



Villeroy & Boch

1748



INTERIM REPORT
1 January to 30 June 2021

INTERIM REPORT

1 January to 30 June 2021

Excellent business performance continues in second quarter:

- Consolidated revenue rises 32 % to € 449.6 million in first half-year.
- Operating EBIT up significantly year-on-year at € 39.0 million (€ -10.0 million).
- Revenue and earnings forecasts again raised considerably for 2021 in light of continuing excellent business performance.

THE GROUP AT A GLANCE	1/1/2021 - 30/6/2021 in € million	1/1/2020 - 30/6/2020 in € million	Change in € million	Change in %
Revenue	449.6	340.7	108.9	32.0
Revenue – Germany	133.4	113.3	20.1	17.7
Revenue – Abroad	316.2	227.4	88.8	39.1
On a constant currency basis	451.3	340.7	110.6	32.5
Operating EBIT	39.0	-10.0	49.0	-
EBIT (including non-operating result)	37.6	-14.3	51.9	-
EBT	35.7	-16.4	52.1	-
Group result	25.0	-12.5	37.5	-
Return on net operating assets (rolling)	32.6 %	14.7 % ⁽¹⁾	-	17.9 PP
Investments (without leasing)	8.6	7.1	1.5	21.1
Investments „Leases“– IFRS 16	5.3	7.0	-1.7	-24.3
Employees (FTEs as at end of period)	6,297 FTE	6,996 FTE	-699 FTE	-10.0

(1) Return on net operating assets as at 31 December 2020

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INTERIM MANAGEMENT REPORT OF THE VILLEROY & BOCH GROUP FOR THE FIRST HALF-YEAR OF 2021

GENERAL CONDITIONS OF THE GROUP

The basic information on the Group as presented in the 2020 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 15 to the consolidated financial statements.

ECONOMIC REPORT

General economic conditions

The development of the world economy remained on an upward trajectory in the first half of the year despite fresh challenges in connection with the pandemic. The effects of the pandemic were largely limited to the service sectors. Industrial production and world trade continued their energetic expansion, though their upswing was recently slowed by supply shortages and price increases for raw materials, intermediate products and transport services. Nevertheless, the economy grew more rapidly than anticipated in the US. The economic recovery in China likewise gathered momentum. By contrast, the recovery of the economy in various euro area countries was affected to differing degrees by the pandemic situation. In Germany, supply shortages slowed the economic recovery despite the progress made in the vaccination campaign.

Course of business and position of the Villeroy & Boch Group

Based on the first half of the year, the Management Board of Villeroy & Boch AG considers the economic position of the Group to be highly positive on the whole.

The Villeroy & Boch Group's excellent business performance in the first quarter of 2021 continued in second quarter as well.

Following an increase in revenue of 22.4 % in the first quarter of 2021, revenue rose by 43.0 % in the second quarter, though the same quarter

of the previous year had been severely impacted by the COVID-19 pandemic.

Overall, consolidated revenue (including licence income) climbed to € 449.6 million in the first half of 2021, a year-on-year increase of € 108.9 million or 32.0 %. We are continuing to benefit from the trend towards home and bathroom renovation and refurbishment as people are choosing to beautify where they live.

Adjusted for currency effects, i.e. using the same exchange rates as for the previous year, revenue rose by 32.5 %. Negative currency effects with major depreciation resulted from the US dollar and the Russian rouble, which were partially offset by positive currency effects generated by the Swedish krona in particular.

Incoming orders increase in the first half-year of 2021, rising by € 65.8 million as against 31 December 2020 to € 166.6 million. € 134.4 million (31 December 2020: € 85.1 million) of this relates to the Bathroom and Wellness Division and € 32.2 million (31 December 2020: € 15.7 million) to the Dining & Lifestyle Division.

Thanks above all to the current climate in this sector, this was apparent in all business areas of the Bathroom and Wellness Division. The re-surgent project business in China is especially gratifying. In the Dining & Lifestyle Division, this resulted from the excellent performance by retail outlet partners as well as from the rise in incoming orders for Christmas merchandise.

Our EBIT climbed to € 39.0 million (previous year: € -10.0 million) in both divisions in the first half of 2021, thanks mainly to the increase in revenue and the implemented structural measures. However, the previous year's earnings had been squeezed by the slump in demand as a result of the COVID-19 crisis and the plant shutdowns and restrictions that followed.

The non-operating result of € -1.4 million (previous year: € -4.3 million) contains non-recurring expenses for recultivation measures and further structural adjustments abroad. In the previous year, this item had primarily included non-recurring expenses for structural adjustments.

The Group's rolling return on net operating assets was 32.6 % as at 30 June 2021 (31 December 2020: 14.7 %). In addition to the rise in operating earnings, this was also caused by a reduction in net operating assets.

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 € 323.1 million in the first half-year of 2021 (previous year: € 245.4 million) up 31.7 % on the previous year, though this had been impacted by the COVID-19 crisis in the second quarter especially.

We generated revenue growth in all business areas in the current financial year. The rise in revenue of € 77.7 million mainly took place in ceramic sanitary ware (€ +47.8 million) and the wellness business area (€ +11.8 million).

Mainly as a result of the gratifying revenue performance, the Bathroom and Wellness Division closed the first half of 2021 with an operating result (EBIT) of € 36.3 million (previous year: € 8.6 million).

Thanks to the rise in operating earnings and the reduction in net operating assets, which in turn can mainly be seen in inventories, fixed assets and liabilities to suppliers, the rolling return on net operating assets was 35.3 % | significantly

higher than the figure as at 31 December 2020 (18.2 %).

Dining & Lifestyle

The Dining & Lifestyle Division generated revenue of € 125.1 million in the first half of 2021, an increase of 33.2 % on the previous year (€ 93.9 million). Revenue was significantly lower in the previous year due to the officially ordered worldwide closure of our sales outlets and the global slump in demand as a result of the COVID-19 crisis.

We generated revenue growth in almost all sales channels in the first half of 2021. Above all, this is reflected by the revenue with our retail outlet partners (+€ 16.7 million) and in e-commerce (+€ 15.6 million). Meanwhile, we suffered revenue declines of € 1.4 million at our own retail stores, which were forced to close again on account of the second lockdown in the first and second quarters of 2021.

The Dining & Lifestyle Division ended the quarter with operating EBIT of € 2.7 million, up €21.3 million as against the previous year, which was also affected by downtime costs at our plants in Merzig and Torgau.

The rolling operating return on net assets increased to 39.1 % as a result of the earnings situation (31 December 2020: 12.3 %).

Capital structure

Our equity increased by € 9.9 million as against the end of 2020, amounting to € 261.6 million as at 30 June 2021.

The rise in equity is mainly due to the Group result of € 25.0 million generated in the first half of 2021, which is offset in particular by the dividend paid by Villeroy & Boch AG at the end of March 2021 (€ 13.8 million).

At 28.3 %, our equity ratio (including non-controlling interests) was 0.8 percentage points higher than in the previous year as a result of this (31 December 2020: 27.5 %).

Investments

We invested € 8.6 million in property, plant and equipment and intangible assets in the first half-year of 2021 (previous year: € 7.1 million). The Bathroom and Wellness Division accounted for € 6.1 million, with the remaining € 2.5 million attributable to the Dining & Lifestyle Division.

In the Bathroom and Wellness Division, particularly new facilities were acquired for the sanitary ware plants in Hungary and France, as were tools for ViClean production. Investment in the Dining & Lifestyle Division essentially included the maintenance and modernisation of the logistics centre in Merzig, new acquisitions of pressing tools, the energy optimisation of a kiln and in modernisation of our own retail stores.

The Group had obligations to acquire property, plant and equipment and intangible assets in the amount of € 11.1 million as at the end of the reporting period.

Given the project delays due to COVID-19, we are forecasting an investment volume of between € 35 and € 40 million for 2021 as a whole.

With a view to 2021 as a whole, our investments are financed from operating cash flow.

Net liquidity

Taking into account our financial liabilities of € 114.4 million, the cash and bank balances of € 286.5 million resulted in net liquidity of € 172.1 million as at 30 June 2021 (31 December 2020: € 182.6 million). The decline in our net liquidity is mainly due to the distribution of the dividend for the past financial year (€ 13.8 million). Net liquidity even increased by € 89.7 million in total as against 30 June 2020.

We also have unused credit facilities of € 186.5 million at our disposal.

Balance sheet structure

Total assets amounted to € 926.1 million as at the end of the reporting period as against

€ 914.3 million as at 31 December 2020, a increase of € 11.8 million.

The share of total assets attributable to non-current assets reduced marginally to 28.7 % (31 December 2020: 29.8 %).

Current assets rise by € 17.3 million as against 31 December 2020, mainly as a result of the increase in trade receivables (€ +20.3 million) and the inventories (€ +9.6 million). This is offset by a reduction in cash and cash equivalents of € 11.3 million.

On the equity and liabilities side of the statement of financial position, the biggest changes as against the end of 2020 were within current liabilities (+€ 9.4 million), where trade payables rose by € 8.0 million. Offsetting this, non-current liabilities were down by € 7.5 million, mainly on account of the reduction in pension provisions (€ 4.4 million) and non-current lease liabilities (€ 2.1 million).

REPORT ON RISKS AND OPPORTUNITIES

The risks and opportunities described in the 2020 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 COVID-19 pandemic. We are currently facing rising purchase prices for key raw materials and packaging materials on the procurement markets.

There is no evidence of any individual risks that could endanger the continued existence of the Group at this time.

OUTLOOK FOR THE CURRENT FINANCIAL YEAR

The world economy is still on track for recovery, though it remains in the shadow of the pandemic. The current forecasts by leading organisations and economic research institutes are still for a strong recovery of the global economy, and the growth outlook for a number of nations was even revised slightly upward in

the spring of 2021. As the pandemic winds down and measures taken to curb its spread are lifted, economic activity should also begin to pick up again over the summer in areas where it had flagged considerably at times. Thanks to advancing vaccination progress and the associated decline in infection risks, the overall situation can be expected to increasingly return to normal.

In light of continuing excellent business performance in the first half of the year, the Management Board of Villeroy & Boch AG has significantly raised its revenue and earnings forecasts for the 2021 financial year. As was already announced in the ad hoc disclosure of 30 June 2021, it is now forecasting that consolidated revenue will rise to around € 885 million (+10.5 %) and that the operating Group result will grow from around € 50 million in the previous year to more than € 75 million.

We had already raised our targets while the first quarter of 2021 was still in progress: Consolidated revenue had been forecast to rise by between 5 % and 10 % with strong growth in the operating Group result.

The earnings forecast has been raised primarily on account of the extraordinarily positive revenue performance in the first half of the year and sustainable, structural cost savings. For the remainder of the year, no significant change in momentum are expected, not least due to the high amount of orders on hand. However, it must be taken into account that the second half of 2020 was strongly characterised by catch-up

effects in turnover and production as well as continued stringent cost management.

Consequently, the earnings improvement in the first half of the year cannot be extrapolated on a straight-line basis.

Based on the revised targets, the return on net operating assets is expected to range between 22 % and 25 %.

As before, forecasts are still uncertain on account of the COVID-19 pandemic. Possible downturns in the Villeroy & Boch Group's currently good performance in the second half of 2021 could arise from ongoing economic developments in the construction sector and the future spending patterns of private households.

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 2021



Frank Göring



Gabriele Schupp



Georg Lörz



Dr Markus Warncke

CONSOLIDATED BALANCE SHEET

as of 30 June 2021

in € million

Assets	Notes	30/6/2021	31/12/2020
Non-current assets			
Intangible assets		42.0	40.2
Property, plant and equipment	1	159.5	166.7
Right-of-use assets	2	39.0	40.7
Investment property		5.5	5.8
Investment accounted for using the equity method		1.7	1.6
Other financial assets	3	18.4	17.4
		266.1	272.4
Other non-current assets	6	2.8	2.2
Deferred tax assets		36.1	35.9
		305.0	310.5
Current assets			
Inventories	4	172.7	163.1
Trade receivables	5	136.1	115.8
Other current assets	6	23.7	25.1
Income tax receivables		2.1	2.0
Cash and cash equivalents	7	286.5	297.8
		621.1	603.8
Total assets		926.1	914.3
Equity and Liabilities			
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		115.0	104.0
Revaluation surplus	8	-108.0	-107.6
		257.5	246.9
Equity attributable to minority interests		4.1	4.8
Total equity		261.6	251.7
Non-current liabilities			
Provisions for pensions		188.6	193.0
Non-current provisions for personnel	9	15.9	17.0
Other non-current provisions	10	21.7	21.3
Non-current financial liabilities	11	105.0	105.0
Non-current lease liabilities	12	28.4	30.5
Other non-current liabilities	13	29.3	30.5
Deferred tax liabilities		4.7	3.8
		393.6	401.1
Current liabilities			
Current provisions for personnel	9	18.3	15.3
Other current provisions	10	27.6	31.4
Current financial liabilities	11	9.4	10.2
Current lease liabilities	12	10.7	10.8
Other current liabilities	13	99.1	98.5
Trade payables		93.6	85.6
Income tax liabilities		12.2	9.7
		270.9	261.5
Total liabilities		664.5	662.6
Total equity and liabilities		926.1	914.3

CONSOLIDATED INCOME STATEMENT

for the period 1 January to 30 June 2021

in € million

	Notes	1/1/2021 - 30/6/2021	1/1/2020 - 30/6/2020
Revenue	14	449.6	340.7
Costs of sales		-255.8	-219.3
Gross profit		193.8	121.4
Selling, marketing and development costs	15	-126.1	-108.2
General administrative expenses		-24.6	-18.7
Other operating income and expenses		-5.6	-8.9
Result of associates accounted for using the equity method		0.1	0.1
Operating result (EBIT)		37.6	-14.3
Financial result	16	-1.9	-2.1
Earnings before taxes		35.7	-16.4
Income taxes	17	-10.7	3.9
Group result		25.0	-12.5
Thereof attributable to:			
■ Villeroy & Boch AG shareholders		24.8	-12.7
■ Minority interests		0.2	0.2
		25.0	-12.5
EARNINGS PER SHARE		in €	in €
■ Earnings per ordinary share		0.92	-0.50
■ Earnings per preference share		0.97	-0.45

During the reporting period there were no share dilution effects.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the period 1 January to 30 June 2021

in € million

	1/1/2021 - 30/6/2021	1/1/2020 - 30/6/2020
Group result	25.0	-12.5
Other comprehensive income		
Items to be reclassified to profit or loss:		
■ Gains or losses on cash flow hedge	2.2	-2.4
■ Gains or losses on translations of exchange differences	-1.8	-3.6
■ Deferred income tax effect on items to be reclassified to profit or loss	-1.5	-1.1
Items not to be reclassified to profit or loss:		
■ Actuarial gains or losses on defined benefit plans	0.0	-0.1
■ Gains or losses on other value changes	0.6	-0.7
■ Deferred income tax effect on items not to be reclassified to profit or loss	0.1	0.0
Total other comprehensive income	-0.4	-7.9
Total comprehensive income net of tax	24.6	-20.4
Thereof attributable to:		
■ Villeroy & Boch AG shareholders	24.4	-20.5
■ Minority interests	0.2	0.1
Total comprehensive income net of tax	24.6	-20.4

CONSOLIDATED INCOME STATEMENT

for the period 1 April to 30 June 2021

in € million

	Notes	1/4/2021 - 30/6/2021	1/4/2020 - 30/6/2020
Revenue	14	226.3	158.3
Costs of sales		-126.2	-114.1
Gross profit		100.1	44.2
Selling, marketing and development costs	15	-64.6	-46.4
General administrative expenses		-12.6	-8.7
Other operating income and expenses		-3.9	-7.8
Result of associates accounted for using the equity method		0.0	0.1
Operating result (EBIT)		19.0	-18.6
Financial result	16	-0.8	-1.1
Earnings before taxes		18.2	-19.7
Income taxes	17	-5.5	4.9
Group result		12.7	-14.8
Thereof attributable to:			
■ Villeroy & Boch AG shareholders		12.6	-14.9
■ Minority interests		0.1	0.1
		12.7	-14.8

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the period 1 April to 30 June 2021

in € million

	1/4/2021 - 30/6/2021	1/4/2020 - 30/6/2020
Group result	12.7	-14.8
Other comprehensive income		
Items to be reclassified to profit or loss:		
■ Gains or losses on cash flow hedge	2.0	1.1
■ Gains or losses on translations of exchange differences	1.1	2.8
■ Deferred income tax effect on items to be reclassified to profit or loss	-0.2	0.1
Items not to be reclassified to profit or loss:		
■ Actuarial gains or losses on defined benefit plans	0.0	-0.1
■ Gains or losses on other value changes	0.1	0.8
■ Deferred income tax effect on items not to be reclassified to profit or loss	0.0	0.1
Total other comprehensive income	3.0	4.8
Total comprehensive income net of tax	15.7	-10.0
Thereof attributable to:		
■ Villeroy & Boch AG shareholders	15.6	-10.6
■ Minority interests	0.1	0.6
Total comprehensive income net of tax	35.0	-10.0

INTERIM REPORT ON THE FIRST HALF-YEAR OF 2021

CONSOLIDATED STATEMENT OF EQUITY

for the period 1 January to 30 June 2021

in € million

	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			
Notes					8			
As of 1/1/2020	71.9	193.6	-15.0	95.2	-98.1	247.6	4.6	252.2
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	82.5	-105.9	227.1	4.7	231.8
As of 1/1/2021	71.9	193.6	-15.0	104.0	-107.6	246.9	4.8	251.7
Group result				24.8		24.8	0.2	25.0
Other comprehensive income					-0.4	-0.4		-0.4
Total comprehensive income net of tax				24.8	-0.4	24.4	0.2	24.6
Dividend payments				-13.8		-13.8	-0.9	-14.7
As of 30/6/2021	71.9	193.6	-15.0	115.0	-108.0	257.5	4.1	261.6

CONSOLIDATED CASH FLOW STATEMENT

for the period 1 January to 30 June 2021

in € million

	1/1/2021 - 30/6/2021	1/1/2020 - 30/6/2020
Group result	25.0	-12.5
Depreciation of non-current assets	19.1	21.4
Change in non-current provisions	-5.6	-5.1
Profit from disposal of fixed assets	0.1	0.0
Change in inventories, receivables and other assets	-29.4	28.8
Change in liabilities, current provisions and other liabilities	6.9	-30.0
Other non-cash income/expenses	2.9	-3.4
Cash Flow from operating activities	19.0	-0.8
Purchase of intangible assets, property, plant and equipment	-8.6	-7.2
Investment in non-current financial assets	-3.0	-1.2
Cash receipts from disposals of fixed assets	4.5	1.9
Cash Flow from investing activities	-7.1	-6.5
Change in financial liabilities	-0.8	12.1
Cash payments for the principal portion of the lease liabilities	-7.8	-7.9
Dividends paid to minority shareholders	-0.8	-0.1
Dividend paid to shareholders of Villeroy & Boch AG	-13.8	-
Cash Flow from financing activities	-23.2	4.1
Sum of cash flows	-11.3	-3.2
Balance of cash and cash equivalents as at 1 Jan	297.8	210.3
Net increase in cash and cash equivalents	-11.3	-3.3
Balance of cash and cash equivalents as at 30 June	286.5	207.1

INTERIM REPORT ON THE FIRST HALF-YEAR OF 2021

CONSOLIDATED SEGMENT REPORT

for the period 1 January to 30 June 2021

in € million

	Bathroom & Wellness		Tableware		Transition / Other		Villeroy & Boch-Group	
	1/1/2021 - 30/6/2021	1/1/2020 - 30/6/2020	1/1/2021 - 30/6/2021	1/1/2020 - 30/6/2020	1/1/2021 - 30/6/2021	1/1/2020 - 30/6/2020	1/1/2021 - 30/6/2021	1/1/2020 - 30/6/2020
Revenue								
Segment revenue from sales of goods to external customers	323.0	245.2	124.1	93.1	-	-	447.1	338.3
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	1.0	0.8	1.4	1.4	2.5	2.4
Revenue	323.1	245.4	125.1	93.9	1.4	1.4	449.6	340.7
Result								
Segment result	36.3	8.6	2.7	-18.6	-	-	39.0	-10.0
Non-operating result					-1.4	-4.3	-1.4	-4.3
Financial result	-	-	-	-	-1.9	-2.1	-1.9	-2.1
Investments and depreciations								
Investments of intangible assets, property, plant and equipment	6.1	4.8	2.5	2.3	-	-	8.6	7.1
Investments of right-of-use assets on leases	1.3	1.4	4.0	5.6	-	-	5.3	7.0
Scheduled depreciation of intangible assets, property, plant and equipment	9.4	9.9	2.5	2.7	-	-	11.9	12.6
Scheduled depreciation of right-of-use assets on leases	2.6	2.3	4.6	5.1	-	-	7.2	7.4
Assets and Liabilities	30/6/2021	31/12/2020	30/6/2021	31/12/2020	30/6/2021	31/12/2020	30/6/2021	31/12/2020
Segment assets	384.6	375.8	153.0	148.7	388.5	389.8	926.1	914.3
Segment liabilities	182.1	170.8	76.9	78.0	405.5	413.8	664.5	662.6

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:

	30/6/2021	31/12/2020	30/6/2021	31/12/2020	30/6/2021	31/12/2020	30/6/2021	31/12/2020
Rolling net operating assets								
Rolling operating assets	380.1	396.4	150.9	151.2	-	-	531.0	547.6
Rolling operating liabilities	155.7	140.9	72.2	69.5	-	-	227.9	210.4
Rolling net operation assets	224.4	255.5	78.7	81.7	-	-	303.1	337.2
Rolling operating result (EBIT) *								
Rolling operating result (EBIT) *	79.2	46.5	30.8	10.0	-11.3	-6.8	98.7	49.7

* 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 2021

in € million

	Bathroom & Wellness		Tableware		Transition / Other		Villeroy & Boch-Group	
	1/4/2021 - 30/6/2021	1/4/2020 - 30/6/2020	1/4/2021 - 30/6/2021	1/4/2020 - 30/6/2020	1/4/2021 - 30/6/2021	1/4/2020 - 30/6/2020	1/4/2021 - 30/6/2021	1/4/2020 - 30/6/2020
Revenue								
Segment revenue from sales of goods to external customers	163.8	119.5	61.5	37.8	-	-	225.3	157.3
Segment revenue from transactions with other segments	-	-	0.0	0.0	0.0	0.0	0.0	0.0
Segment revenue from licence	0.0	0.1	0.3	0.1	0.7	0.8	1.0	1.0
Revenue	163.8	119.6	61.8	37.9	0.7	0.8	226.3	158.3
Result								
Segment result	19.7	-0.1	0.7	-14.2	-	-	20.4	-14.3
Non-operating result					-1.4	-4.3	-1.4	-4.3
Financial result	-	-	-	-	-0.8	-1.1	-0.8	-1.1
Investments and depreciations								
Investments of intangible assets, property, plant and equipment	3.4	2.1	1.5	1.5	-	-	4.9	3.6
Investments of right-of-use assets on leases	0.5	0.6	2.0	1.1	-	-	2.5	1.7
Scheduled depreciation of intangible assets, property, plant and equipment	4.7	4.8	1.3	1.4	-	-	6.0	6.2
Scheduled depreciation of right-of-use assets on leases	1.3	1.1	2.3	2.6	-	-	3.6	3.7

NOTES TO THE INTERIM FINANCIAL STATEMENTS OF THE VILLEROY & BOCH GROUP FOR THE FIRST HALF-YEAR OF 2021

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 Dining & Lifestyle. 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 2021. It was approved for publication on 15 July 2021 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 2020. These can be downloaded from the Investor Relations section of the website at www.villeroyboch-group.com.

In the period under review, the accounting and consolidation methods described in the 2020 annual report were extended to include the accounting standards endorsed by the EU and effective for reporting periods beginning on or after 1 January 2021. None of these changes to accounting provisions had a material impact on this interim report. The COVID-19 pandemic also impacted the business activities of Villeroy & Boch AG. There has therefore been continuous analysis and monitoring of potential accounting effects and consequences for the financial position and financial performance of the Villeroy & Boch Group since the crisis began. There were no factors with a notable negative impact on the financial position and the financial performance of the Villeroy & Boch Group in the first Half-year. Further information on performance in the first Half-year of 2021 can be found in the above economic report.

Basis of consolidation

The basis of consolidation of the Villeroy & Boch Group consists of 53 companies (31 December 2020: 53).

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

Annual General Meeting of Villeroy & Boch AG for the 2020 financial year

The virtual General Meeting of Shareholders on 26 March 2021 resolved the dividend of € 0.50 per ordinary share and € 0.55 per preference share as proposed by the Supervisory Board and the Management Board of Villeroy & Boch AG. The distribution corresponds to a dividend payment of € 7.0 million (previous year: € 7.0 million) for the ordinary share capital and € 6.8 million (previous year: € 6.8 million) for the preference share capital. The dividend was paid on 31 March 2021. As in the previous year, the Villeroy & Boch Group held 1,683,029 preference shares as at the distribution date. These shares were not entitled to dividends.

Seasonal influences on business activities

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

NOTES ON SELECTED ITEMS OF THE CONSOLIDATED BALANCE SHEET

1. Property, plant and equipment

Property, plant and equipment in the amount of € 5.4 million was acquired in the period under review (previous year: € 5.5 million). Investment in the Bathroom and Wellness Division focused on international locations. For example, there was investment in the sanitary ware plants in Hungary and France. A WC pressure casting system was acquired in Hungary. Also, tools were acquired to produce the new ViClean models. The Dining & Lifestyle Division essentially invested in the maintenance and modernisation of the logistics centre in Merzig. New pressing tools were also acquired. The energy optimisation of a kiln was invested in at the Torgau location. There was also investment in the modernisation of our own retail stores

Depreciation amounts to € 11.3 million (previous year: € 12.0 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 € 10.4 million (31 December 2020: € 3.6 million).

2. Right-of-use assets

Capitalized right-of-use assets declined by € 1.7 million to € 39.0 million in the reporting period. This change is due to additions of € 5.3 million (previous year: € 7.0 million) and, offsetting this, depreciation of € 7.2 million (previous year: € 7.4 million) and disposals of € 1.8 million (previous year: € 1.3 million). Expenses for short-term property leases amounted to € 1.5 million (previous year: € 2.4 million) with € 2.9 million (previous year: € 2.8 million) from variable rental payments for property leases. Expenses for other short-term leases and leases for low-value assets amounted to € 0.6 million (previous year: € 1.2 million).

3. Other financial assets

Other financial assets include:

in € million	30/6/2021	31/12/2020
Shares in non-consolidated subsidiaries	1.7	0.7
Shares in other equity investments	2.2	2.1
Loans	2.3	2.4
Securities	12.2	12.2
Other financial assets (total)	18.4	17.4

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4. Inventories

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

in € million	30/6/2021	31/12/2020
Raw materials and supplies	28.1	25.3
Work in progress	19.0	15.6
Finished goods and goods for resale	125.6	122.2
Advance payments	0.0	0.0
Inventories (total)	172.7	163.1

5. Trade receivables

Trade receivables are broken down as follows:

by customer domicile/in € million	30/6/2021	31/12/2020
Germany	31.3	22.5
Rest of euro zone	31.2	25.9
Rest of world	79.3	72.7
Gross carrying amount of trade receivables	141.8	121.1
Impairment due to expected losses (step 1)	-0.7	-0.7
Impairment due to objective evidence (step 2)	-5.0	-4.6
Impairment losses	-5.7	-5.3
Total trade receivables	136.1	115.8

6. Other non-current and current assets

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

in € million	30/6/2021		31/12/2020	
	Current	Non-current	Current	Non-current
Other tax receivables	3.8	-	5.7	-
Prepaid expenses	2.5	-	1.7	-
Advance payments and deposits	2.0	1.8	1.1	1.7
Receivables from equity investments	1.4	-	2.6	-
Fair values of hedging instruments	2.1	1.0	1.4	0.5
Contract assets	0.3	-	1.2	-
Miscellaneous assets	11.6	-	11.4	-
Other assets (total)	23.7	2.8	25.1	2.2

In total, government grants of € 1.7 million were received in connection with the COVID-19 pandemic in the 2021 financial year. These are essentially recognised in staff costs and in other operating income.

7. Cash and cash equivalents

Cash and cash equivalents are composed as follows:

in € million	30/6/2021	31/12/2020
Cash on hand incl. cheques	0.5	0.3
Current bank balances	168.6	95.8
Cash equivalents	117.4	201.7
Total cash and cash equivalents	286.5	297.8

The € 11.3 million decrease in cash and cash equivalents is primarily attributable to the dividend payment of the Villeroy & Boch AG. Bank balances were offset against matching liabilities in the amount of € 13.3 million (31 December 2020: € 12.5 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	30/6/2021	31/12/2020
Items to be reclassified to profit or loss:		
█ Currency translation of financial statements of foreign group companies	-9.7	-6.9
█ Currency translation of long-term loans classified as net investments in foreign group companies	-8.2	-9.2
█ Reserve for cash flow hedges	0.7	-1.5
█ Deferred taxes for this category	-8.9	-7.4
Sub-total (a)	-26.1	-25.0
Items not to be reclassified to profit or loss:		
█ Actuarial gains and losses on defined benefit obligations	-117.0	-117.0
█ Miscellaneous gains and losses on measurement	0.9	0.3
█ Deferred taxes for this category	34.2	34.1
Sub-total (b)	-81.9	-82.6
Total revaluation surplus [(a)+(b)]	-108.0	-107.6

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, the Australian dollar, the Thai baht, the American dollar, and the Romanian leu.

9. Non-current and current provisions for personnel

Non-current provisions for personnel declined by € 1.1 million to € 15.9 million in the reporting period. Current provisions for personnel increased by € 3.0 million to € 18.3 million, mainly on account of the addition of variable salary components for 2021.

10. Other non-current and current provisions

Other non-current provisions changed only insignificantly. The decline in other current provisions by € 3.8 million to € 27.6 million relates mainly to the utilisation of the provision for the transformation and efficiency enhancement programme.

11. Non-current and current financial liabilities

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

12. Non-current and current lease liabilities

Non-current and current lease liabilities declined by € 2.2 million to € 39.1 million in the reporting period. This change mainly results from an addition from new leases of € 5.3 million and a decline of € 7.8 million from repayments of principal. Interest expenses for leased right-of-use assets amounted to € 0.3 million in the reporting period.

13. Other non-current and current liabilities

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

in € million	30/6/2021		31/12/2020	
	current	non-current	current	non-current
Bonus liabilities (a)	43.8	-	45.7	-
Personnel liabilities (a)	22.1	-	19.1	-
Other tax liabilities	12.7	-	14.8	-
Advance payments received on account of orders	7.6	-	7.6	-
Deferred income	6.8	0.7	4.1	0.9
Liabilities to affiliated, non-consolidated companies	0.3	-	0.3	-
Fair values of hedging instruments	0.7	1.6	0.7	2.7
Miscellaneous other liabilities	5.1	27.0	6.2	26.9
Other liabilities (total)	99.1	29.3	98.5	30.5

(a) Seasonal change

NOTES ON SELECTED ITEMS OF THE CONSOLIDATED INCOME STATEMENT

14. Revenue

Revenue is broken down in the segment reporting.

15. Selling, marketing and development costs

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

in € million	2021		2020	
	H1	Q2	H1	Q2
Bathroom and Wellness	-6.8	-3.4	-4.9	-2.0
Dining & Lifestyle	-2.4	-1.1	-1.6	-0.6
Research and development costs (total)	-9.1	-4.5	-6.5	-2.6

16. Financial result

The financial result is broken down as follows:

in € million	2021		2020	
	H1	Q2	H1	Q2
Financial expenses	-1.4	-0.7	-1.6	-0.8
Interest expense on lease liabilities	-0.3	-0.1	-0.4	-0.2
Interest expenses for provisions (pensions)	-0.7	-0.4	-0.9	-0.4
Financial income	0.5	0.4	0.8	0.3
Net finance expense (total)	-1.9	-0.8	-2.1	-1.1

17. Income taxes

The main components of income tax expense are as follows:

in € million	2021		2020	
	H1	Q2	H1	Q2
Current income taxes	-11.2	-6.8	-2.8	0.4
Deferred taxes	0.5	1.3	6.7	4.5
Income taxes (total)	10.7	5.5	3.9	4.9

OTHER NOTES

18. Human resources

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

in € million	2021		2020	
	H1	30/6	H1	30/6
	Staff costs in € million	Employees (FTEs)	Staff costs in € million	Employees (FTEs)
Bathroom and Wellness	-85.0	4,266	-74.9	4,699
Dining & Lifestyle	-42.0	1,578	-37.0	1,806
Other	-20.1	452	-18.6	491
Total	-147.1	6,297	-130.5	6,996

19. Contingent liabilities, commitments, and financial obligations

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

in € million	30/6/2021	31/12/2020
Obligations to acquire property, plant and equipment	10.4	3.6
Obligations to acquire right-of-use assets	0.0	0.6
Obligations to acquire intangible assets	0.7	0.2
Guarantees	0.9	0.9
Trustee obligations	0.0	0.0
Total	11.7	5.3

20. 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	30/6/2021			31/12/2020		
	Carrying amount	Carrying amount at		Carrying amount	Carrying amount at	
		Cost	Fair value		Cost	Fair value
Asset-side items containing financial instruments:						
Assets						
Cash and cash equivalents (note 7)	286.5	286.5	286.5	297.8	297.8	297.8
Trade receivables (note 5)	136.1	136.1	136.1	115.8	115.8	115.8
Other financial assets (note 3)	18.4	2.3	18.4	17.4	2.4	17.4
Other assets (note 6)	19.9	16.8	19.9	18.7	16.8	18.7
Total asset-side instruments	460.9	441.7	460.9	449.7	432.8	449.7

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

in € million	30/6/2021			31/12/2020		
Liability-side items containing financial instruments:	Carrying amount	Carrying amount at		Carrying amount	Carrying amount at	
		Cost	Fair value		Cost	Fair value
Equity and liabilities						
Trade payables	93.6	93.6	93.6	85.6	85.6	85.6
Financial liabilities (note 11)	114.4	114.4	114.4	115.2	115.2	115.2
Other liabilities (note 13)	86.1	83.8	86.1	89.0	85.6	89.0
Total liability-side instruments	294.1	291.8	294.1	289.8	286.4	289.8

21. Related party disclosures

No material contracts were entered into with related parties in the period under review. The pro rata temporis transaction volume with related parties and non-consolidated affiliated companies is at virtually the same level as in the 2020 annual financial statements. All transactions are conducted at arm's-length conditions.

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

Mr Dietmar Geuskens resigned as a member of the Supervisory Board of Villeroy & Boch AG effective 31 January 2021. His elected substitute member Mr Roland Strasser succeeded him on the Supervisory Board effective 10 February 2021.

The Chairman of the Supervisory Board of Villeroy & Boch AG, Dr Alexander von Boch-Galhau, resigned as Chairman effective 26 March 2021. He stays on as an ordinary member of the Supervisory Board. At the same time, Mr Andreas Schmid was elected as the new Chairman of the Supervisory Board.

23. 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 2021

The Management Board

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FINANCIAL CALENDAR

20 October 2021	Report on the first nine months of 2021
17 February 2022	Annual press conference for the 2021 financial year
01 April 2022	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.