

# **Hunter Douglas N.V.**

**Unaudited interim condensed consolidated financial statements**

**30 June 2017**

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# Chairman's letter

## To our shareholders

**Sales:** USD 1,512.8 million, 15.8% higher, compared with USD 1,306.3 million in the first half of 2016.

**Earnings before interest, tax, depreciation and amortization - EBITDA:**  
USD 175.8 million, 14.2% higher than USD 154.0 million in the first half of 2016.

**Income from Operations:**  
USD 127.4 million, 11.6% higher than USD 114.2 million in the first half of 2016.  
Results in local currencies were better in all areas except in Latin America and Asia where results were lower.

**Profit before Tax (excluding Net Result Investment Portfolio):**  
USD 122.1 million, 10.2% higher than USD 110.8 million in the first half of 2016.

**Net Result Investment Portfolio:** USD 5.7 million positive (after deduction of imputed interest and expenses) compared with USD 7.3 million negative in the first half of 2016. The Portfolio's return in U.S. dollars (before imputed interest and expenses) was 6.8% positive. The Portfolio had a fair value at June 30, 2017 of USD 121.5 million and is being wound down.

**Profit before Tax:** USD 127.8 million, 23.5% higher than USD 103.5 million in the first half of 2016.

**Total Net Profit:** USD 99.5 million (per share EUR 2.63), 18.9% higher than USD 83.7 million in the first half of 2016 (per share EUR 2.17).

**Capital expenditures** were USD 60 million compared with USD 32 million in the first half of 2016, while depreciation was USD 40 million compared with USD 36 million in the first half of 2016. For the full year capital expenditures are expected to be approximately USD 110 million and depreciation USD 80 million.

**Acquisitions:**  
The previously announced acquisition of Hillarys, a UK retailer of blinds, curtains and carpets with significant expertise in in-home sales, was completed on July 17, 2017.  
The acquisition is being notified to the UK Competition and Markets Authority.

**Operating cash flow:** USD 19.4 million compared with USD 18.8 million in the first half of 2016.

**Shareholder's equity** was USD 1,274 million, compared with USD 1,244 million at the end of 2016, reflecting the first half year results offset by negative exchange translation and the payment of the dividend of EUR 1.75, totalling USD 68 million.

**RONAE (Return before interest/net assets employed) excluding Metals Trading and Investment Portfolio** was 16.5% compared with 16.6% in the first half of 2016.

## Outlook

We expect continued growth in Europe, the US and Asia and continued difficult conditions in Latin America.

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

**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;
- The Investment Portfolio risks are limited by the wide diversification of the funds;
- 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 consolidated statement of income for the first half year ended 30 June

Amounts in millions	USD	
	<u>2017</u> (unaudited)	<u>2016</u> (unaudited)
<b>Net sales</b>	1,512.8	1,306.3
Cost of sales	<b>-916.9</b>	<b>-777.3</b>
<b>Gross profit</b>	<b>595.9</b>	529.0
Gross profit metals trading	<b>7.9</b>	6.3
<b>Total gross profit</b>	<b>603.8</b>	535.3
Selling and marketing expense	<b>-296.9</b>	<b>-257.9</b>
General and administrative expense	<b>-179.5</b>	<b>-163.2</b>
<b>Income from operations (EBIT)</b>	<b>127.4</b>	114.2
Finance costs	<b>-7.5</b>	<b>-11.2</b>
Finance income	<b>7.9</b>	0.5
<b>Income before taxes</b>	<b>127.8</b>	103.5
Taxes on income	<b>-23.8</b>	<b>-19.3</b>
<b>Net profit for the year</b>	<b>104.0</b>	84.2
Net profit attributable to minority interest	<b>4.5</b>	0.5
<b>Net profit attributable to equity shareholders</b>	<b>99.5</b>	83.7
<b>Earnings per share attributable to equity shareholders</b>		
- basic for profit for the year	<b>2.86</b>	2.41
- fully diluted for profit for the year	<b>2.86</b>	2.41

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

Amounts in millions	USD	
	<u>2017</u> (unaudited)	<u>2016</u> (unaudited)
<b>Net profit for the year</b>	<b>104.0</b>	84.2
<b>Other comprehensive income</b>		
Currency translation differences *)	<b>-6.5</b>	<b>-6.7</b>
Net movement in cash flow hedges *)	<b>2.1</b>	1.9
<b>Total comprehensive income for the year, net of tax</b>	<b>99.6</b>	79.4
Attributable to equity shareholders	<b>98.1</b>	78.8
Attributable to minority interest	<b>1.5</b>	0.6

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

## Interim consolidated statement of income for the second quarter ended 30 June

Amounts in millions	USD	
	<u>2017</u> (unaudited)	<u>2016</u> (unaudited)
<b>Net sales</b>	809.1	715.2
Cost of sales	<b>-481.5</b>	<b>-416.2</b>
<b>Gross profit</b>	<b>327.6</b>	299.0
Gross profit metals trading	4.1	3.3
<b>Total gross profit</b>	<b>331.7</b>	302.3
Selling and marketing expense	<b>-149.9</b>	<b>-134.6</b>
General and administrative expense	<b>-94.8</b>	<b>-87.4</b>
<b>Income from operations (EBIT)</b>	<b>87.0</b>	80.3
Finance costs	<b>-4.0</b>	<b>-1.6</b>
Finance income	<b>3.0</b>	0.2
<b>Income before taxes</b>	<b>86.0</b>	78.9
Taxes on income	<b>-16.7</b>	<b>-13.4</b>
<b>Net profit for the year</b>	<b>69.3</b>	65.5
Net profit attributable to minority interest	4.5	0.4
<b>Net profit attributable to equity shareholders</b>	<b>64.8</b>	65.1
<b>Earnings per share attributable to equity shareholders</b>		
- basic for profit for the year	1.86	1.88
- fully diluted for profit for the year	1.86	1.88

## Interim consolidated statement of comprehensive income for the second quarter ended 30 June

Amounts in millions	USD	
	<u>2017</u> (unaudited)	<u>2016</u> (unaudited)
<b>Net profit for the year</b>	<b>69.3</b>	65.5
<b>Other comprehensive income</b>		
Currency translation differences *)	<b>-11.8</b>	<b>-0.1</b>
Net movement in cash flow hedges *)	<b>1.0</b>	0.7
<b>Total comprehensive income for the year, net of tax</b>	<b>58.5</b>	66.1
Attributable to equity shareholders	<b>52.5</b>	66.0
Attributable to minority interest	<b>6.0</b>	0.1

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

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

Amounts in millions	USD	
	<u>2017</u> (unaudited)	<u>2016</u> (unaudited)
<b>Net profit attributable to equity shareholders</b>	<b>99.5</b>	83.7
<b>Adjustments for:</b>		
Depreciation property, plant & equipment	<b>39.7</b>	36.3
Amortization patents & trademarks	<b>8.7</b>	3.5
(Decrease) increase provisions	<b>-2.1</b>	4.8
Other non-cash items	<b>-1.6</b>	4.2
Unrealized result investment portfolio	<b>-5.7</b>	5.3
Operating cash flow before working capital changes	<b>138.5</b>	137.8
<b>Changes in working capital:</b>		
-increase trade and other receivables and prepayments	<b>-105.1</b>	-52.1
-increase inventories	<b>-23.9</b>	-38.9
-increase (decrease) trade and other payables	<b>9.9</b>	-28.0
<b>Operating cash flow</b>	<b>19.4</b>	18.8
Dividend paid	<b>-68.1</b>	-58.6
<b>Net cash from operations</b>	<b>-48.7</b>	-39.8
<b>Cash flow from investing activities</b>		
Investments subsidiaries, net of cash acquired		-301.6
Investment property, plant and equipment	<b>-60.2</b>	-32.3
Divestment property, plant and equipment	<b>2.2</b>	7.9
Decrease investment portfolio	<b>90.5</b>	
(Increase) decrease other financial non-current assets	<b>-12.6</b>	0.4
<b>Net cash from investing activities</b>	<b>19.9</b>	-325.6
<b>Cash flow from financing activities</b>		
Increase interest-bearing loans and borrowings	<b>24.0</b>	377.1
<b>Net cash from financing activities</b>	<b>24.0</b>	377.1
<b>Net increase in cash and cash equivalents</b>	<b>-4.8</b>	11.7
<b>Change in cash and cash equivalents</b>		
<b>Balance at 1 January</b>	<b>41.4</b>	30.9
Net increase in cash and cash equivalents	<b>-4.8</b>	11.7
Exchange difference cash and cash equivalents	<b>1.4</b>	-0.8
<b>Balance at 30 June</b>	<b>38.0</b>	41.8

## Interim consolidated balance sheet as per

### Assets

Amounts in millions	USD	
	<u>30-jun-17</u> (unaudited)	<u>31-dec-16</u>
<b>Non-current assets</b>		
Intangible fixed assets	593.4	580.0
Property, plant and equipment	490.7	458.9
Deferred income tax assets	179.3	179.4
Other financial non-current assets	68.0	64.4
<b>Total non-current assets</b>	<b>1,331.4</b>	<b>1,282.7</b>
<b>Current assets</b>		
Inventories	671.7	630.7
Trade and other receivables	529.2	423.5
Prepaid income tax	38.6	41.5
Prepayments	99.1	84.1
Metal derivatives	11.6	10.3
Currency derivatives	0.8	0.4
Investment portfolio	121.5	206.2
Cash and short-term deposits	38.0	41.4
<b>Total current assets</b>	<b>1,510.5</b>	<b>1,438.1</b>
<b>TOTAL ASSETS</b>	<b>2,841.9</b>	<b>2,720.8</b>



## Interim consolidated balance sheet as per

Amounts in millions	USD	
	<b>30-jun-17</b> (unaudited)	31-dec-16
<b>Equity attributable to equity shareholders</b>		
Issued capital	9.7	9.0
Share premium	80.6	74.6
Treasury shares	-28.5	-28.5
Cash flow hedge reserve	-0.8	-2.9
Foreign currency translation	-254.7	-251.2
Retained earnings	1,467.6	1,442.9
<b>Total equity attributable to equity shareholders of the parent</b>	<b>1,273.9</b>	1,243.9
Non-controlling interest	23.1	21.6
<b>Total equity</b>	<b>1,297.0</b>	1,265.5
<b>Non-current liabilities</b>		
Interest-bearing loans and borrowings	636.1	632.8
Preferred shares	9.4	8.7
Provisions	156.8	156.9
Deferred income tax liabilities	1.5	0.5
<b>Total non-current liabilities</b>	<b>803.8</b>	798.9
<b>Current liabilities</b>		
Trade and other payables	617.3	580.7
Income tax payable	16.2	26.3
Restructuring provisions	3.2	5.3
Currency and interest derivatives	1.5	3.7
Interest-bearing loans and borrowings	102.9	40.4
<b>Total current liabilities</b>	<b>741.1</b>	656.4
<b>TOTAL LIABILITIES</b>	<b>1,544.9</b>	1,455.3
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>	<b>2,841.9</b>	2,720.8

### Interim consolidated statement of changes in equity for the first half year 2017

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	Retained earnings			
<b>At 1 January 2017</b>	9.0	74.6	-28.5	-2.9	-251.2	1,442.9	1,243.9	21.6	1,265.5
Net profit						99.5	99.5	4.5	104.0
Other comprehensive income (expense)	0.7	6.0		2.1	-3.5	-6.7	-1.4	-3.0	-4.4
Total comprehensive income (expense)	0.7	6.0	0.0	2.1	-3.5	92.8	98.1	1.5	99.6
Equity dividends						-68.1	-68.1		-68.1
<b>At 30 June 2017 (unaudited)</b>	9.7	80.6	-28.5	-0.8	-254.7	1,467.6	1,273.9	23.1	1,297.0

### Interim consolidated statement of changes in equity for the first half year 2016

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	Retained earnings			
<b>At 1 January 2016</b>	9.3	77.0	-28.5	-7.3	-231.6	1,245.7	1,064.6	10.6	1,075.2
Net profit						83.7	83.7	0.5	84.2
Other comprehensive income (expense)	0.2	1.6		1.9	-6.8	-1.8	-4.9	0.1	-4.8
Total comprehensive income (expense)	0.2	1.6	0.0	1.9	-6.8	81.9	78.8	0.6	79.4
Acquisitions							0.0	6.8	6.8
Equity dividends						-58.6	-58.6		-58.6
<b>At 30 June 2016 (unaudited)</b>	9.5	78.6	-28.5	-5.4	-238.4	1,269.0	1,084.8	18.0	1,102.8

## **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 2017 were authorized for issue in accordance with a resolution of the Directors on 1 August 2017.

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 as at 31 December 2016. The same accounting policies are followed in the interim condensed consolidated financial statements as compared with the Group's annual financial statements as at 31 December 2016.

#### **IFRS accounting standards effective as from 2017**

In May 2014, the IASB issued IFRS 15 - Revenue from Contracts with Customers. The standard requires a company to recognize revenue upon transfer of control of goods or services to a customer at an amount that reflects the consideration it expects to receive.

The standard and amendments are effective for annual periods beginning on or after January 1, 2018, with earlier adoption permitted. The Group is currently quantifying the impact of adoption, however based on currently available information, the Group does not expect a material impact on its Consolidated Financial Statements from the adoption of this standard and related amendments.

IFRS 16 is effective from January 1, 2019 with early adoption allowed only if IFRS 15 - Revenue from Contracts with Customers is also applied. The Group is currently evaluating the method of implementation and impact of adoption on its Consolidated Financial Statements.

### 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. The investment segment relates to the Group's investment portfolio which is invested in marketable securities in a variety of asset classes, including hedged equities, arbitrage, financial trading and fixed income. 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:

<b>First half year 2017</b>	<b>Window Coverings</b>	<b>Architectural Products</b>	<b>Metals Trading</b>	<b>Investment Portfolio</b>	<b>Total</b>
<b>Revenue</b>					
Sales to external customers	1,282.5	230.3			1,512.8
<b>Total revenue</b>	<b>1,282.5</b>	<b>230.3</b>			<b>1,512.8</b>
<b>Results</b>					
Segment profit before tax	108.9	10.1	3.1	5.7	127.8
<b>First half year 2016</b>					
<b>First half year 2016</b>	<b>Window Coverings</b>	<b>Architectural Products</b>	<b>Metals Trading</b>	<b>Investment Portfolio</b>	<b>Total</b>
<b>Revenue</b>					
Sales to external customers	1,089.2	217.1			1,306.3
<b>Total revenue</b>	<b>1,089.2</b>	<b>217.1</b>			<b>1,306.3</b>
<b>Results</b>					
Segment profit before tax	90.7	18.0	2.1	-7.3	103.5
<b>Assets and liabilities</b>					
Segment assets	2,116.3	413.0	172.0	121.5	2,822.8
Investment in an associate	18.6		0.5		19.1
<b>Total assets at 30 June 2017</b>	<b>2,134.9</b>	<b>413.0</b>	<b>172.5</b>	<b>121.5</b>	<b>2,841.9</b>
Segment liabilities	1,215.2	270.4	59.3		1,544.9
<b>Total liabilities at 30 June 2017</b>	<b>1,215.2</b>	<b>270.4</b>	<b>59.3</b>	<b>0.0</b>	<b>1,544.9</b>
<b>Assets and liabilities</b>					
Segment assets	1,849.0	422.5	167.9	196.1	2,635.5
Investment in an associate	13.8	0.6			14.4
<b>Total assets at 30 June 2016</b>	<b>1,862.8</b>	<b>423.1</b>	<b>167.9</b>	<b>196.1</b>	<b>2,649.9</b>
Segment liabilities	1,217.1	274.4	55.6		1,547.1
<b>Total liabilities at 30 June 2016</b>	<b>1,217.1</b>	<b>274.4</b>	<b>55.6</b>	<b>0.0</b>	<b>1,547.1</b>

#### 4. Business combination

In the first half year of 2017 Hunter Douglas did not acquire new businesses.

In the first half year of 2016 Hunter Douglas acquired the following businesses:

- 100 % of **Levolor / Kirsch**, a leading North American supplier of window coverings and drapery hardware to home centers with annual sales of USD 302 million, since June 30.
- 60% of **Blinds 2go**, a leading online retailer in the UK with annual sales of GBP 34 million, since June 10.
- 88% of **Aluvert**, a leading South African window covering fabricator with annual sales of EUR 11 million, since March 1.
- 100% of **Lunex**, a Norwegian direct selling window covering business with annual sales of EUR 18 million, since March 10.

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

An impairment analysis has been performed per the end of 2016. 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 2017 is 38.0 (30 June 2016: 41.8).

At 30 June 2017 the Group had available 593 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:

Amounts in millions	<u>2017</u>	<u>2016</u>
Cash at bank and in hand	37.3	38.6
Short-term deposits	<u>0.7</u>	<u>3.2</u>
	<u>38.0</u>	<u>41.8</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

Amounts in millions	<u>2017</u>	<u>2016</u>
<b>Declared and paid during the year:</b>		
Equity dividends on ordinary shares:		
Final dividend for 2016: EUR 1.75 (2015: EUR 1.50)	<u>68.1</u>	<u>58.6</u>
	<u>68.1</u>	<u>58.6</u>

#### 8. Capital commitments and other commitments

##### Capital commitments

At 30 June 2017, the Group has commitments for capital expenditures of 25 (31 December 2016: 11).

Rotterdam, 1 August 2017

Board of Directors