

Hunter Douglas N.V.

Unaudited interim condensed consolidated financial statements

30 June 2019

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Chairman's letter

To our shareholders

- **Sales:** USD 1,723.6 million, 3.8% lower, compared with USD 1,792.6 million in the first half of 2018.

The 3.8% sales decrease reflects a 1.2% volume increase, a 3.5% negative currency impact, a 2.2% increase from acquisitions and a 3.7% decrease from divestments. Volume increased in Europe and Latin America, was level in North America and lower in Asia and Australia.

North America accounted for 47% of sales, Europe 40%, Asia 5%, Latin America 4% and Australia 4%. Window Coverings were 90% and Architectural Products were 10% of sales.
- **Earnings before interest, tax, depreciation and amortization - EBITDA:** USD 228.4 million, 7.9% higher than USD 211.7 million in the first half of 2018.
- **Income from Operations:** USD 163.3 million, 1.4% higher than USD 161.0 million in the first half of 2018. Results in local currencies were higher in all areas, except in North America where results were lower.
- **Profit before Tax:** USD 160.8 million, 2.7% higher than USD 156.6 million in the first half of 2018.
- **Total Net Profit:** USD 125.1 million (per share EUR 3.17), 2.0% higher than USD 122.7 million in the first half of 2018 (per share EUR 2.93).

Acquisitions included:

Stores-Discout, the leading e-commerce retailer in France for window covering products since May, and Copaco Screenweavers, Belgium, a leading European manufacturer of sunscreen fabrics since May.

Capital expenditures were USD 54 million compared with USD 67 million in the first half of 2018, while depreciation was USD 56 million compared with USD 40 million in the first half of 2018. For the full year capital expenditures are expected to be approximately USD 125 million and depreciation USD 110 million.

Operating cash flow: USD 134 million compared with USD 68 million in the first half of 2018.

Shareholder's equity was USD 1,567 million, compared with USD 1,515 million at the end of 2018, reflecting the first half year results, increased by a positive exchange translation and offset by the payment of the dividend of EUR 2.00, totalling USD 79 million.

RONAE (Return before interest/net assets employed) was 14.3% compared with 12.9% in the first half of 2018.

Outlook

Hunter Douglas expects continued but slower growth in the US, Europe and Asia, and improving economic conditions in Latin America.

Hunter Douglas is in a strong position in terms of its brands, products, distribution and finances.

Sensitivity to External Factors

The Company's results are sensitive to external factors of which the following are most influential:

- Overall economic activity and particularly consumer confidence which affects demand for consumer durables. Our decentralized entrepreneurial organization manages these market risks as effectively as possible;
- Prices for raw materials, in particular: aluminium, steel, fabric, synthetics and other oil based products. Changes in material prices for our window covering and architectural products are normally passed on in our product prices. Base commodity price risks in our Metal Trading business are substantially hedged;
- Exchange rates: rates of non US dollar currencies can affect the Company's results. Hunter Douglas' policy is to selectively hedge transactional earnings exposures and generally not to hedge balance sheet exposures.

The company has a low risk appetite to the above mentioned factors.

Financial reporting

To the best of our knowledge and in accordance with the applicable accounting principles for interim financial reporting, the interim consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit and loss of the Group.

The Chairman's letter gives a true and fair view of the important events of the past six-months' period and their impact on the half year financial statements, as well as the principal risks and uncertainties for the six-months' period to come.

Interim condensed consolidated statement of income for the first half year ended 30 June

Amounts in millions	USD	
	<u>2019</u> (unaudited)	<u>2018</u> (unaudited)
Net sales	1,723.6	1,792.6
Cost of sales	-1,018.7	-1,084.5
Gross profit	704.9	708.1
Gross profit metals trading	11.8	9.8
Total gross profit	716.7	717.9
Selling and marketing expense	-352.2	-359.3
General and administrative expense	-201.2	-197.6
Income from operations (EBIT)	163.3	161.0
Finance income	6.8	5.5
Finance costs	-9.3	-9.9
Income before taxes	160.8	156.6
Taxes on income	-35.4	-34.1
Net profit for the year	125.4	122.5
Net profit attributable to non-controlling interest	0.3	-0.2
Net profit attributable to equity shareholders	125.1	122.7
Earnings per share attributable to equity shareholders		
- basic for profit for the year	3.59	3.53
- fully diluted for profit for the year	3.59	3.53

Interim condensed consolidated statement of comprehensive income for the first half year ended 30 June

Amounts in millions	USD	
	<u>2019</u> (unaudited)	<u>2018</u> (unaudited)
Net profit for the year	125.4	122.5
Other comprehensive income		
Currency translation differences *	5.7	-52.5
Total comprehensive income for the year, net of tax	131.1	70.0
Attributable to equity shareholders	130.7	71.0
Attributable to non-controlling interest	0.4	-1.0

* These items will be recycled thru statement of income at a future point in time.

Interim condensed consolidated statement of income for the 2nd quarter ended 30 June

Amounts in millions	<u>2019</u> (unaudited)	<u>2018</u> (unaudited)
Net sales	940.0	974.2
Cost of sales	-543.0	-583.6
Gross profit	397.0	390.6
Gross profit metals trading	<u>5.7</u>	<u>5.7</u>
Total gross profit	402.7	396.3
Selling and marketing expense	-181.6	-182.7
General and administrative expense	-103.8	-96.7
Income from operations (EBIT)	117.3	116.9
Finance income	4.8	4.1
Finance costs	-4.3	-5.0
Income before taxes	117.8	116.0
Taxes on income	-27.1	-27.7
Net profit for the year	90.7	88.3
Net profit attributable to non-controlling interest	0.1	-1.3
Net profit attributable to equity shareholders	90.6	89.6
Earnings per share attributable to equity shareholders		
- basic for profit for the year	2.60	2.58
- fully diluted for profit for the year	2.60	2.58

Interim condensed consolidated statement of comprehensive income for the 2nd quarter ended 30 June

Amounts in millions	USD <u>2019</u> (unaudited)	<u>2018</u> (unaudited)
Net profit for the year	90.7	88.3
Other comprehensive income		
Currency translation differences *	-16.5	-62.1
Total comprehensive income for the year, net of tax	74.2	26.2
Attributable to equity shareholders	73.8	28.3
Attributable to non-controlling interest	0.4	-2.1

* These items will be recycled thru statement of income at a future point in time.

Interim condensed consolidated cash flow statement for the first half year ended 30 June

Amounts in millions	USD	
	<u>2019</u> (unaudited)	<u>2018</u> (unaudited)
Net profit attributable to equity shareholders	125.1	122.7
Adjustments for:		
Depreciation tangible fixed assets	40.4	39.8
Depreciation right-of-use tangible fixed assets	15.4	
Amortization patents & trademarks	9.3	10.9
(Decrease) increase provisions	-1.0	7.0
Other non-cash items	-7.5	-21.9
Unrealized result investment portfolio		-0.4
Operating cash flow before working capital changes	181.7	158.1
Changes in working capital:		
-decrease (increase) trade and other receivables and prepayments	25.3	-21.8
-increase inventories	-17.4	-15.6
-decrease trade and other payables	-55.3	-53.1
Operating cash flow	134.3	67.6
Dividend paid	-78.8	-75.8
Net cash from operations	55.5	-8.2
Cash flow from investing activities		
Investments in subsidiaries, net of cash acquired	-67.6	-30.0
Investments in tangible fixed assets	-53.6	-66.7
Divestments tangible fixed assets	5.7	5.4
Investments in intangible fixed assets	-1.4	-7.9
Decrease investment portfolio	0.5	22.0
Increase other financial non-current assets	-2.3	-7.3
Net cash from investing activities	-118.7	-84.5
Cash flow from financing activities		
Increase interest-bearing loans and borrowings	83.9	85.9
Payment of lease liabilities	-19.0	
Net cash from financing activities	64.9	85.9
Net increase (decrease) in cash and cash equivalents	1.7	-6.8
Change in cash and cash equivalents		
Balance at 1 January	31.1	32.0
Net increase (decrease) in cash and cash equivalents	1.7	-6.8
Exchange difference cash and cash equivalents	-0.1	-0.9
Balance at 30 June	32.7	24.3

Interim condensed consolidated statement of financial position at

Assets

Amounts in millions	USD	
	<u>30 Jun 2019</u> (unaudited)	<u>31 Dec 2018</u>
Non-current assets		
Intangible fixed assets	1,130.5	1,079.7
Tangible fixed assets	511.4	491.6
Right-of-use tangible fixed assets	102.1	
Deferred income tax assets	138.8	131.1
Other financial non-current assets	88.2	81.3
Total non-current assets	1,971.0	1,783.7
Current assets		
Inventories	800.8	771.4
Trade and other receivables	543.7	567.6
Prepaid income tax	28.7	35.4
Prepayments	126.2	96.9
Metal derivatives	7.3	15.4
Currency derivatives	1.6	3.7
Investment portfolio		0.5
Cash and short-term deposits	32.7	31.1
Total current assets	1,541.0	1,522.0
TOTAL ASSETS	3,512.0	3,305.7

Interim condensed consolidated statement of financial position at

Shareholders' equity and liabilities

Amounts in millions	USD	
	<u>30 Jun 2019</u> (unaudited)	<u>31 Dec 2018</u>
Equity attributable to equity shareholders		
Issued capital	9.5	9.7
Share premium	79.4	80.9
Treasury shares		-34.9
Cash flow hedge reserve		0.5
Foreign currency translation	-314.7	-320.3
Legal reserve	43.0	43.0
Retained earnings	1,750.2	1,736.6
Total equity attributable to equity shareholders of the parent	1,567.4	1,515.5
Non-controlling interest	9.4	9.0
Total equity	1,576.8	1,524.5
Non-current liabilities		
Interest-bearing loans and borrowings	763.0	530.4
Lease liabilities	69.2	
Preferred shares	9.4	9.5
Provisions	245.8	261.8
Deferred income tax liabilities	24.8	9.3
Total non-current liabilities	1,112.2	811.0
Current liabilities		
Trade and other payables	677.6	728.1
Lease liabilities	32.9	
Income tax payable	26.5	29.8
Restructuring provisions	3.6	6.1
Metal derivatives		
Currency derivatives		0.1
Interest-bearing loans and borrowings	82.4	206.1
Total current liabilities	823.0	970.2
TOTAL LIABILITIES	1,935.2	1,781.2
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	3,512.0	3,305.7

Interim condensed consolidated statement of changes in equity for the first half year 2019

Amounts in millions

	Attributable to equity shareholders of the parent							Total	Non-controlling interest	Total Equity
	Issued capital	Share premium	Treasury shares	Cashflow hedge reserve	Foreign currency translation	Legal reserve	Retained earnings			
At 1 January 2019	9.7	80.9	-34.9	0.5	-320.3	43.0	1,736.6	1,515.5	9.0	1,524.5
Net profit							125.1	125.1	0.3	125.4
Other comprehensive income (expense)		-1.5			5.6		1.5	5.6	0.1	5.7
Total comprehensive income (expense)	0.0	-1.5	0.0	0.0	5.6	0.0	126.6	130.7	0.4	131.1
Cancellation	-0.2		34.9	-0.5			-34.2	0.0		0.0
Equity dividends							-78.8	-78.8		-78.8
At 30 June 2019 (unaudited)	9.5	79.4	0.0	0.0	-314.7	43.0	1,750.2	1,567.4	9.4	1,576.8

Interim condensed consolidated statement of changes in equity for the first half year 2018

Amounts in millions

	Attributable to equity shareholders of the parent							Total	Non-controlling interest	Total Equity
	Issued capital	Share premium	Treasury shares	Cashflow hedge reserve	Foreign currency translation	Legal reserve	Retained earnings			
At 1 January 2018	10.2	84.9	-28.5	0.5	-245.2		1,562.7	1,384.6	23.5	1,408.1
Net profit							122.7	122.7	-0.2	122.5
Other comprehensive income (expense)	-0.3	-2.3			-51.7		2.6	-51.7	-0.8	-52.5
Total comprehensive income (expense)	-0.3	-2.3	0.0	0.0	-51.7	0.0	125.3	71.0	-1.0	70.0
Movement to provisions								0.0	-12.5	-12.5
Equity dividends							-75.8	-75.8		-75.8
At 30 June 2018 (unaudited)	9.9	82.6	-28.5	0.5	-296.9	0.0	1,612.2	1,379.8	10.0	1,389.8

Notes to the interim condensed consolidated financial statements

USD (millions, unless indicated otherwise)

1. Corporate information

The interim condensed consolidated financial statements of Hunter Douglas N.V. for the half year ended 30 June 2019 were authorized for issue in accordance with a resolution of the Directors on 6 August 2019.

Hunter Douglas N.V. has its statutory seat in Curaçao. Common shares are publicly traded at Amsterdam (HDG) and Frankfurt (HUD); the preferred shares are traded at Amsterdam (HUNDP).

The principal activities of the Group are described in note 3.

2. Basis of preparation and significant accounting policies

Basis of preparation

The consolidated financial statements of Hunter Douglas N.V. and all its subsidiaries have been prepared in accordance with IAS 34 *Interim Financial Reporting*.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements at 31 December 2018. The same accounting policies are followed in the interim condensed consolidated financial statements as compared with the Group's annual financial statements at 31 December 2018, except as disclosed below.

IFRS accounting standards effective as from 2019

The Company adopted IFRS16 – Leases as from 1 January 2019 by using the modified retrospective approach and the impact on the consolidated balance sheet at 30 June 2019 is as follows:

Assets

Right-of-use tangible fixed assets	102.1
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Current liabilities

Lease liabilities	32.9
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Non-current liabilities

Lease liabilities	69.2
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The lease liabilities at 1 January 2019 can be reconciled to the operating lease commitments as of 31 December 2018 as follows:

Operating lease commitments at 31 December 2018	129.3	*
Weighted average incremental borrowing rate at 1 January 2019	2.70%	
Discounted operating lease commitments at 1 January 2019	<u>106.2</u>	
Lease liabilities at 1 January 2019	<u>106.2</u>	*

* Excluding short-term leases and leases of low-value assets

Set out below, are the carrying amounts of the Group's right-of-use tangible fixed assets and lease liabilities and the movements during the period:

	Right-of-use tangible fixed assets			Total	Lease liabilities*
	Land & Buildings	Machinery & Equipment	Other fixed assets		
At 1 January 2019	86.4	5.2	14.6	106.2	106.2
Additions	11.0	1.2	2.7	14.9	14.9
Depreciation expense	-11.4	-1.1	-2.9	-15.4	
Interest expense	-2.7	-0.2	-0.7	-3.6	
Payments					-19.0
At 30 June 2019	83.3	5.1	13.7	102.1	102.1

* Excluding short-term leases and leases of low-value assets

3. Segment information

The Company has determined its reportable segments based on its internal reporting practices and on how the Company's management evaluates the performance of operations and allocates resources. The segments are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. The window covering products segment relates to sales and manufacturing of window coverings for commercial and residential use. The architectural products segment relates to sales and manufacturing of architectural products mainly for commercial use. The metal trading segment represents trading in metals mainly in contracts on bulk aluminium. No operating segments have been aggregated to form the above reportable business segments. Management monitors the operating results of its business segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on net profit and is measured consistently with net profit in the consolidated financial statements. Transfer prices between business segments are set on an arm's length basis in a manner similar to transactions with third parties. The Group's geographical segments are determined by the location of the Group's assets and operations.

Business segments

The following table presents revenue and income information and certain asset and liability information regarding the Group's business segments:

First half year 2019	<u>Window Coverings</u>	<u>Architectural Products</u>	<u>Metals Trading</u>	<u>Investment Portfolio</u>	<u>Total</u>
Revenue					
Sales to external customers	1,552.0	171.6			1,723.6
Total revenue	1,552.0	171.6			1,723.6
Results					
Segment profit before tax	138.6	15.5	6.7		160.8
First half year 2018					
	<u>Window Coverings</u>	<u>Architectural Products</u>	<u>Metals Trading</u>	<u>Investment Portfolio</u>	<u>Total</u>
Revenue					
Sales to external customers	1,538.6	254.0			1,792.6
Total revenue	1,538.6	254.0			1,792.6
Results					
Segment profit before tax	138.2	13.1	4.9	0.4	156.6
Assets and liabilities					
Segment assets	2,954.8	310.7	208.6		3,474.1
Investment in an associate	37.4		0.5		37.9
Total assets at 30 June 2019	2,992.2	310.7	209.1		3,512.0
Segment liabilities	1,600.2	256.2	78.8		1,935.2
Total liabilities at 30 June 2019	1,600.2	256.2	78.8		1,935.2
Assets and liabilities					
Segment assets	2,719.8	457.9	199.4	13.0	3,390.1
Investment in an associate	24.1				24.1
Total assets at 30 June 2018	2,743.9	457.9	199.4	13.0	3,414.2
Segment liabilities	1,649.8	283.3	91.3		2,024.4
Total liabilities at 30 June 2018	1,649.8	283.3	91.3		2,024.4

Sales by region

	Europe		North America		Latin America		Asia		Australia		Total	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Net sales												
Window Coverings	641	620	754	759	46	51	49	52	62	50	1,552	1,532
Architectural Products	47	59	57	78	31	30	37	45			172	212
Other		49										49
Total	688	728	811	837	77	81	86	97	62	50	1,724	1,793

4. Business combination

In the first half year of 2019 Hunter Douglas acquired the following businesses:

Stores-Discourt, the leading e-commerce retailer in France for window covering products since May, and Copaco Screenweavers, Belgium, a leading European manufacturer of sunscreen fabrics since May.

In the first half year of 2018 Hunter Douglas acquired the following business:

80% of Debel, a leading Danish supplier of window coverings to the mass merchant channel since January.

5. Impairment testing of indefinitely lived goodwill, patents and licenses

An impairment analysis has been performed per the end of 2018. There are no impairment indicators that would require an updated calculation.

6. Cash and short-term deposits

Cash at bank and in hand earns interest at floating rates based on market conditions. Short-term deposits are made for varying periods of between one day and 3 months depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates. The fair value of cash and cash equivalents at 30 June 2019 is 32.7 (30 June 2018: 24.3).

At 30 June 2019 the Group had available 347 of undrawn committed borrowing facilities in respect of which all conditions precedent had been met. For the purposes of the consolidated cash flow statement, cash and cash equivalents comprise the following at 30 June:

	<u>2019</u>	<u>2018</u>
Cash at bank and in hand	32.5	24.1
Short-term deposits	<u>0.2</u>	<u>0.2</u>
	<u><u>32.7</u></u>	<u><u>24.3</u></u>

Funds in certain countries in which the Group operates are subject to varying exchange regulations. No material restrictions exist for transfers of a current nature, such as dividends from subsidiaries. A few countries have more severe restrictions on remittances of a capital nature, which are immaterial to the Group.

7. Dividends paid

	<u>2019</u>	<u>2018</u>
Declared and paid during the year:		
Equity dividends on ordinary shares:		
Final dividend for 2018: EUR 2.00 (2017: EUR 1.85)	<u>78.8</u>	<u>75.8</u>
	<u><u>78.8</u></u>	<u><u>75.8</u></u>

8. Capital commitments and other commitments

Capital commitments

At 30 June 2019, the Group has commitments for capital expenditures of 49 (31 December 2018: 17).

9. Events after balance sheet date

There are no material subsequent events after balance sheet date.

Rotterdam, 6 August 2019

Board of Directors