

Press Release

Mettlach, 18 July 2019

Interim report on the first half of 2019:

Villeroy & Boch adjusts forecast for 2019 financial year

- Consolidated revenue (€ 393.2 million) and operating result (€ 15.5 million) under previous year
- Bathroom and Wellness Division affected by sustained reduction in customer inventories and muted development in China in the first half-year. Turnaround anticipated in the second half of the year resulting from the sales measures defined
- Tableware Division continues positive business development from first quarter
- Adjustment of forecast for full-year 2019: slight decline of consolidated revenue to € 825-850 million and operating result (EBIT) to € 48-52 million expected

**Revenue development
6.3 % under previous
year**

The Villeroy & Boch Group generated consolidated revenue of € 393.2 million (including licence income) in the first half of 2019, representing a year-on-year decline of € 26.4 million or 6.3 %. While the Tableware Division continued its positive performance in the second quarter of 2019, revenue development in the Bathroom and Wellness Division in the first half of 2019 was characterised in particular by the reduction in inventories on the part of Villeroy & Boch customers as well as delayed implementation of large residential construction projects, especially in China.

Orders on hand developed positively and increased by € 14.3 million compared with 31 December 2018, amounting to € 74.1 million as at 30 June 2019. Of this figure, € 52.7 million related to the Bathroom and Wellness Division and € 21.4 million to the Tableware Division.

**EBIT declines to € 15.5
million**

EBIT fell by € 3.5 million to € 15.5 million in the first half of 2019, largely as a result of the revenue development.

Division performance

The Bathroom and Wellness Division generated revenue of € 271.6 million in the first half of 2019 (previous year: € 303.1 million). Revenue in the EMEA (Europe, Middle East, Africa) region declined by 8.5 % or € 21.5 million, while revenue in the rest of the world (APAC and Americas) fell by € 10.1 million. In the EMEA region, customers responded to Villeroy & Boch's return to full delivery capability by scaling back their safety stocks, thereby making a substantial contribution to the downturn in revenue. In addition, the worldwide economic conditions and the political conflict between the USA and China led to uncertainty in the area of investment activity in the important Chinese market. This also resulted in delayed implementation of large residential construction projects. In China, for example, revenue fell by € 5.9 million in the first half of 2019 after two extremely

good years. However, the company is confident that it will significantly improve the revenue thanks to the 8.2 % increase in orders on hand since the beginning of the year, the implementation of the defined sales promotion measures with retail partners and the realisation of the project revenue that was originally scheduled for the first half of 2019, particularly in China. For the second half-year a revenue at or above the comparable prior-year period is expected. On the earnings side, it is assumed that the company will be able to benefit in the second half of the year from the expected increase in sales, the acceleration of cost savings and a further improvement in margins. EBIT in the second half-year 2019 is therefore predicted to exceed the EBIT of the same period of the previous year.

The Tableware Division generated revenue of € 120.1 million in the first half of 2019, up 4.4 % on the previous year. Positive currency effects resulted from the US dollar. Growth was driven by the main sales market of Germany (+12.9 %), where revenue increased across almost all sales channels, particularly e-commerce and wholesale activities. E-commerce business in the EMEA region performed exceptionally well, climbing by 20.4 %. This offset the downturns in Northern Europe and Russia, meaning that the EMEA region grew by 2.9 % overall. Significant revenue growth of 11.7 % was achieved in the rest of the world (APAC and Americas), thanks chiefly to extremely positive performance in the USA (+17.4 %). This growth was driven by wholesale and project business. In the second half of the year 2019, the Villeroy & Boch AG expects the positive development of revenue and earnings to continue, not least due to the current good response to new products presented at the trade fairs.

**Investment volume in the first half of 2019:
€ 10.0 million**

The Group made investments in intangible assets and property, plant and equipment totalling € 10.0 million in the first half of 2019 (previous year: € 15.2 million). The Bathroom and Wellness Division accounted for € 8.6 million, with the remaining € 1.4 million attributable to the Tableware Division. In the Bathroom and Wellness Division, new facilities were acquired for the sanitary ware plants in Thailand, Hungary and France in particular. Investments in the Tableware Division primarily concentrated on new facilities and modernisation measures at the production sites in Merzig and Torgau.

Outlook for 2019 as a whole

The Management Board of Villeroy & Boch AG currently still expects to see moderate global economic growth, albeit with weakening momentum. The further intensification of trade conflicts between the United States and China and the lack of clarity concerning Brexit represent a risk to the world economy and the German economy alike.

In light of these factors and the course of business in the first six months of the 2019 financial year, the original forecast of revenue and earnings growth of 3-5 % is no longer realistic. Instead, the Management Board of Villeroy & Boch AG is forecasting a slight decline in consolidated revenue to between € 825 million and € 850 million and of the operating result (EBIT) to between € 48 million and € 52 million. The achievement of the adjusted goals in the second half of 2019 is to be ensured through the sales measures that have already been initiated, the significant increase in orders on hand in the Bathroom and Wellness Division since the beginning of the year and disciplined cost management.

Since February of this year, Villeroy & Boch AG has been in exclusive negotiations with a property developer regarding the sale of the former plant property in Luxembourg. With pre-decisive agreements now having been concluded, the contractual negotiations are highly likely to be completed in the second half of 2019 and are expected to result in high eight-figure income.

THE GROUP AT A GLANCE	1/1/2019 - 30/6/2019	1/1/2018 - 30/6/2018	Change	Change
	in € million	in € million	in € million	in %
Revenue	393.2	419.6	-26.4	-6.3
Revenue – Germany	119.6	120.4	-0.8	-0.7
Revenue – Abroad	273.6	299.2	-25.6	-8.6
On a constant currency basis	392.9	419.6	-26.7	-6.4
EBIT	15.5	19.0	-3.5	-18.4
EBT	13.1	16.8	-3.7	-22.0
Group result	9.2	11.8	-2.6	-22.0
Return on net operating assets (rolling)	14.6 %	16.7 % ⁽¹⁾	-	-2.1 PP
Investments (without leasing)	10.0	15.2	-5.2	-34.2
Investments „Leases“ - IFRS 16 ⁽²⁾	50.7	-	-	-
Employees (FTEs as at end of period)	7,321 FTE	7,499 FTE	-178 FTE	-2.4

(1) Return on net operating assets as at 31 December 2018

(2) Accounting in accordance with new IFRS 16 “Leases”

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Villeroy & Boch

Villeroy & Boch is one of the world's leading premium brands for ceramic products. The family business, which was founded in 1748 and is headquartered in Mettlach/Germany, stands for innovation, tradition and exceptional style. As a renowned lifestyle brand, Villeroy & Boch offers products from the sectors Bathroom and Wellness and Tableware, and is active in 125 countries.