 30/9/2019
Group result	14.4	3.6
Other comprehensive income		
Items to be reclassified to profit or loss:		
■ Gains or losses on cash flow hedge	-0.2	-1.3
■ Gains or losses on translations of exchange differences	-0.6	-3.4
■ Deferred income tax effect on items to be reclassified to profit or loss	-0.7	-0.1
Items not to be reclassified to profit or loss:		
■ Actuarial gains or losses on defined benefit plans	0.4	-0.2
■ Gains or losses on other value changes	0.0	0.5
■ Deferred income tax effect on items not to be reclassified to profit or loss	-0.1	0.0
Total other comprehensive income	-1.2	-4.5
Total comprehensive income net of tax	13.2	-0.9
Thereof attributable to:		
■ Villeroy & Boch AG shareholders	12.9	-0.9
■ Minority interests	0.3	0.0
Total comprehensive income net of tax	13.2	-0.9

INTERIM REPORT ON THE THIRD QUARTER OF 2020

CONSOLIDATED STATEMENT OF EQUITY

for the period 1 January to 30 September 2020

in € million

Notes	Equity attributable to Villeroy & Boch AG shareholders					Total	Equity attributable to minority interests	Total equity
	Issued capital	Capital surplus	Treasury shares	Retained earnings	Revaluation surplus			
					8			
As of 1/1/2019	71.9	193.6	-15.0	31.9	-77.9	204.5	4.9	209.4
Group result				12.8		12.8	0.0	12.8
Other comprehensive income					-8.8	-8.8	0.1	-8.7
Total comprehensive income net of tax				12.8	-8.8	4.0	0.1	4.1
Dividend payments				-15.1		-15.1	-0.1	-15.2
As of 30/9/2019	71.9	193.6	-15.0	29.6	-86.7	193.4	4.9	198.3
As of 1/1/2020	71.9	193.6	-15.0	97.0	-98.1	249.4	4.6	254.0
Group result				1.3		1.3	0.6	1.9
Other comprehensive income					-8.9	-8.9	-0.2	-9.1
Total comprehensive income net of tax				1.3	-8.9	-7.6	0.4	-7.2
Dividend payments				-4.6		-4.6	-0.1	-4.7
As of 30/9/2020	71.9	193.6	-15.0	93.7	-107.0	237.2	4.9	242.1

CONSOLIDATED CASH FLOW STATEMENT

for the period 1 January to 30 September 2020

in € million

	1/1/2020 - 30/9/2020	1/1/2019 - 30/9/2019
Group result	1.9	12.8
Depreciation of non-current assets	32.2	28.2
Change in non-current provisions	-8.2	-12.8
Profit from disposal of fixed assets	0.2	0.1
Change in inventories, receivables and other assets	24.5	-24.1
Change in liabilities, current provisions and other liabilities	-9.9	-14.2
Other non-cash income/expenses	3.0	3.4
Cash Flow from operating activities	43.7	-6.6
Purchase of intangible assets, property, plant and equipment	-10.7	-17.9
Investment in non-current financial assets	-1.7	-4.0
Cash receipts from disposals of fixed assets	2.2	3.8
Cash Flow from investing activities	-10.2	-18.1
Change in financial liabilities	3.1	24.1
Cash payments for the principal portion of the lease liabilities	-12.2	-10.1
Dividends paid to minority shareholders	-0.1	-0.1
Dividends paid to shareholders of Villeroy & Boch AG	-4.6	-15.1
Cash Flow from financing activities	-13.8	-1.2
Sum of cash flows	19.7	-25.9
Balance of cash and cash equivalents as at 1 Jan	210.3	57.6
Net increase in cash and cash equivalents	19.7	-25.9
Balance of cash and cash equivalents as at 30 September	230.0	31.7

INTERIM REPORT ON THE THIRD QUARTER OF 2020

CONSOLIDATED SEGMENT REPORT

for the period 1 January to 30 September 2020

in € million

	Bathroom & Wellness		Tableware		Transition / Other		Villeroy & Boch-Group	
	1/1/2020	1/1/2019	1/1/2020	1/1/2019	1/1/2020	1/1/2019	1/1/2020	1/1/2019
	- 30/9/2020	- 30/9/2019	- 30/9/2020	- 30/9/2019	- 30/9/2020	- 30/9/2019	- 30/9/2020	- 30/9/2019
Revenue								
▪ Segment revenue from sales of goods to external customers	383.4	401.1	161.9	180.8	-	-	545.3	581.9
▪ Segment revenue from transactions with other segments	-	-	0.0	0.0	0.0	-	0.0	0.0
▪ Segment revenue from licence	0.4	0.5	1.1	3.3	1.9	2.2	3.4	6.0
Revenue	383.8	401.6	163.0	184.1	1.9	2.2	548.7	587.9
Result								
▪ Segment result	19.3	28.9	-9.0	-6.6	-	-	10.3	22.3
▪ Non operating result	-	-	-	-	-4.4	-	-4.4	-
▪ Financial result	-	-	-	-	-3.2	-4.0	-3.2	-4.0
Investments and depreciations								
▪ Investments of intangible assets, property, plant and equipment	7.0	14.8	3.7	3.1	-	-	10.7	17.9
▪ Investments of righth-of-use assets on leases	1.8	2.5	7.0	9.2	-	-	8.8	11.7
▪ Scheduled depreciation of intangible assets, property, plant and equipment	15.0	14.4	3.9	3.8	-	-	18.9	18.2
▪ Scheduled depreciation of righth-of-use assets on leases	3.4	2.9	7.4	7.0	-	-	10.8	9.9
Assets and Liabilities	30/9/2020	31/12/2019	30/9/2020	31/12/2019	30/9/2020	31/12/2019	30/9/2020	31/12/2019
▪ Segment assets	385.2	422.9	156.5	158.3	336.3	311.9	878.0	893.1
▪ Segment liabilities	151.4	160.5	71.0	72.7	413.5	405.9	635.9	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:

	30/9/2020	31/12/2019	30/9/2020	31/12/2019	30/9/2020	31/12/2019	30/9/2020	31/12/2019
Rolling net operating assets								
▪ Rolling operating assets	405.4	411.4	152.6	153.7	-	-	558.0	565.1
▪ Rolling operating liabilities	138.5	141.7	68.6	68.8	-	-	207.1	210.5
Rolling net operation assets	266.9	269.7	84.0	84.9	-	-	350.9	354.6
Rolling operating result (EBIT) *								
▪ Rolling operating result (EBIT) *	39.8	47.0	5.3	7.3	-6.1	-3.3	39.0	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 July to 30 September 2020

in € million

	Bathroom & Wellness		Tableware		Transition / Other		Villeroy & Boch-Group	
	1/7/2020	1/7/2019	1/7/2020	1/7/2019	1/7/2020	1/7/2019	1/7/2020	1/7/2019
	- 30/9/2020	- 30/9/2019	- 30/9/2020	- 30/9/2019	- 30/9/2020	- 30/9/2019	- 30/9/2020	- 30/9/2019
Revenue								
▪ Segment revenue from sales of goods to external customers	138.2	129.8	68.8	63.5	-	-	207.0	193.3
▪ Segment revenue from transactions with other segments	-	-	0.0	0.0	0.0	-	0.0	0.0
▪ Segment revenue from licence	0.2	0.2	0.3	0.5	0.5	0.7	1.0	1.4
Revenue	138.4	130.0	69.1	64.0	0.5	0.7	208.0	194.7
Result								
▪ Segment result	10.7	6.6	9.6	0.2	-	-	20.3	6.8
▪ Non operating result	-	-	-	-	-0.1	-	-0.1	-
▪ Financial result	-	-	-	-	-1.1	-1.6	-1.1	-1.6
Investments and depreciations								
▪ Investments of intangible assets, property, plant and equipment	2.2	6.3	1.4	1.6	-	-	3.6	7.9
▪ Investments of righth-of-use assets on leases	0.4	0.7	1.4	0.2	-	-	1.8	0.9
▪ Scheduled depreciation of intangible assets, property, plant and equipment	5.1	4.9	1.2	1.3	-	-	6.3	6.2
▪ Scheduled depreciation of righth-of-use assets on leases	1.1	1.0	2.3	2.5	-	-	3.4	3.5

NOTES TO THE INTERIM FINANCIAL STATEMENTS OF THE VILLEROY & BOCH GROUP ON THE THIRD QUARTER OF 2020

GENERAL INFORMATION

Villeroy & Boch AG is domiciled in Mettlach (Germany) 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 September 2020. It was approved for publication on 14 October 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.

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 insignificant 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. The date was set as 30 October 2020.

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 on 30 October 2020 will decide on the amount of the total dividend. The Supervisory Board and Management Board of Villeroy & Boch AG will propose to the Annual General Meeting that the dividend be reduced from the originally planned amount of € 0.55 to € 0.50 per ordinary share. The dividend per preference share will be reduced from € 0.60 to € 0.55. The total distribution corresponds to a dividend payment of € 7.0 million for the ordinary share capital and € 6.8 million for the preference share capital.

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 € 8.6 million was acquired in the period under review (previous year: € 16.2 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 furthermore 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. A new isostatic press and corresponding pressing tools for new products were also purchased.

Depreciation amounts to € 17.7 million (previous year: € 17.2 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 € 5.5 million (31 December 2019: € 6.0 million).

2. Right-of-use assets

Capitalized right-of-use assets declined by € 2.0 million to € 39.0 million in the reporting period. This change is mainly due to additions of € 8.8 million (previous year: € 11.7 million) and, offsetting this, depreciation of € 10.8 million (previous year: € 9.9 million). Expenses for short-term property leases amounted to € 3.4 million (previous year: € 3.0 million) with € 4.6 million (previous year: € 5.3 million) from variable rental payments for property leases. Expenses for other short-term leases and leases for low-value assets amounted to € 1.8 million (previous year: € 2.9 million).

INTERIM REPORT ON THE THIRD QUARTER OF 2020

3. Other financial assets

Other financial assets include:

in € million	30/9/2020	31/12/2019
Shares in non-consolidated subsidiaries (see note 17)	0.7	0.7
Shares in other participations	2.2	2.1
Loans	2.3	2.4
Securities	11.7	12.3
Other financial assets (total)	16.9	17.5

4. Inventories

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

in € million	30/9/2020	31/12/2019
Raw materials and supplies	26.5	24.9
Work in progress	17.9	20.9
Finished goods and goods for resale	131.7	130.2
Advance payments	0.0	0.4
Inventories (total)	176.1	176.4

Impairment losses on inventories totalled € -29.8 million in the period under review.

5. Trade receivables

Trade receivables are broken down as follows:

by customer domicile/in € million	30/9/2020	31/12/2019
Germany	30.6	25.3
Rest of euro zone	27.2	28.8
Rest of world	72.7	93.2
Gross carrying amount of trade receivables	130.5	147.3
Impairment due to expected losses (step 1)	-0.6	-0.5
Impairment due to objective evidence (step 2)	-4.1	-3.7
Impairment losses	-4.7	-4.2
Receivables from non-consolidated subsidiaries	0.0	0.1
Total trade receivables	125.8	143.2

6. Other current and non-current assets

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

in € million	30/9/2020		31/12/2019	
	Current	Non-current	Current	Non-current
Other tax receivables	5.3	-	6.2	-
Prepaid expenses	2.4	-	1.8	-
Advance payments and deposits	1.3	1.8	2.2	1.9
Receivables from equity investments	1.3	-	2.6	-
Fair values of hedging instruments	1.4	0.8	0.6	0.1
Contract assets	1.1	-	1.3	-
Miscellaneous other assets	6.3	-	6.0	-
Other assets (total)	19.1	2.6	20.7	2.0

7. Cash and cash equivalents

Cash and cash equivalents are composed as follows:

in € million	30/9/2020	31/12/2019
Cash on hand incl. cheques	0.3	0.4
Current bank balances	71.8	53.9
Cash equivalents	157.9	156.0
Total cash and cash equivalents	230.0	210.3

The € 19.7 million increase in cash and cash equivalents reflects, among other things, the effects of reduced investing activity, the efforts that have been undertaken to cut costs and the dividend that has not yet been paid in full.

Bank balances were offset against matching liabilities in the amount of € 10.2 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.

INTERIM REPORT ON THE THIRD QUARTER OF 2020

8. Revaluation surplus

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

in € million	30/9/2020	31/12/2019
Items to be reclassified to profit or loss:		
█ Currency translation of financial statements of foreign group companies	-7.8	-11.4
█ Currency translation of long-term loans classified as net investments in foreign group companies	-12.0	-4.4
█ Cash Flow Hedges	-3.2	-0.6
█ Deferred taxes for this category	-7.3	-5.5
Sub-total (a)	-30.3	-21.9
Items not to be reclassified to profit or loss:		
█ Actuarial gains and losses on defined benefit obligations	-107.6	-107.9
█ Miscellaneous gains and losses on measurement	-0.5	0.2
█ Deferred taxes for this category	31.4	31.5
Sub-total (b)	-76.7	-76.2
Total revaluation surplus [(a)+(b)]	-107.0	-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 Mexican peso and the Hungarian forint.

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 € 35.0 million in the reporting period, while current financial liabilities declined by € 31.9 million. The changes were due mainly to the redemption of old loans.

11. Non-current and current lease liabilities

Non-current and current lease liabilities declined by € 2.8 million to € 40.5 million in the reporting period. This change mainly results from an addition from new leases of € 8.8 million and a decline of € 12.2 million from repayments of principal. Interest expenses for leased right-of-use assets amounted to € -0.5 million in the reporting period.

INTERIM REPORT ON THE THIRD QUARTER OF 2020

12. Other non-current and current liabilities

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

in € million	30/9/2020		31/12/2019	
	current	non-current	current	non-current
Bonus liabilities (a)	37.6	-	41.9	-
Personnel liabilities (a)	22.6	-	19.8	0.1
Other tax liabilities	12.6	-	12.4	-
Advance payments on orders	4.4	-	4.1	-
Deferred income	5.3	0.9	3.0	1.1
Liabilities due to non-consolidated subsidiaries	0.3	-	0.4	-
Fair value of hedging instruments	1.7	3.7	0.6	0.7
Miscellaneous liabilities	4.2	27.0	3.4	27.0
Other liabilities (total)	88.7	31.6	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	
	Q1-3	Q3	Q1-3	Q3
Bathroom and Wellness	-8.1	-3.2	-8.7	-2.8
Tableware	-2.7	-1.1	-3.3	-1.1
Research and development costs (total)	-10.8	-4.3	-12.0	-3.9

15. Financial result

The financial result is broken down as follows:

in € million	2020		2019	
	Q1-3	Q3	Q1-3	Q3
Financial expenses	-2.3	-0.7	-2.1	-0.7
Interest expense on lease liabilities	-0.5	-0.1	-0.6	-0.2
Interest expenses for provisions (pensions)	-1.4	-0.5	-2.3	-0.8
Financial income	1.0	0.2	1.0	-0.1
Net finance expense (total)	-3.2	-1.1	-4.0	-1.6

16. Income taxes

The main components of income tax expense are as follows:

in € million	2020		2019	
	Q1-3	Q3	Q1-3	Q3
Current income taxes	-4.6	-1.8	-6.4	-1.8
Deferred taxes	3.8	-2.9	0.9	0.2
Income taxes (total)	-0.8	-4.7	-5.5	-1.6

OTHER NOTES

17. Related party disclosures

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

The two non-consolidated subsidiaries purchased goods and services from Villeroy & Boch AG in an insignificant amount. The Villeroy & Boch Group recognises trade receivables in the same amount.

18. Personnel changes in the Supervisory Board and Management 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, 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.

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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 member of the Supervisory Board 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.

The Supervisory Board of Villeroy & Boch AG appointed Georg Lörz as Bathroom and Wellness Director with effect from 1 August 2020. He succeeds Andreas Pfeiffer, who stepped down from the Management Board by mutual consent on 31 July 2020. The Supervisory Board of Villeroy & Boch AG also resolved to renew Dr Markus Warncke's contract as a member of the Management Board.

19. Events after the end of the reporting period

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

Mettlach, 14 October 2020

The Management Board

FINANCIAL CALENDAR

30 October 2020	General Meeting of Shareholders of Villeroy & Boch AG for fiscal year 2019
17 February 2021	Annual press conference for the 2020 fiscal year
26 March 2021	General Meeting of Shareholders of Villeroy & Boch AG for fiscal year 2020
22 April 2021	Report on the first three months of 2020

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.