

# **Hunter Douglas N.V.**

**Unaudited interim condensed consolidated financial statements**

**30 June 2020**

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## Chairman's letter

### To our shareholders

- **Sales:** USD 1,490.4 million, 17.8% lower than USD 1,812.8 million in the first half of 2019.  
  
The 17.8% sales decrease reflects a 15.2% volume decrease, a 2.0% negative currency impact, a 1.6% increase from acquisitions and a 2.2% decrease from divestments. Volume decreased in all areas.  
  
North America accounted for 50% of sales, Europe 40%, Asia 3%, Latin America 3% and Australia 4%. Window Coverings were 91% and Architectural Products were 9% of sales.
- **Earnings before interest, tax, depreciation and amortization - EBITDA:** USD 164.5 million, 28.0% lower than USD 228.5 million in the first half of 2019.
- **Income from Operations (before other income/expense):** USD 88.9 million compared with USD 162.0 million in the first half of 2019. Results in local currencies were lower in all areas, except in Australia where results were better.
- **Other income/expense:** USD 44.5 million negative compared with USD 5.2 million positive in the first half of 2019. Hunter Douglas is restructuring its operations to an expected lower level of sales. The 2020 charges mainly relate to reorganization expenses in North America and Europe while the 2019 credit was for the restatement of divestments.
- **Profit before Tax:** USD 39.3 million compared with USD 161.1 million in the first half of 2019.
- **Total Net Profit:** USD 28.5 million (per share EUR 0.74) compared with USD 125.1 million in the first half of 2019 (per share EUR 3.17).

**Capital expenditures** were USD 32 million compared with USD 54 million in the first half of 2019, while depreciation was USD 64 million compared with USD 56 million in the first half of 2019. For the full year capital expenditures are expected to be approximately USD 85 million and depreciation USD 130 million.

**Operating cash flow:** USD 60 million compared with USD 134 million in the first half of 2019.

**Shareholder's equity** was USD 1,767 million compared with USD 1,798 million at the end of 2019, reflecting the first half year results decreased by a negative exchange translation.

**RONAE (Return before interest/net assets employed)** was 10.3% compared with 14.3% in the first half of 2019.

### Outlook

Considering the continuing COVID-19 crisis the outlook remains uncertain.

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

## **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.

## **Risk Management**

### **COVID-19**

The recent outbreak of COVID-19 will significantly influence the performance of Hunter Douglas, although the exact impact will largely depend on the duration and severity of government measures and will substantially differ between countries as well as the impact on the general economic outlook. To the extent possible - considering different situations in various countries where Hunter Douglas is active - management has taken measures to maintain sales, reduce costs and keep liquidity. The financial statements also reflect the facts and circumstances at the time of preparation. The situation changes on a daily basis giving rise to inherent uncertainty. Management will closely monitor the corona situation and take additional measures if and when necessary.

## **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;
- 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.

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

Amounts in millions	USD	
	<u>2020</u> (unaudited)	<u>2019</u> (unaudited)
<b>Continuing operations</b>		
<b>Net sales</b>	1,490.4	1,812.8
Cost of sales	<b>-920.0</b>	<b>-1,053.9</b>
<b>Gross profit</b>	<b>570.4</b>	758.9
Selling and marketing expense	<b>-332.7</b>	<b>-389.1</b>
General and administrative expense	<b>-193.3</b>	<b>-207.8</b>
<b>Income from operations (EBIT)</b>	<b>44.4</b>	162.0
Finance income	2.0	2.2
Finance costs	<b>-7.1</b>	<b>-8.3</b>
<b>Income before taxes from continuing operations</b>	<b>39.3</b>	155.9
Taxes on income	<b>-10.8</b>	<b>-35.7</b>
Net profit for the period from continuing operations	<b>28.5</b>	120.2
<b>Discontinued operations</b>		
Net profit after tax for the period from discontinued operations		5.2
<b>Net profit for the period</b>	<b>28.5</b>	125.4
Net profit attributable to non-controlling interest		0.3
<b>Net profit attributable to equity shareholders</b>	<b>28.5</b>	125.1
<b>Earnings per share</b>		
- Basic, profit for the year attributable to ordinary equity holders of the parent	<b>0.82</b>	3.59
- Diluted, profit for the year attributable to ordinary equity holders of the parent	<b>0.82</b>	3.59
<b>Earnings per share for continuing operations</b>		
- Basic, profit from continuing operations attributable to ordinary equity holders of the parent	<b>0.82</b>	3.45
- Diluted, profit from continuing operations attributable to ordinary equity holders of the parent	<b>0.82</b>	3.45

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

Amounts in millions	USD	
	<u>2020</u> (unaudited)	<u>2019</u> (unaudited)
<b>Net profit for the period</b>	<b>28.5</b>	125.4
<b>Other comprehensive income</b>		
<i>Other comprehensive income that may be reclassified to profit or loss in subsequent periods</i>		
Currency translation differences	<b>-59.1</b>	5.7
<b>Net other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods</b>	<b>-59.1</b>	5.7
<i>Other comprehensive income that will not be reclassified to profit or loss in subsequent periods</i>		
Other	<b>-1.0</b>	
<b>Net other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods</b>	<b>-1.0</b>	0.0
<b>Total comprehensive income for the period, net of tax</b>	<b>-31.6</b>	131.1
Attributable to non-controlling interest		0.4
Attributable to equity shareholders	<b>-31.6</b>	130.7

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

Amounts in millions	USD	
	<u>2020</u> (unaudited)	<u>2019</u> (unaudited)
<b>Continuing operations</b>		
<b>Net sales</b>	688.2	989.7
Cost of sales	<b>-440.0</b>	<b>-562.7</b>
<b>Gross profit</b>	<b>248.2</b>	427.0
Selling and marketing expense	<b>-150.1</b>	<b>-201.3</b>
General and administrative expense	<b>-103.3</b>	<b>-107.3</b>
<b>Income from operations (EBIT)</b>	<b>-5.2</b>	118.4
Finance income	<b>0.7</b>	0.4
Finance costs	<b>-4.6</b>	<b>-4.0</b>
<b>Income before taxes from continuing operations</b>	<b>-9.1</b>	114.8
Taxes on income	<b>-1.0</b>	<b>-27.8</b>
Net profit for the period from continuing operations	<b>-10.1</b>	87.0
<b>Discontinued operations</b>		
Net profit after tax for the period from discontinued operations		2.3
<b>Net profit for the period</b>	<b>-10.1</b>	89.3
Net profit attributable to non-controlling interest		0.2
<b>Net profit attributable to equity shareholders</b>	<b>-10.1</b>	89.1
<b>Earnings per share</b>		
- Basic, profit for the year attributable to ordinary equity holders of the parent	<b>-0.29</b>	2.56
- Diluted, profit for the year attributable to ordinary equity holders of the parent	<b>-0.29</b>	2.56
<b>Earnings per share for continuing operations</b>		
- Basic, profit from continuing operations attributable to ordinary equity holders of the parent	<b>-0.29</b>	2.50
- Diluted, profit from continuing operations attributable to ordinary equity holders of the parent	<b>-0.29</b>	2.50

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

Amounts in millions	USD	
	<u>2020</u> (unaudited)	<u>2019</u> (unaudited)
<b>Net profit for the period</b>	<b>-10.1</b>	89.3
<b>Other comprehensive income</b>		
<i>Other comprehensive income that may be reclassified to profit or loss in subsequent periods</i>		
Currency translation differences	<b>22.0</b>	<b>-16.6</b>
<b>Net other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods</b>	<b>22.0</b>	<b>-16.6</b>
<b>Total comprehensive income for the period, net of tax</b>	<b>11.9</b>	72.7
Attributable to non-controlling interest		0.4
Attributable to equity shareholders	<b>11.9</b>	72.3

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

Amounts in millions	USD	
	<b>2020</b> (unaudited)	<b>2019</b> (unaudited)
<b>Net profit from continuing operations</b>	<b>28.5</b>	119.9
<b>Net profit from discontinued operations</b>		5.2
<b>Adjustments for:</b>		
Depreciation tangible fixed assets	<b>42.6</b>	40.4
Depreciation right-of-use tangible fixed assets	<b>21.6</b>	15.4
Amortization patents & trademarks	<b>11.4</b>	9.3
Decrease provisions	<b>-30.8</b>	-1.0
Other non-cash items	<b>-12.0</b>	-7.5
<b>Operating cash flow before working capital changes</b>	<b>61.3</b>	181.7
<b>Changes in working capital:</b>		
-(increase) decrease trade and other receivables and prepayments	<b>-30.9</b>	25.3
-increase inventories	<b>-16.7</b>	-17.4
-increase (decrease) trade and other payables	<b>46.1</b>	-55.3
<b>Operating cash flow</b>	<b>59.8</b>	134.3
Dividend paid		-78.8
<b>Net cash from operations</b>	<b>59.8</b>	55.5
<b>Cash flow from investing activities</b>		
Investments in subsidiaries, net of cash acquired		-61.7
Investments in tangible fixed assets	<b>-31.6</b>	-53.6
Divestments tangible fixed assets	<b>8.3</b>	5.7
Investments in intangible fixed assets	<b>-0.1</b>	-1.4
Decrease investment portfolio		0.5
Increase other financial non-current assets	<b>-4.4</b>	-2.3
<b>Net cash from investing activities</b>	<b>-27.8</b>	-112.8
<b>Cash flow from financing activities</b>		
(Decrease) increase interest-bearing loans and borrowings	<b>-11.1</b>	83.9
Payment of lease liabilities	<b>-20.3</b>	-19.0
<b>Net cash from financing activities</b>	<b>-31.4</b>	64.9
<b>Net increase in cash and cash equivalents</b>	<b>0.6</b>	7.6
<b>Change in cash and cash equivalents</b>		
<b>Balance at 1 January</b>	<b>39.3</b>	31.1
Net increase in cash and cash equivalents	<b>0.6</b>	7.6
Exchange difference cash and cash equivalents	<b>-1.8</b>	-0.1
<b>Balance at 30 June</b>	<b>38.1</b>	38.6



## Interim condensed consolidated statement of financial position at

### Assets

Amounts in millions	USD	
	<u>30 Jun 2020</u> (unaudited)	<u>31 Dec 2019</u>
<b>Non-current assets</b>		
Intangible fixed assets	1,359.5	1,409.2
Tangible fixed assets	480.7	505.6
Right-of-use tangible fixed assets	110.2	144.9
Deferred income tax assets	147.5	142.5
Other financial non-current assets	56.9	56.0
<b>Total non-current assets</b>	<u>2,154.8</u>	<u>2,258.2</u>
<b>Current assets</b>		
Inventories	621.2	617.5
Trade and other receivables	422.0	421.2
Prepaid income tax	46.3	36.5
Prepayments	109.8	100.8
Currency derivatives	0.3	0.5
Cash and short-term deposits	38.1	39.3
<b>Total current assets</b>	<u>1,237.7</u>	<u>1,215.8</u>
<b>TOTAL ASSETS</b>	<u><u>3,392.5</u></u>	<u><u>3,474.0</u></u>

## Interim condensed consolidated statement of financial position at

### Shareholders' equity and liabilities

Amounts in millions	USD	
	<u>30 Jun 2020</u> (unaudited)	<u>31 Dec 2019</u>
<b>Equity attributable to equity shareholders</b>		
Issued capital	9.4	9.4
Share premium	167.3	167.3
Foreign currency translation	-342.3	-283.6
Legal reserve	134.0	134.0
Retained earnings	1,798.8	1,771.3
<b>Total equity attributable to equity shareholders of the parent</b>	<b>1,767.2</b>	<b>1,798.4</b>
Non-controlling interest	0.1	0.5
<b>Total equity</b>	<b>1,767.3</b>	<b>1,798.9</b>
<b>Non-current liabilities</b>		
Interest-bearing loans and borrowings	490.2	441.5
Preferred shares	9.3	9.3
Lease liabilities	83.8	108.8
Provisions	246.2	295.8
Deferred income tax liabilities	43.3	33.1
<b>Total non-current liabilities</b>	<b>872.8</b>	<b>888.5</b>
<b>Current liabilities</b>		
Trade and other payables	651.5	629.8
Lease liabilities	36.7	41.9
Income tax payable	27.1	29.1
Restructuring provisions	15.2	3.1
Currency derivatives		0.7
Interest-bearing loans and borrowings	21.9	82.0
<b>Total current liabilities</b>	<b>752.4</b>	<b>786.6</b>
<b>TOTAL LIABILITIES</b>	<b>1,625.2</b>	<b>1,675.1</b>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>	<b>3,392.5</b>	<b>3,474.0</b>

## Interim condensed consolidated statement of changes in equity for the first half year 2020

Amounts in millions

	Attributable to equity shareholders of the parent					Total	Non-controlling interest	Total Equity
	Issued capital	Share premium	Foreign currency translation	Legal reserve	Retained earnings			
<b>At 1 January 2020</b>	9.4	167.3	-283.6	134.0	1,771.3	1,798.4	0.5	1,798.9
Net profit					28.5	28.5		28.5
Other comprehensive income (expense)			-58.7		-1.0	-59.7	-0.4	-60.1
Total comprehensive income (expense)	0.0	0.0	-58.7	0.0	27.5	-31.2	-0.4	-31.6
					0.0			0.0
<b>At 30 June 2020 (unaudited)</b>	9.4	167.3	-342.3	134.0	1,798.8	1,767.2	0.1	1,767.3

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				
<b>At 1 January 2019</b>	9.7	80.8	-34.9	0.5	-321.1	43.0	1,721.8	1,499.8	9.0	1,508.8
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 of shares	-0.2		34.9	-0.5			-34.2	0.0		0.0
Equity dividends							-78.8	-78.8		-78.8
<b>At 30 June 2019 (unaudited)</b>	9.5	79.3	0.0	0.0	-315.5	43.0	1,735.4	1,551.7	9.4	1,561.1

## 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 2020 were authorized for issue in accordance with a resolution of the Directors on 5 August 2020.

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 2019. 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 2019.

### 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. 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 2020

	<u>Window Coverings</u>	<u>Architectural Products</u>	<u>Metals Trading</u>	<u>Total</u>
<b>Revenue</b>				
Sales to external customers	1,359.0	131.4		1,490.4
<b>Total revenue</b>	<b>1,359.0</b>	<b>131.4</b>		<b>1,490.4</b>
<b>Results</b>				
Segment profit (loss) before tax	53.6	-14.3		39.3

### First half year 2019

	<u>Window Coverings</u>	<u>Architectural Products</u>	<u>Metals Trading</u>	<u>Total</u>
<b>Revenue</b>				
Sales to external customers	1,641.2	171.6		1,812.8
<b>Total revenue</b>	<b>1,641.2</b>	<b>171.6</b>		<b>1,812.8</b>
<b>Results</b>				
Segment profit before tax	138.6	15.5	6.7	160.8

### Assets and liabilities

Segment assets	3,106.5	272.9		3,379.4
Investment in an associate	13.1			13.1
<b>Total assets at 30 June 2020</b>	<b>3,119.6</b>	<b>272.9</b>	<b>0.0</b>	<b>3,392.5</b>
Segment liabilities	1,448.5	176.7		1,625.2
<b>Total liabilities at 30 June 2020</b>	<b>1,448.5</b>	<b>176.7</b>	<b>0.0</b>	<b>1,625.2</b>

### Assets and liabilities

Segment assets	3,010.7	310.7	208.6	3,530.0
Investment in an associate	30.2		0.5	30.7
<b>Total assets at 30 June 2019</b>	<b>3,040.9</b>	<b>310.7</b>	<b>209.1</b>	<b>3,560.7</b>
Segment liabilities	1,664.6	256.2	78.8	1,999.6
<b>Total liabilities at 30 June 2019</b>	<b>1,664.6</b>	<b>256.2</b>	<b>78.8</b>	<b>1,999.6</b>

## Sales by region

	Europe		North America		Latin America		Asia		Australia		Total	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
<b>Net sales</b>												
Window Coverings	572	668	690	848	26	42	16	26	54	57	1,358	1,641
Architectural Products	34	47	52	57	20	31	26	37			132	172
<b>Total</b>	<b>606</b>	<b>715</b>	<b>742</b>	<b>905</b>	<b>46</b>	<b>73</b>	<b>42</b>	<b>63</b>	<b>54</b>	<b>57</b>	<b>1,490</b>	<b>1,813</b>

#### 4. Expenses

Non-recurring restructuring expenses are included in the consolidated statement of income as follows:

	<u>2020</u>	<u>2019</u>
Cost of sales	16.1	
Selling and marketing expense	11.1	
General and administrative expense	17.3	
	<u>44.5</u>	<u>0.0</u>

Non-recurring restructuring expenses mainly relate to the reduction of employees caused by changes of the business per company.

#### 5. Business combination

**In the first half year of 2020 no new businesses were acquired.**

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

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.

#### 6. Impairment testing of indefinitely lived goodwill, patents and licenses

An impairment analysis has been performed per the end of 2019. There are no impairment indicators that would require an updated calculation.

#### 7. 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 2020 is 38.1 (30 June 2019: 38.6).

At 30 June 2020 the Group had available 404 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>2020</u>	<u>2019</u>
Cash at bank and in hand	35.6	38.4
Short-term deposits	2.5	0.2
	<u>38.1</u>	<u>38.6</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.

#### 8. Dividends paid

	<u>2020</u>	<u>2019</u>
<b>Declared and paid during the year:</b>		
Equity dividends on ordinary shares:		
Final dividend for 2019: nil (2018: EUR 2.00)		78.8
	<u>0.0</u>	<u>78.8</u>

The final dividend for 2019 was cancelled on 28 May 2020.

## **9. Capital commitments and other commitments**

### **Capital commitments**

At 30 June 2020, the Group has commitments for capital expenditures of 30 (31 December 2019: 18).

### **10. Events after balance sheet date**

There are no material subsequent events after balance sheet date.

Rotterdam, 5 August 2020

Board of Directors