

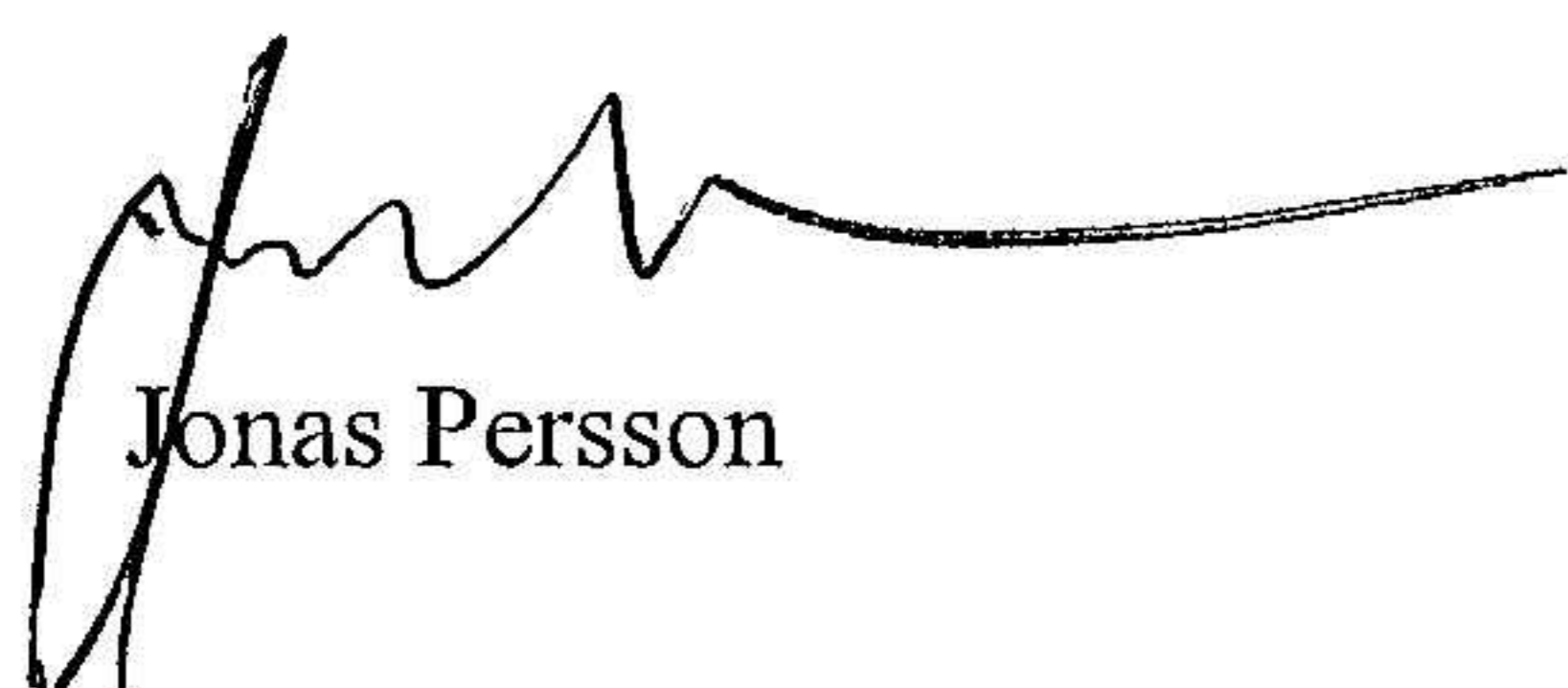
Årsredovisning
för
HD Sweden Holding AB
556713-0322
Räkenskapsåret
2022

Fastställelseintyg

Undertecknad styrelseledamot i HD Sweden Holding AB intygar att resultaträkningen och balansräkningen i årsredovisningen har fastställts på årsstämman den 30 juni 2023. Årsstämman beslutade att godkänna styrelsens förslag till resultatdisposition.

Jag intygar också att innehållet i årsredovisningen och revisionsberättelsen stämmer överens med originalen.

Alingsås den 30 juni 2023



Jonas Persson

Årsredovisning

för

HD Sweden Holding AB

556713-0322

Räkenskapsåret

2022

Styrelsen och verkställande direktören för HD Sweden Holding AB, med säte i Alingsås, får härmed avge årsredovisning för räkenskapsåret 2022.

Årsredovisningen är upprättad i svenska kronor, SEK.

Förvaltningsberättelse

Information om verksamheten

HD Sweden Holding AB, ingår i Hunter Douglas-gruppen, vars slutliga moderbolag, 3G Capital Partners (71760), har sitt säte i New York, USA.
Verksamheten består av att äga och förvalta aktier i dotterbolag.

Väsentliga händelser under räkenskapsåret

Inga väsentliga händelser under 2022.

Risker och osäkerhetsfaktorer

Eftersom verksamheten består i att äga och förvalta aktier i dotterbolag så utgörs bolagets risker och osäkerhetsfaktorer av de risker som finns i respektive dotterbolag.

Flerårsöversikt (Tkr)	2022	2021	2020	2019
Nettoomsättning	565	565	565	565
Resultat efter finansiella poster	24 093	108 398	8 292	8 543
Balansomslutning	456 554	568 216	398 779	359 944
Soliditet (%)	94,7	95,6	98,0	99,3
Avkastning på eget kap. (%)	5,6	19,9	2,1	2,4
Antal anställda	0	0	0	0

Förslag till vinstdisposition

Styrelsen föreslår att till förfogande stående vinstmedel (kronor):

balanserad vinst	313 239 362
årets vinst	118 825 360
	432 064 722
disponeras så att	
till aktieägare utdelas	113 000 000
i ny räkning överföres	319 064 722
	432 064 722

Styrelsen föreslås bemyndigas att besluta om tidpunkt då utdelningen skall betalas.

Styrelsen anser att förslaget är förenligt med försiktighetsregeln i 17 kap. 3 § aktieföretagslagen enligt följande redogörelse: Styrelsens uppfattning är att vinstutdelningen är försvarlig med hänsyn till de krav verksamhetens art, omfattning och risk ställer på storleken på det egna kapitalet, bolagets konsolideringsbehov, likviditet och ställning i övrigt.

Företagets resultat och ställning i övrigt framgår av efterföljande resultat- och balansräkning med tilläggsupplysningar.

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Resultaträkning

Tkr

	Not	2022-01-01 -2022-12-31	2021-01-01 -2021-12-31
Nettoomsättning	1	565	565
Bruttoresultat		565	565
Rörelsens kostnader			
Administrationskostnader		-91	-130
Rörelseresultat	2	474	435
Resultat från finansiella poster			
Resultat från andelar i koncernföretag	3	22 558	107 808
Ränteintäkter och liknande resultatposter	4	1 137	215
Räntekostnader och liknande resultatposter	5	-76	-60
		23 619	107 963
Resultat efter finansiella poster		24 093	108 398
Bokslutsdispositioner	6	119 721	55 936
Skatt på årets resultat	7	-24 989	-11 644
Årets resultat		118 825	152 690

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Balansräkning

Tkr

Not

2022-12-31

2021-12-31

TILLGÅNGAR

Anläggningstillgångar

Finansiella anläggningstillgångar

Andelar i koncernföretag

8, 9

300 130

300 130

Omsättningstillgångar

Kortfristiga fordringar

Fordringar hos koncernföretag

146 039

268 086

Övriga fordringar

10 385

0

Summa kortfristiga fordringar

156 424

268 086

Summa omsättningstillgångar

156 424

268 086

SUMMA TILLGÅNGAR

456 554

568 216

Balansräkning

Tkr

Not

2022-12-31

2021-12-31

EGET KAPITAL OCH SKULDER

Eget kapital

Bundet eget kapital

Aktiekapital

200

200

Fritt eget kapital

10

Balanserad vinst eller förlust

313 239

390 550

Årets resultat

118 825

152 690

Summa eget kapital

432 265

543 439

Kortfristiga skulder

Skulder till koncernföretag

5 267

9 464

Aktuella skatteskulder

18 800

15 092

Övriga skulder

141

141

Upplupna kostnader och förutbetalda intäkter

81

80

Summa kortfristiga skulder

24 289

24 777

SUMMA EGET KAPITAL OCH SKULDER

456 554

568 216

Rapport över förändringar i eget kapital

Tkr

	Aktie- kapital	Balanserat resultat	Årets resultat	Summa eget kapital
Ingående eget kapital 2021-01-01	200	357 063	33 487	390 750
Omföring resultat föreg år		33 487	-33 487	0
Årets resultat			152 690	152 690
Utgående eget kapital 2021-12-31	200	390 550	152 690	543 439
Omföring resultat föreg år		152 690	-152 690	0
Lämnad utdelning		-230 000		-230 000
Årets resultat			118 825	118 825
Utgående eget kapital 2022-12-31	200	313 240	118 825	432 265

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Tilläggsupplysningar

Redovisnings- och värderingsprinciper

Allmänna redovisningsprinciper

Årsredovisningen är upprättad i enlighet med årsredovisningslagen och BFNAR 2012:1 Årsredovisning och koncernredovisning (K3).

Fordringar och skulder

Om inget annat anges värderas kortfristiga fordringar till det lägsta av dess anskaffningsvärde och det belopp varmed de beräknas bli reglerade. Långfristiga fordringar och långfristiga skulder värderas efter det första värderingstillfället till upplupet anskaffningsvärde. Övriga skulder värderas till de belopp varmed de beräknas bli reglerade. Övriga tillgångar redovisas till anskaffningsvärde om inget annat anges.

Koncertillhörighet och koncernredovisning

Företaget är ett moderföretag, men upprättar ingen koncernredovisning med hänvisning till undantagsregeln i årsredovisningslagen 7 kap 2§.

Närmast överordnade moderföretag som upprättar koncernredovisning i vilken företaget ingår är Hunter Douglas Holding B.V. i Rotterdam, Holland, reg nr 84968192. Årsredovisningen finns tillgänglig på www.hunterdouglasgroup.com.

Intäktsredovisning

Intäkter har tagits upp till verkligt värde av vad som erhållits eller kommer att erhållas och redovisas i den omfattning det är sannolikt att de ekonomiska fördelarna kommer att tillgodogöras bolaget och intäkterna kan beräknas på ett tillförlitligt sätt.

Nedskrivning av anläggningstillgångar

Redovisat värde granskas beträffande eventuell värdeminskning när händelse eller ändrade förutsättningar indikerar att det redovisade värdet eventuellt inte kommer att kunna återvinnas. Om det finns sådana indikationer och om det redovisade värdet överstiger det förväntade återvinningsbara beloppet skrivs tillgångarna ned till det återvinningsbara beloppet, vilket motsvarar det högsta av nettoförsäljningsvärdet och nyttjandevärdet. Nyttjandevärdet utgörs av nuvärdet av de förväntade framtida kassaflödena enligt en diskonteringsfaktor före skatt, som avspeglar marknadens aktuella uppskattning av pengars tidsvärde och de risker, som förknippas med tillgången. Nedskrivningen redovisas i resultaträkningen.

Finansiella instrument

Finansiella instrument värderas utifrån anskaffningsvärdet. Instrumentet redovisas i balansräkningen när bolaget blir part i instrumentets avtalsmässiga villkor. Finansiella tillgångar tas bort från balansräkningen när rätten att erhålla kassaflöden från instrumentet har löpt ut eller överförts och bolaget har överfört i stort sett alla risker och förmåner som är förknippade med äganderätten. Finansiella skulder tas bort från balansräkningen när förpliktelserna har reglerats eller på annat sätt upphört.

Omräkning av poster i utländsk valuta

Fordringar och skulder i utländsk valuta har värderats till balansdagens kurs. Kursvinster och kursförluster på rörelsefordringar och rörelseskulder redovisas i rörelseresultatet medan kursvinster och kursförluster på finansiella fordringar och skulder redovisas som finansiella poster.

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Koncernbidrag

Erhållna och lämnade koncernbidrag redovisas som bokslutsdispositioner.

Nyckeltalsdefinitioner

Soliditet (%)

Justerat eget kapital (eget kapital och obeskattade reserver med avdrag för uppskjuten skatt) i procent av balansomslutning.

Avkastning på eget kap. (%)

Resultat efter finansiella poster i procent av justerat eget kapital (eget kapital och obeskattade reserver med avdrag för uppskjuten skatt).

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Noter

Tkr

Not 1 Nettoomsättningens fördelning

Av moderbolagets nettoomsättning har 100% (100%) gått till andra koncernbolag.

Not 2 Anställda och personalkostnader

Bolaget har inte haft några anställda och några löner har ej utbetalats.

Not 3 Resultat från andelar i koncernföretag

	2022	2021
Erhållna utdelningar	22 558	107 808
	22 558	107 808

Not 4 Ränteintäkter och liknande resultatposter

	2022	2021
Ränteintäkter från koncernföretag	1 137	215
	1 137	215

Not 5 Räntekostnader och liknande resultatposter

	2022	2021
Övriga räntekostnader	-76	-60
	-76	-60

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Not 6 Bokslutsdispositioner

	2022	2021
Erhållna koncernbidrag	119 721	55 936
	119 721	55 936

Not 7 Aktuell och uppskjuten skatt

	2022	2021
Skatt på årets resultat		
Aktuell skatt	-24 989	-11 644
Totalt redovisad skatt	-24 989	-11 644

Avstämning av effektiv skatt

	2022		2021	
	Procent	Belopp	Procent	Belopp
Redovisat resultat före skatt		143 814		164 334
Skatt enligt gällande skattesats	20,60	-29 626	20,60	-33 853
Permanent ej avdragsgilla kostnader		-12		0
Permanent ej skattepliktiga intäkter		4 649		22 208
Redovisad effektiv skatt	17,38	-24 989	7,09	-11 644

Totalt underskottsavdrag i bolaget uppgår till 0 tkr (0 tkr).



Not 8 Andelar i koncernföretag

	2022-12-31	2021-12-31
Ingående anskaffningsvärden	300 130	300 130
Inköp	0	0
Utgående ackumulerade anskaffningsvärden	300 130	300 130
Utgående redovisat värde	300 130	300 130

Not 9 Specifikation andelar i koncernföretag

Namn	Säte	Rösträtts andel	Antal andelar	Bokfört värde
Hunter Douglas Assembly Automation AB (556458-3234)	Stenungsund	100	60 500	6 100
Luxaflex AB (556391-9728)	Anderstorp	100	50 000	118 617
Hunter Douglas Scandinavia AB (556057-9871)	Alingsås	100	225 300	135 000
Luxaflex AS (915265057)	Oslo/Norge	100	20 000	7 523
Luxaflex A/S (64850717)	Risskov/Danmark	100	3	28 481
Tuiss Scandinavia AB (556507-3706)	Helsingborg	100	1 000	4 409
				300 130

Med stöd av Årsredovisningslagen kap 5 §30 lämnas inte upplysning om dotterbolagens resultat och eget kapital. För att erhålla informationen hänvisas till respektive bolags årsredovisning. Koncernredovisning erhålles närmast i årsredovisningen för Hunter Douglas Holding B.V., reg nr 84968192. Årsredovisningen finns tillgänglig på www.hunterdouglasgroup.com.

Not 10 Disposition av vinst eller förlust

Förslag till resultatdisposition

	2022-12-31	2021-12-31
Styrelsen föreslår att till förfogande stående medel:		
balansrad vinst	-313 240	-390 550
årets vinst	-118 825	-152 690
	-432 065	-543 240
disponeras så att		
till aktieägare utdelas	113 000	230 000
i ny räkning överföres	319 065	313 240
	432 065	543 240

Not 11 Händelser efter balansdagen

Inga väsentliga händelser att rapportera.

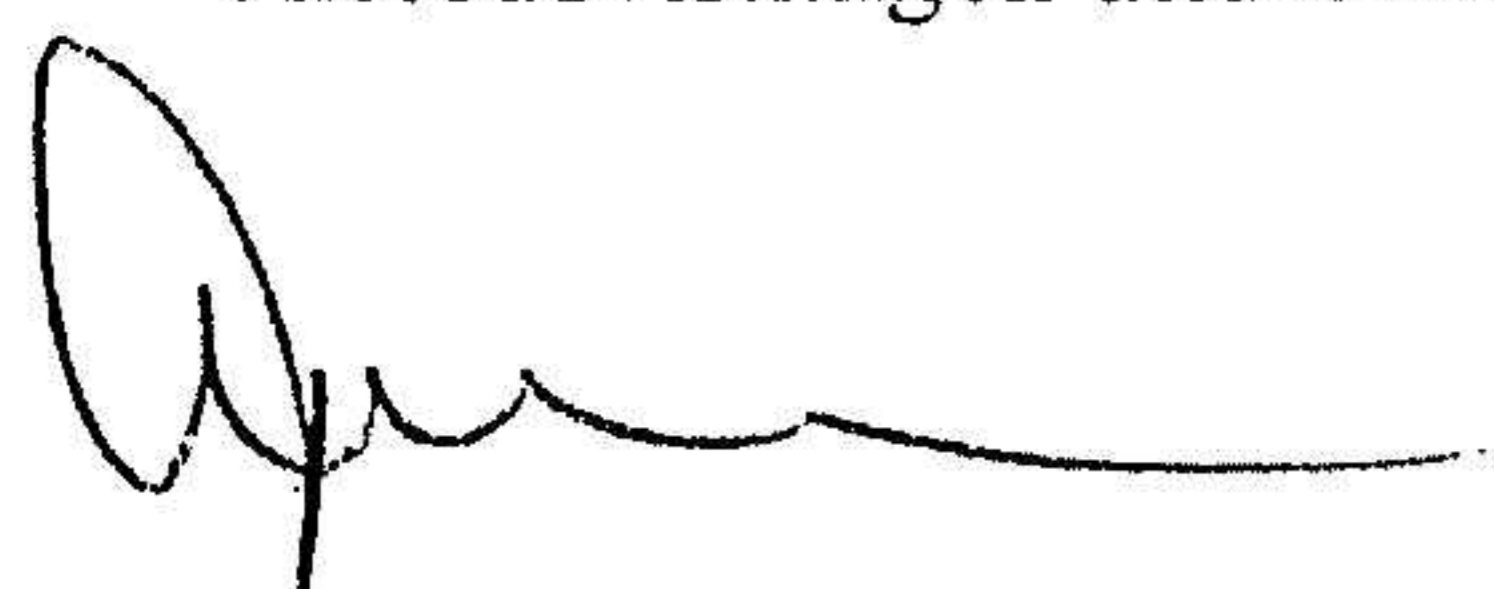
Not 12 Ställda säkerheter

	2022-12-31	2021-12-31
Ställda säkerheter	0	0
	0	0

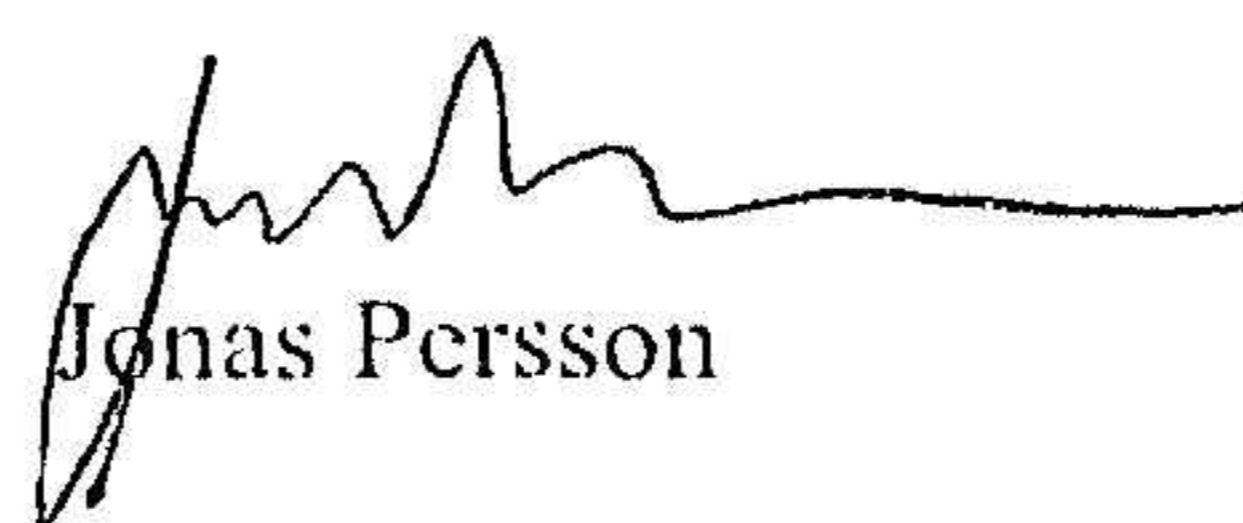
Not 13 Eventualförpliktelser

	2022-12-31	2021-12-31
Övriga eventualförpliktelser	0	0
	0	0

Årsredovisningen undertecknades av samtliga, Alingsås den 22 maj 2023



Per Stenberg
Styrelseordförande / Verkställande direktör



Jonas Persson



Lennart Gustafsson

Vår revisionsberättelse har lämnats

29 juni 2023

Ernst & Young AB



Michaela Nilsson
Auktoriserad revisor



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Revisionsberättelse

Till bolagsstämman i HD Sweden Holding AB, org.nr 556713 - 0322

Rapport om årsredovisningen

Uttalanden

Vi har utfört en revision av årsredovisningen för HD Sweden Holding AB för räkenskapsåret 2022.

Enligt vår uppfattning har årsredovisningen upprättats i enlighet med årsredovisningslagen och ger en i alla väsentliga avseenden rättvisande bild av HD Sweden Holding ABs finansiella ställning per den 31 december 2022 och av dess finansiella resultat för året enligt årsredovisningslagen. Förvaltningsberättelsen är förenlig med årsredovisningens övriga delar.

Vi tillstyrker därför att bolagsstämman fastställer resultaträkningen och balansräkningen.

Grund för uttalanden

Vi har utfört revisionen enligt International Standards on Auditing (ISA) och god revisionssed i Sverige. Vårt ansvar enligt dessa standarder beskrivs närmare i avsnittet *Revisorns ansvar*. Vi är oberoende i förhållande till HD Sweden Holding AB enligt god revisorssed i Sverige och har i övrigt fullgjort vårt yrkesetiska ansvar enligt dessa krav.

Vi anser att de revisionsbevis vi har inhämtat är tillräckliga och ändamålsenliga som grund för våra uttalanden.

Styrelsens och verkställande direktörens ansvar

Det är styrelsen och verkställande direktören som har ansvaret för att årsredovisningen upprättas och att den ger en rättvisande bild enligt årsredovisningslagen. Styrelsen och verkställande direktören ansvarar även för den interna kontroll som de bedömer är nödvändig för att upprätta en årsredovisning som inte innehåller några väsentliga felaktigheter, vare sig dessa beror på oegentligheter eller misstag.

Vid upprättandet av årsredovisningen ansvarar styrelsen och verkställande direktören för bedömningen av bolagets förmåga att fortsätta verksamheten. De upplyser, när så är tillämpligt, om förhållanden som kan påverka förmågan att fortsätta verksamheten och att använda antagandet om fortsatt drift. Antagandet om fortsatt drift tillämpas dock inte om styrelsen och verkställande direktören avser att likvidera bolaget, upphöra med verksamheten eller inte har något realistiskt alternativ till att göra något av detta.

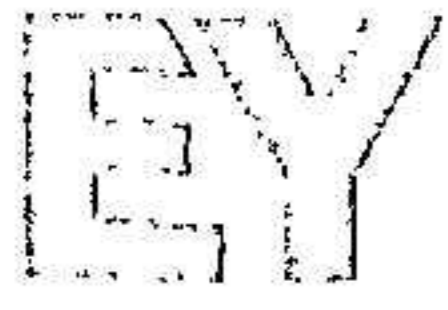
Revisorns ansvar

Våra mål är att uppnå en rimlig grad av säkerhet om att årsredovisningen som helhet inte innehåller några väsentliga felaktigheter, vare sig dessa beror på oegentligheter eller misstag, och att lämna en revisionsberättelse som innehåller våra uttalanden. Rimlig säkerhet är en hög grad av säkerhet, men är ingen garanti för att en revision som utförs enligt ISA och god revisionssed i Sverige alltid kommer att upptäcka en väsentlig felaktighet om en sådan finns. Felaktigheter kan uppstå på grund av oegentligheter eller misstag och anses vara väsentliga om de enskilt eller tillsammans rimligen kan förväntas påverka de ekonomiska beslut som användare fattar med grund i årsredovisningen.

Som del av en revision enligt ISA använder vi professionellt omdöme och har en professionellt skeptisk inställning under hela revisionen. Dessutom:

- identifierar och bedömer vi riskerna för väsentliga felaktigheter i årsredovisningen, vare sig dessa beror på oegentligheter eller misstag, utformar och utför granskningsåtgärder bland annat utifrån dessa risker och inhämtar revisionsbevis som är tillräckliga och ändamålsenliga för att utgöra en grund för våra uttalanden. Risker för att inte upptäcka en väsentlig felaktighet till följd av oegentligheter är högre än för en väsentlig felaktighet som beror på misstag, eftersom oegentligheter kan innefatta agerande i maskopi, förfalskning, avsiktliga utelämnanden, felaktig information eller åsidosättande av intern kontroll.
- skaffar vi oss en förståelse av den del av bolagets interna kontroll som har betydelse för vår revision för att utforma granskningsåtgärder som är lämpliga med hänsyn till omständigheterna, men inte för att uttala oss om effektiviteten i den interna kontrollen.
- utvärderar vi lämpligheten i de redovisningsprinciper som används och rimligheten i styrelsens och verkställande direktörens uppskattningar i redovisningen och tillhörande upplysningar.
- drar vi en slutsats om lämpligheten i att styrelsen och verkställande direktören använder antagandet om fortsatt drift vid upprättandet av årsredovisningen. Vi drar också en slutsats, med grund i de inhämtade revisionsbevisen, om det finns någon väsentlig osäkerhetsfaktor som avser sådana händelser eller förhållanden som kan leda till betydande tvivel om bolagets förmåga att fortsätta verksamheten. Om vi drar slutsatsen att det finns en väsentlig osäkerhetsfaktor, måste vi i revisionsberättelsen fästa uppmärksamheten på upplysningarna i årsredovisningen om den väsentliga osäkerhetsfaktorn eller, om sådana upplysningar är otillräckliga, modifiera uttalandet om årsredovisningen. Våra slutsatser baseras på de revisionsbevis som inhämtas fram till datumet för revisionsberättelsen. Dock kan framtida händelser eller förhållanden göra att ett bolag inte längre kan fortsätta verksamheten.
- utvärderar vi den övergripande presentationen, strukturen och innehållet i årsredovisningen, däribland upplysningarna, och om årsredovisningen återger de underliggande transaktionerna och händelserna på ett sätt som ger en rättvisande bild.

Vi måste informera styrelsen om bland annat revisionens planerade omfattning och inriktning samt tidpunkten för den. Vi måste också informera om betydelsefulla iakttagelser under revisionen, däribland de eventuella betydande brister i den interna kontrollen som vi identifierat.



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Rapport om andra krav enligt lagar och andra författningar

Uttalanden

Utöver vår revision av årsredovisningen har vi även utfört en revision av styrelsens och verkställande direktörens förvaltning av HD Sweden Holding AB för räkenskapsåret 2022 samt av förslaget till dispositioner beträffande bolagets vinst eller förlust.

Vi tillstyrker att bolagsstämman disponerar vinsten enligt förslaget i förvaltningsberättelsen och beviljar styrelsens ledamöter och verkställande direktören ansvarsfrihet för räkenskapsåret.

Grund för uttalanden

Vi har utfört revisionen enligt god revisions sed i Sverige. Vårt ansvar enligt denna beskrivs närmare i avsnittet *Revisorns ansvar*. Vi är oberoende i förhållande till HD Sweden Holding AB enligt god revisors sed i Sverige och har i övrigt fullgjort vårt yrkesetiska ansvar enligt dessa krav.

Vi anser att de revisionsbevis vi har inhämtat är tillräckliga och ändamålsenliga som grund för våra uttalanden.

Styrelsens och verkställande direktörens ansvar

Det är styrelsen som har ansvaret för förslaget till dispositioner beträffande bolagets vinst eller förlust. Vid förslag till utdelning innefattar detta bland annat en bedömning av om utdelningen är försvarlig med hänsyn till de krav som bolagets verksamhetsart, omfattning och risker ställer på storleken av bolagets egna kapital, konsolideringsbehov, likviditet och ställning i övrigt.

Styrelsen ansvarar för bolagets organisation och förvaltningen av bolagets angelägenheter. Detta innefattar bland annat att fortlöpande bedöma bolagets ekonomiska situation och att tillse att bolagets organisation är utformad så att bokföringen, medelsförvaltningen och bolagets ekonomiska angelägenheter i övrigt kontrolleras på ett betryggande sätt. Verkställande direktören ska sköta den löpande förvaltningen enligt styrelsens riktlinjer och anvisningar och bland annat vidta de åtgärder som är nödvändiga för att bolagets bokföring ska fullgöras i överensstämmelse med lag och för att medelsförvaltningen ska skötas på ett betryggande sätt.

Revisorns ansvar

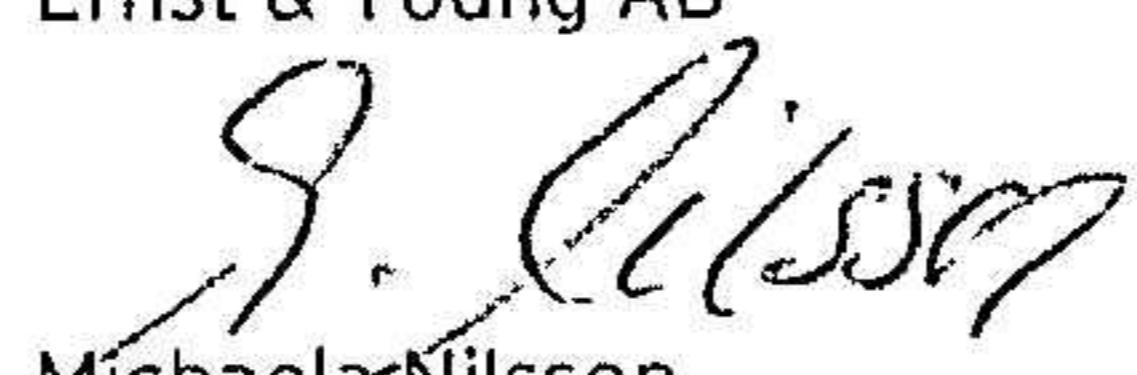
Vårt mål beträffande revisionen av förvaltningen, och därmed vårt uttalande om ansvarsfrihet, är att inhämta revisionsbevis för att med en rimlig grad av säkerhet kunna bedöma om någon styrelseledamot eller verkställande direktören i något väsentligt avseende:

- företagit någon åtgärd eller gjort sig skyldig till någon försummelse som kan föranleda ersättningsskyldighet mot bolaget, eller
- på något annat sätt handlat i strid med aktiebolagslagen, årsredovisningslagen eller bolagsordningen.

Vårt mål beträffande revisionen av förslaget till dispositioner av bolagets vinst eller förlust, och därmed vårt uttalande om detta, är att med rimlig grad av säkerhet bedöma om förslaget är förenligt med aktiebolagslagen.

Rimlig säkerhet är en hög grad av säkerhet, men ingen garanti för att en revision som utförs enligt god revisions sed i Sverige alltid kommer att upptäcka åtgärder eller försummelser som kan föranleda ersättningsskyldighet mot bolaget, eller att ett förslag till dispositioner av bolagets vinst eller förlust inte är förenligt med aktiebolagslagen.

Som en del av en revision enligt god revisions sed i Sverige använder vi professionellt omdöme och har en professionellt skeptisk inställning under hela revisionen. Granskningen av förvaltningen och förslaget till dispositioner av bolagets vinst eller förlust grundar sig främst på revisionen av räkenskaper. Vilka tillkommande granskningsåtgärder som utförs baseras på vår professionella bedömning med utgångspunkt i risk och väsentlighet. Det innebär att vi fokuserar granskningen på sådana åtgärder, områden och förhållanden som är väsentliga för verksamheten och där avsteg och överträdelser skulle ha särskild betydelse för bolagets situation. Vi går igenom och prövar fattade beslut, beslutsunderlag, vidtagna åtgärder och andra förhållanden som är relevanta för vårt uttalande om ansvarsfrihet. Som underlag för vårt uttalande om styrelsens förslag till dispositioner beträffande bolagets vinst eller förlust har vi granskat styrelsens motiverade yttrande samt ett urval av underlagen för detta för att kunna bedöma om förslaget är förenligt med aktiebolagslagen.

Göteborg den 29 juni 2023
Ernst & Young AB

Michaela Nilsson
Auktoriserad revisor

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Hunter Douglas B.V.

Consolidated Financial Statements
December 31, 2022

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Report of Independent Auditor

To the Board of Directors of Hunter Douglas B.V.

Opinion

We have audited the consolidated financial statements of Hunter Douglas B.V. (the Company), which comprise the consolidated balance sheet as of December 31, 2022 (Successor), and the related consolidated statements of income, comprehensive income, equity and cash flows for the periods from February 25, 2022 to December 31, 2022 (Successor) and January 1, 2022 to February 24, 2022 (Predecessor), and the related notes (collectively referred to as the “financial statements”).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2022 (Successor), and the results of its operations and its cash flows for the periods from February 25, 2022 to December 31, 2022 (Successor) and January 1, 2022 to February 24, 2022 (Predecessor) in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company’s ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditor’s Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free of material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a



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material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Ernst + Young LLP

April 28, 2023

Hunter Douglas B.V.
Consolidated Statements of Income
(in millions, except per share data)

	Successor	Predecessor
	February 25, 2022 to December 31, 2022	January 1, 2022 to February 24, 2022
Net sales	\$ 3,966	\$ 716
Cost of products sold	2,576	411
Gross profit	1,390	305
Selling, general and administrative expenses	1,109	221
Other operating expenses	663	22
Operating income (loss)	(382)	62
Interest expense	217	-
Other expense (income)	(279)	7
Income (loss) before income taxes	(320)	55
Income tax expense (benefit)	66	10
(Income) loss from unconsolidated affiliates	(7)	(1)
Net income (loss)	\$ (379)	\$ 46
Net income (loss) attributable to noncontrolling interests	3	2
Net income (loss) attributable to common shareholders	\$ (382)	\$ 44
Change in redemption value of redeemable noncontrolling interests	(7)	(1)
Accrued dividends on redeemable preferred stock	(2)	(1)
Net income (loss) available to common shareholders	\$ (391)	\$ 42
Per share data applicable to common shareholders:		
Basic earnings	\$ (39,191.78)	
Diluted earnings	\$ (39,191.78)	

See accompanying notes to the consolidated financial statements.

Hunter Douglas B.V.
Consolidated Statements of Comprehensive Income
(in millions)

	<u>Successor</u> <u>February 25, 2022 to</u> <u>December 31, 2022</u>	<u>Predecessor</u> <u>January 1, 2022 to</u> <u>February 24, 2022</u>
Net income (loss)	\$ (379)	\$ 46
Other comprehensive income (loss), net of tax:		
Foreign currency translation adjustments	(135)	(12)
Employee benefit plans:		
Net actuarial gains (losses) arising during the period	39	12
Prior service credits (costs) arising during the period	-	-
Net employee benefit plan losses (gains) reclassified to net income (loss)	-	-
	<u>39</u>	<u>12</u>
Other comprehensive income (loss), before income taxes	(96)	-
Income tax expense (benefit)	(13)	-
Other comprehensive income (loss)	\$ (83)	\$ -
Comprehensive income (loss)	<u>\$ (462)</u>	<u>\$ 46</u>
Comprehensive income (loss) attributable to noncontrolling interests	<u>3</u>	<u>2</u>
Comprehensive income (loss) attributable to common shareholders	<u>\$ (465)</u>	<u>\$ 44</u>

See accompanying notes to the consolidated financial statements.

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Hunter Douglas B.V.
Consolidated Balance Sheet
(in millions, except share and per share data)

	Successor
	December 31, 2022
Assets	
Cash and cash equivalents	\$ 815
Accounts receivable (net of allowance for credit losses of \$29.9 million)	395
Inventories	754
Other current assets	185
Total current assets	2,149
Property, plant and equipment, net	1,041
Operating lease right-of-use assets	121
Intangible assets, net	3,322
Goodwill	2,100
Deferred income taxes	54
Investments in unconsolidated affiliates	124
Other assets	589
Total assets	\$ 9,500
Liabilities	
Accounts payable	\$ 862
Current portion of operating lease liabilities	28
Current portion of long-term debt	41
Other current liabilities	174
Total current liabilities	1,105
Operating lease liabilities	89
Long-term debt	4,435
Deferred income taxes	974
Other liabilities	77
Total liabilities	\$ 6,680
Commitments and Contingencies (Note 12)	
Redeemable noncontrolling interests	\$ 159
Redeemable preferred stock	\$ 26
Equity	
Common stock, \$0.01 par value (10,000 shares authorized; 10,000 shares issued and outstanding)	\$ -
Additional paid-in capital	3,095
Retained earnings	(391)
Accumulated other comprehensive income (loss)	(83)
Total shareholders' equity	2,621
Noncontrolling interests	14
Total equity	\$ 2,635
Total liabilities, redeemable noncontrolling interests, redeemable preferred stock, and equity	\$ 9,500

See accompanying notes to the consolidated financial statements.

Hunter Douglas B.V.
Consolidated Statements of Equity
(in millions)

	Successor	Predecessor
	February 25, 2022 to December 31, 2022	January 1, 2022 to February 24, 2022
Common Stock		
Balance at beginning of period	\$ -	\$ 10
Common stock issued	-	-
Balance at end of period	\$ -	\$ 10
Additional paid-in capital		
Balance at beginning of period	\$ -	\$ 167
Common stock issued	3,091	-
Stock-based compensation	4	-
Balance at end of period	\$ 3,095	\$ 167
Retained earnings		
Balance at beginning of period	\$ -	\$ 2,402
Net income (loss) attributable to common shareholders	(382)	44
Change in redemption value of redeemable noncontrolling interests	(7)	(1)
Accrued dividends on redeemable preferred stock	(2)	(1)
Balance at end of period	\$ (391)	\$ 2,444
Accumulated other comprehensive income (loss)		
Balance at beginning of period	\$ -	\$ (158)
Comprehensive income (loss) attributable to common shareholders	(83)	-
Balance at end of period	\$ (83)	\$ (158)
Total shareholders' equity	\$ 2,621	\$ 2,463
Noncontrolling interests		
Balance at beginning of period	\$ -	\$ 10
Acquisitions	11	-
Net income attributable to noncontrolling interests, excluding redeemable noncontrolling interests	3	1
Contributions from noncontrolling interests	-	-
Distributions to noncontrolling interests	-	-
Balance at end of period	\$ 14	\$ 11
Total equity	\$ 2,635	\$ 2,474

See accompanying notes to the consolidated financial statements.

Hunter Douglas B.V.
Consolidated Statements of Cash Flows
(in millions)

	Successor	Predecessor
	February 25, 2022 to December 31, 2022	January 1, 2022 to February 24, 2022
Cash flows from operating activities		
Net income (loss)	\$ (379)	\$ 46
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation and amortization	195	22
Amortization of purchase price allocation to inventory	223	-
Impairment losses	548	-
Amortization of deferred issuance costs and debt discount	14	-
Stock-based compensation	4	-
Deferred taxes	(41)	(3)
Foreign currency transactions	60	7
Unrealized (gains) losses on derivatives	(355)	-
Loss (gain) on disposal of property and equipment	1	-
(Income) loss from unconsolidated affiliates, net of dividends received	3	(1)
Changes in operating assets and liabilities:		
Accounts receivable	39	(17)
Inventories	(36)	(53)
Accounts payable	(2)	3
Other assets	28	(12)
Other liabilities	(89)	-
Net cash provided by (used for) operating activities	213	(8)
Cash flows from investing activities		
Purchases of property, plant and equipment	(179)	(28)
Proceeds from sale of property, plant and equipment	77	-
Acquisition of businesses, net of cash acquired	(6,055)	-
Other, net	5	7
Net cash provided by (used for) investing activities	(6,152)	(21)
Cash flows from financing activities		
Proceeds from long-term debt	4,593	-
Proceeds from issuance of common stock	2,315	-
Payments of debt issue costs	(126)	-
Repayments of long-term debt	(18)	-
Distributions to noncontrolling interests	(7)	(2)
Other, net	(11)	(5)
Net cash provided by (used for) financing activities	6,746	(7)
Effect of exchange rate changes on cash and cash equivalents	8	4
Cash and cash equivalents:		
Net change during the period	815	(32)
Balance at beginning of period	-	250
Balance at end of period	\$ 815	\$ 218

See accompanying notes to the consolidated financial statements.

Hunter Douglas B.V.
Notes to Consolidated Financial Statements

Note 1. Organization

On December 30, 2021, Hunter Douglas B.V. (formerly known as Solis I B.V.) (the "Company") and Hunter Douglas N.V. (the "Acquiree") entered into an asset sale agreement, whereby the Company purchased all of the assets and liabilities of the Acquiree for the purposes of carrying on the business of the Acquiree (the "Asset Purchase"). Concurrently with the Asset Purchase, 3G HD Holdings (NL) B.V., an investment vehicle owned by 3G Special Situation Fund V LP, a fund managed by 3G Capital Advisors Ltd. (collectively, "3G Capital") agreed to purchase 75% of the equity of the Company (the "Block Trade"). On February 25, 2022, the Asset Purchase and Block Trade were consummated, in a transaction hereinafter referred to as the "2022 Acquisition".

Note 2. Significant accounting policies

Basis of presentation

The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States ("US GAAP").

The 2022 Acquisition was accounted for as a business combination using the acquisition method of accounting and Hunter Douglas B.V. was identified as the accounting acquirer, resulting in a new basis of accounting beginning February 25, 2022. From February 25, 2022 to December 31, 2022 (the "Successor Period"), Hunter Douglas B.V. was the reporting entity. From January 1, 2022 to February 24, 2022 (the "Predecessor Period"), Hunter Douglas N.V. was the reporting entity. A vertical line separates the Successor Period and Predecessor Period throughout the consolidated financial statements to highlight the fact that the financial information has been prepared under two different bases of accounting.

Prior to February 25, 2022, the operations of Hunter Douglas B.V. were limited to those incident to its formation and the 2022 Acquisition, which were not material.

Principles of consolidation

The consolidated financial statements include the accounts of the Company, its controlled subsidiaries (generally through a greater than 50 percent ownership of voting rights and voting interests), and variable interest entities ("VIEs") of which it is the primary beneficiary. Noncontrolling interests are the portion of equity and net income (loss) in subsidiaries not attributable, directly or indirectly, to the Company.

All material intercompany accounts and transactions have been eliminated.

Equity investments in entities that the Company does not consolidate, including corporate entities in which the Company has significant influence and partnership and partnership-like entities in which the Company has more than minor influence over the operating and financial policies, are accounted for under the equity method.

Use of estimates

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Critical accounting estimates include; valuation of acquired businesses, certain inputs to the valuation of goodwill and intangible assets, and certain inputs to the valuation of stock-based compensation. These accounting estimates require the use of assumptions about matters, some of which are highly uncertain at the time of estimation. To the extent actual experience differs from the assumptions used, the Company's consolidated results of operations, financial condition and cash flows could be materially affected.

Foreign currency

For all significant foreign operations, the functional currency is the local currency. Assets and liabilities of these operations are translated into US Dollars at the exchange rate in effect at each period end. Revenues and expenses are translated into US Dollars at average rates prevailing during the period. Foreign currency translation adjustments arising from the use of differing exchange rates are presented within Accumulated other comprehensive income (loss) in the Consolidated Balance Sheet. Transaction gains (losses) from intercompany transactions denominated in a currency other than the functional currency of the entities involved are presented within Other expense (income) in the Consolidated Statements

Hunter Douglas B.V.
Notes to Consolidated Financial Statements

of Income. In connection with the settlement and remeasurement of intercompany balances, the Company recorded losses of \$(122.6) million in the Successor Period and \$(7.7) million in the Predecessor Period.

Revenue recognition

Revenue is recognized when control of a promised product is transferred to a customer in an amount that reflects the consideration to which the Company expects to be entitled in exchange for transferring the product. The Company records revenue net of returns, allowances for discounts and sales tax.

The Company accounts for shipping and handling activities that occur after the customer has obtained control as fulfillment costs. Shipping and handling charges billed to customers are presented within Net sales and the related costs are presented within Cost of products sold in the Consolidated Statements of Income.

Selling, general and administrative expenses

Selling, general and administrative costs are expensed as incurred. Selling, general and administrative expenses include employee compensation (excluding those employees related to product manufacturing), depreciation (excluding amounts related to product manufacturing), allowance for credit losses, advertising expenses, rent expense (excluding amounts related to product manufacturing), and any other costs related to selling product or administering the business.

Advertising costs are expensed as incurred and presented within Selling, general and administrative expenses in the Consolidated Statements of Income. The Company incurred advertising costs of \$239.2 million in the Successor Period and \$43.3 million in the Predecessor Period.

Research and development expense

Research and development costs are expensed as incurred and presented within Selling, general and administrative expenses in the Consolidated Statements of Income. The Company incurred research and development costs of \$43.5 million in the Successor Period and \$8.5 million in the Predecessor Period.

Stock-based compensation

The Company measures stock-based compensation cost at the grant date, based on the estimated fair value of the award and recognizes the cost on a straight-line basis (net of estimated forfeitures) over the requisite service period, generally five years.

Restructuring expense

The Company records liabilities for costs associated with exit or disposal activities in the period in which the liability is incurred. Employee severance and other termination benefit packages are primarily determined based on established benefit arrangements, local statutory requirements, and historical benefit practices. Employee severance and other termination costs are accrued when payment is probable and estimable. Costs for one time termination benefits in which the employee is required to render service until termination in order to receive the benefits are recognized ratably over the future service period.

Income taxes

Deferred income taxes represent the expected future tax consequences of temporary differences between the carrying amounts and tax basis of assets and liabilities. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted at the balance sheet date.

The Company records a valuation allowance to reduce its deferred tax assets when uncertainty regarding their realizability exists. In making such a determination, the Company considers all available positive and negative evidence, including future reversals of existing taxable temporary differences, projected future taxable income, tax planning strategies and recent results of operations.

Uncertain tax positions are determined based on whether it is more likely than not the tax positions will be sustained based on the technical merits of the position. For those positions that meet the more likely than not criteria, an estimate of the largest amount of tax benefit that is greater than 50 percent likely to be realized upon ultimate settlement with the related tax authority is recognized. The Company recognizes interest and penalties related to unrecognized tax benefits, if any, as a component of the Provision for income taxes in the Consolidated Statements of Income.

Hunter Douglas B.V.
Notes to Consolidated Financial Statements

Cash and cash equivalents

Cash and cash equivalents include deposits with banks, money market funds and other short-term, highly liquid investments with original maturity dates of ninety days or less.

Inventories

Inventories are stated at the lower of cost or net realizable value. Cost represents the direct and indirect expenditures to bring inventory to its existing condition and location, and generally includes material, labor and overhead. Net realizable value is the estimated selling price in the ordinary course of business less reasonably predictable costs of completion, disposal and transportation.

Property, plant and equipment

Property, plant and equipment is stated at cost, net of accumulated depreciation and amortization.

Depreciation expense is calculated on a straight-line basis over the estimated useful lives, as follows:

Buildings	20 to 40 years
Machinery and equipment	5 to 20 years
Furniture, fixtures and other	2 to 10 years

Land is not depreciated.

Betterments, renewals, and extraordinary repairs that materially extend the useful lives of assets are capitalized; other repairs and maintenance charges are expensed as incurred.

Capitalized software costs are included in property, plant and equipment if the Company has the contractual right to take possession of the software at any time and it is feasible for the Company to either run the software on its own hardware or contract with a third party to host the software. These costs are amortized on a straight-line basis over the estimated useful lives of the software, which do not exceed five years.

Goodwill and intangible assets

Goodwill represents the future economic benefits arising from assets acquired in a business combination that are not individually identified and separately recognized. Goodwill recorded in an acquisition is assigned to the applicable reporting units that are expected to benefit from the business combination. Goodwill and indefinite lived intangible assets are not subject to amortization. Goodwill and indefinite lived intangible assets are tested for impairment annually, or more frequently if circumstances indicate an impairment may have occurred. Such events and circumstances could include increased competition or an unexpected loss of market share, unexpected significant increases in costs, unexpected business disruptions, unexpected significant declines in operating results, significant adverse changes in relevant markets, changes in interest rates, or changes in management strategy.

Definite-lived intangible assets are amortized on a straight-line basis over the estimated useful lives. The Company reviews definite-lived intangible assets for impairment when conditions exist that indicate the carrying amount of the assets may not be recoverable. Such conditions could include significant adverse changes in the business climate, current period operating or cash flow losses, significant declines in forecasted operations, or a current expectation that an asset or asset group will be disposed of before the end of its estimated useful life.

Leases

The Company determines whether a contract is or contains a lease at contract inception based on the presence of identified assets and the Company's right to obtain substantially all the economic benefit from or to direct the use of such assets. When the Company determines a lease exists, a right-of-use asset and corresponding lease liability is recorded in the balance sheet. Right-of-use assets represent the Company's right to use an underlying asset for the lease term. Lease liabilities represent the Company's obligation to make lease payments arising from the lease.

Right-of-use assets are recognized at the lease commencement date at the value of the lease liability and are adjusted for any prepayments, lease incentives received, and initial direct costs incurred. Lease liabilities are recognized at the lease commencement date based on the present value of remaining lease payments over the lease term. As the discount rate implicit in the lease is not readily determinable in most of the Company's leases, the Company's incremental borrowing

Hunter Douglas B.V.
Notes to Consolidated Financial Statements

rate based on the information available at the lease commencement date is used to determine the present value of lease payments.

The Company does not record lease contracts with a term of twelve months or less in the Consolidated Balance Sheet.

The Company recognizes fixed lease expenses for operating leases on a straight-line basis over the lease term. For finance leases, the Company recognizes amortization expense over the shorter of the estimated useful life of the underlying assets or the lease term

Pensions and other postemployment benefits

The Company has several defined benefit pension plans, covering its US based employees and employees in certain foreign countries. The benefits provided are based on employees' years of service and compensation levels, either average wage earned or last wage earned. The Company uses a December 31 measurement date. All pension plans are frozen and no new participants are allowed. The funded status of the Company's defined benefit pension plans is the difference between the fair value of plan assets and the benefit obligation at the measurement date and is recognized in the Consolidated Balance Sheet. Net actuarial gains or losses are deferred into Accumulated other comprehensive income (loss) and amortized in future periods using the corridor approach. The corridor is 10% of the greater of the market-related value of the plan's asset or projected benefit obligation.

The Company sponsors defined contribution plans for certain employees. The Company incurred contribution expenses of \$34.5 million in the Successor Period and \$6.9 million in the Predecessor Period.

Redeemable noncontrolling interests

The Company is subject to put arrangements where the holders of certain noncontrolling interests can require the Company to repurchase their shares at specified dates in the future or within specified periods in the future. The redemption value is generally a variable amount based on a formula linked to the earnings of the respective subsidiary. The Company records the maximum redemption value at each period end. Decreases in value are only recognized to the extent that increases have been previously recognized. The balances are presented outside of permanent equity in the Consolidated Balance Sheet.

Redeemable preferred stock

The Company has issued preference shares to certain affiliates, which are redeemable at a fixed or determinable price or a fixed or determinable date, at the option of the holder or upon the occurrence of events that are not solely within the control of the Company. The Company records the maximum redemption value at each period end. Decreases in value are only recognized to the extent that increases have been previously recognized. The balances are presented outside of permanent equity in the Consolidated Balance Sheet.

Derivative financial instruments and hedging activity

The Company uses various derivative financial instruments to manage interest rate and foreign currency exposures. Derivatives are recorded in the Consolidated Balance Sheet as assets or liabilities at fair value. Changes in the fair value of derivatives are recorded each period in results of operations or other comprehensive income, depending on whether the derivative is designated as part of a hedge transaction, and if so, the type of hedge transaction.

Fair value measurement

Assets and liabilities recorded at fair value in the balance sheet are measured and classified in accordance with a fair value hierarchy consisting of three "levels" based on the observability of valuation inputs.

Level 1: Fair value measurements based on quoted prices (unadjusted) in active markets that the Company has the ability to access for identical assets or liabilities. Market price data generally is obtained from exchange or dealer markets. The Company does not adjust the quoted price for such instruments.

Level 2: Fair value measurements based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, and inputs other than quoted prices that are observable for the asset or liability, such as interest rates and yield curves that are observable at commonly quoted intervals.

Hunter Douglas B.V.
Notes to Consolidated Financial Statements

Level 3: Fair value measurements based on valuation techniques that use significant inputs that are unobservable. Both observable and unobservable inputs may be used to determine the fair values of positions classified in Level 3. The circumstances for using these measurements include those in which there is little, if any, market activity for the asset or liability. Accordingly, the estimate of fair value requires certain assumptions about the inputs a hypothetical market participant would use to value that asset or liability.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the level in the fair value hierarchy within which the fair value measurement in its entirety falls is determined based on the lowest level input that is significant to the fair value measurement in its entirety.

Note 3. Acquisitions

2022 Acquisition

The 2022 Acquisition was consummated on February 25, 2022. The 2022 Acquisition was accounted for using the acquisition method of accounting, with the assets acquired and liabilities assumed recognized at their acquisition date fair values, with any excess of the consideration transferred over the estimated fair values of the identifiable net assets acquired recorded as goodwill.

On February 25, 2022 the Company entered into a credit agreement with a syndicate of banks and other financial institutions to provide financing of up to approximately \$5.3 billion, consisting of term B-1 loans with an aggregate principal amount of \$3.5 billion (the "B-1 Loans"), term B-2 loans with an aggregate principal amount of €1.0 billion (\$1.1 billion at February 25, 2022 exchange rates) (the "B-2 Loans") and an initial revolving facility of up to \$750.0 million (the "Revolving Credit Facility" and, together with the B-1 Loans and B-2 Loans, the "Senior Credit Facilities"). Concurrent with and in order to effect the consummation of the 2022 Acquisition, the full amount of the B-1 Loans and B-2 Loans were drawn, and no amounts were drawn under the Revolving Credit Facility.

The former controlling shareholder of Hunter Douglas N.V. received €175.00 in cash for each share of common stock and €0.43 in cash for each share of preferred stock. Following the 2022 Acquisition, the Company initiated squeeze-out proceedings against the joint minority shareholders before the Curaçao court of first instance. The Company's remaining liability to the joint minority shareholders at December 31, 2022 was \$130.2 million, presented within Other current liabilities in the Consolidated Balance Sheet.

The total consideration paid in connection with the 2022 Acquisition was approximately \$6.9 billion. The identified assets acquired and liabilities assumed at the acquisition date were as follows:

(\$ in millions)	
Cash and cash equivalents	\$ 218
Accounts receivable	434
Inventories	941
Property, plant and equipment	1,017
Intangible assets	3,503
Other assets	808
Accounts payable	(863)
Deferred income taxes	(1,087)
Other liabilities	(478)
Total identifiable net assets acquired	<u>\$ 4,493</u>
Goodwill	<u>\$ 2,456</u>

Hunter Douglas B.V.
Notes to Consolidated Financial Statements

The identifiable intangible assets acquired in the 2022 Acquisition were as follows:

(\$ in millions)

		Weighted average amortization period
Brands (indefinite lived)	\$ 964	N/A
Brands (definite-lived)	959	50 years
Customer relationships	1,580	18 years
Total identifiable intangible assets	\$ 3,503	

The identifiable intangible assets were valued using income approaches (including the relief-from-royalty method and multi-period excess earnings method). Significant assumptions include projected annual net cash flows for each asset, or group of assets, and selection of a discount rate that appropriately reflects the risk inherent in each future cash flow stream. The Company developed projected financial information using historical data, supplemented by current and anticipated market conditions, estimated product category growth rates, management's plans, and market comparables.

Goodwill is primarily attributable to the assembled workforce, synergies and economies of scale anticipated to be achieved as a result of the 2022 Acquisition. The goodwill is not deductible for tax purposes.

The Company incurred transaction costs of \$45.1 million in the Successor Period and \$21.9 million in the Predecessor Period, presented within Other operating expenses in the Consolidated Statements of Income.

Supplemental pro forma financial information

The following table presents unaudited pro forma consolidated financial information for the year ended December 31, 2022 and assumes the 2022 Acquisition occurred on January 1, 2022. The unaudited pro forma consolidated financial information is provided for informational purposes only and is not necessarily, and should not be assumed to be, an indication of the results that would have been achieved had the transaction been completed at January 1, 2022 or that may be achieved in the future. The unaudited pro forma consolidated financial information does not give consideration to the impact of possible revenue enhancements, expense efficiencies, synergies or asset dispositions that may result from the 2022 Acquisition.

(\$ in millions)

	January 1, 2022 to December 31, 2022
Net sales	\$ 4,682
Net income (loss)	\$ (349)

Droma Acquisition

On December 22, 2021 the Company entered into an agreement to acquire 74% of the shares of Droma-Sunshade Experts SP. Z O.O. ("Droma"), a producer of blinds, shutters and sun visors based in Poland (the "Droma Acquisition"). The Droma Acquisition was consummated on February 28, 2022. The Droma Acquisition was accounted for using the acquisition method of accounting. The total consideration paid in connection with the Droma Acquisition was approximately \$147.7 million. The identified assets acquired and liabilities assumed at the acquisition date were as follows:

(\$ in millions)

Intangible asset (definite-lived brand)	\$ 19
Intangible asset (customer relationships)	49
Other net assets	33
Redeemable noncontrolling interest	(52)
Total identifiable net assets acquired	\$ 49
Goodwill	\$ 99

The identifiable intangible assets were valued using income approaches. The weighted average amortization period is 27 years. Goodwill is primarily attributable to the assembled workforce, synergies and economies of scale anticipated to be achieved. The goodwill is not deductible for tax purposes.

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The results of Droma since March 1, 2022 that have been included in the Company's Consolidated Statements of Income were as follows:

(\$ in millions)

		March 1, 2022 to December 31, 2022
Net sales	\$	64
Net income	\$	12

Transaction related costs were not material to the Company's results of operations. The pro forma financial information assuming the Droma Acquisition had occurred at the beginning of the calendar year was not material for disclosure purposes.

Other acquisitions

During the Successor Period the Company acquired other businesses that manufacture and sell window covering products. Other than the impacts to goodwill, individually or in the aggregate, these acquisitions have not had a material impact on the Company's consolidated results of operations, financial condition or cash flows.

The results of operations and financial condition of acquired businesses have been included in the Company's Consolidated Statements of Income and Consolidated Balance Sheet from the respective acquisition dates. Transaction related costs recognized in the Successor Period were not material to the Company's results of operations. The pro forma financial information assuming the acquisitions had occurred at beginning of the calendar year, as well as the revenues and earnings generated during the Successor Period, were not material for disclosure purposes.

Note 4. Revenue

The Company's revenue primarily comprises sales of premium window covering products and architectural products. Substantially all of the Company's revenue has a single performance obligation and is recognized at a point in time, when the product is shipped, delivered or installed. Payment terms generally range from 30 to 60 days. There is no single customer, or group of related customers, representing 10% or more of the Company's revenue.

Net sales by geography were as follows:

(\$ in millions)

	Successor February 25, 2022 to December 31, 2022	Predecessor January 1, 2022 to February 24, 2022
North America	\$ 2,251	\$ 418
Europe	1,418	247
International	297	51
Total net sales	\$ 3,966	\$ 716

Net sales by product were as follows:

(\$ in millions)

	Successor February 25, 2022 to December 31, 2022	Predecessor January 1, 2022 to February 24, 2022
Window covering products	\$ 3,746	\$ 678
Architectural products ^(a)	204	36
Other ^(b)	16	2
Total net sales	\$ 3,966	\$ 716

(a) Revenue from sale of architectural products is generally recognized at a point in time when control transfers to the customer. In certain circumstances, installation of architectural products is sold separately and considered a separate performance obligation that is satisfied over time. Revenue for installation services is recognized based on the percentage completion method. At December 31, 2022 the Company's contract balances were not material.

(b) Includes alliance fee arrangements where the Company earns revenue for standing ready to provide services to dealers. Revenue relating to alliance fee arrangements is recognized on a straight-line basis over the annual period of performance.

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Contract liabilities represent deposits made by customers before the performance obligation is satisfied. Upon satisfaction of the performance obligation, the liability for the customer deposit is relieved and revenue is recognized. Contract liabilities at December 31, 2022 amounted to \$95.3 million, presented within Other current liabilities in the Consolidated Balance Sheet. All unsatisfied performance obligations are expected to be satisfied in the next twelve months.

Note 5. Inventories

(\$ in millions)

	Successor
	December 31, 2022
Raw materials	\$ 489
Work in process	34
Finished goods	231
Total inventories	\$ 754

Certain North America based operations determine inventory cost using the last-in, first-out ("LIFO") method. Other locations determine inventory cost using the first-in, first-out ("FIFO") method or weighted average method. Inventories valued using the LIFO method amounted to \$346.8 million at December 31, 2022. If such inventories had been valued using the FIFO method, total inventories would have been \$774.3 million at December 31, 2022.

Note 6. Property, plant and equipment

(\$ in millions)

	Successor
	December 31, 2022
Land and buildings	\$ 579
Machinery and equipment	322
Furniture, fixtures and other	104
Construction in progress	94
Accumulated depreciation	(103)
	996
Software	48
Accumulated amortization	(3)
	45
Total property, plant and equipment, net	\$ 1,041

Depreciation and amortization expense related to property, plant and equipment was \$106.6 million in the Successor Period and \$17.7 million in the Predecessor Period.

As a result of certain restructuring activities in the Successor Period, the Company recognized an impairment loss of \$3.9 million. The impairment loss is presented within Other operating expenses in the Consolidated Statements of Income. There was no impairment loss recognized in the Predecessor Period.

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Notes to Consolidated Financial Statements

Note 7. Goodwill and intangible assets

Changes in the carrying amount of goodwill were as follows:

(\$ in millions)

Predecessor	
Balance at January 1, 2022	\$ 1,242
Foreign currency translation	(8)
Balance at February 24, 2022	<u>\$ 1,234</u>
Successor	
Balance at February 25, 2022	\$ -
Acquisitions	2,644
Impairment losses	(446)
Foreign currency translation	(98)
Balance at December 31, 2022	<u>\$ 2,100</u>

The Company performed its annual impairment test at October 1, 2022. The fair value of each reporting unit was estimated using income and market approaches. Impairment losses were identified in the North America, Droma and Latin America reporting units primarily due to an increase in the discount rate assumption. The Company recognized an impairment loss of \$445.7 million in the Successor Period. The impairment loss is presented within Other operating expenses in the Consolidated Statements of Income. After the impairment losses, the carrying value at October 1, 2022 of the North America, Droma and Latin America reporting units was approximately \$3,520 million, \$92 million and \$179 million, respectively. There was no impairment loss recognized in the Predecessor Period.

Changes in the carrying amount of indefinite lived intangible assets were as follows:

(\$ in millions)

Predecessor	
Balance at January 1, 2022	\$ -
Balance at February 24, 2022	<u>\$ -</u>
Successor	
Balance at February 25, 2022	\$ -
Acquisitions	964
Impairment losses	(99)
Foreign currency translation	(21)
Balance at December 31, 2022	<u>\$ 844</u>

The Company performed its annual impairment test at October 1, 2022. The fair value of each indefinite lived brand asset was estimated using an income approach. Due to an increase in the discount rate assumption, impairment losses related to certain North America brands were identified. The Company recognized an impairment loss of \$99.0 million in the Successor Period. The impairment loss is presented within Other operating expenses in the Consolidated Statements of Income. There was no impairment loss recognized in the Predecessor Period.

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Notes to Consolidated Financial Statements

Definite-lived intangible assets by major asset class were as follows:

(\$ in millions)

	Successor		
	December 31, 2022		
	Gross	Accumulated Amortization	Net
Brands	\$ 974	\$ (16)	\$ 958
Customer relationships	1,593	(73)	1,520
Total definite-lived intangible assets	\$ 2,567	\$ (89)	\$ 2,478

Amortization expense was \$89.4 million in the Successor Period. Amortization expense related to definite-lived intangible assets acquired prior to the 2022 Acquisition was \$4.4 million in the Predecessor Period. There were no impairment loss recorded in the Successor Period or Predecessor Period.

Expected future amortization expense of definite-lived intangible assets is as follows:

(\$ in millions)

2023	\$	111
2024		111
2025		111
2026		111
2027		111
Thereafter		1,923
	\$	2,478

Note 8. Income taxes

Income tax expense was \$66.0 million in the Successor Period, with \$125.0 million of current tax expense and \$59.0 million of deferred tax benefit. Income tax expense was \$10.0 million in the Predecessor Period, with \$10.0 million of current tax expense and no deferred tax expense or benefit.

Hunter Douglas B.V. is incorporated in The Netherlands. The difference between income taxes computed at The Netherlands federal statutory rate (25.8%) and the provision for income taxes is attributable to certain nondeductible expenses, changes in valuation allowance and foreign earnings.

Cash paid for income taxes was \$135.3 million in the Successor Period and \$3.1 million in the Predecessor Period.

Deferred tax assets of \$177.0 million, net of valuation allowance, primarily relate to loss carryforwards, interest carryforwards and accruals not currently deductible.

The Company's valuation allowance of \$41.4 million is related to certain loss carryforwards and foreign interest carryforwards that are not more likely than not to be realized.

Loss carryforwards for income tax purposes at December 31, 2022 were approximately \$324.1 million before tax effects and certain of these amounts are subject to annual limitations under applicable tax law. If not utilized, a portion of these losses will begin to expire in 2023.

Interest carryforwards for income tax purposes at December 31, 2022 were approximately \$129.8 million before tax effects and are subject to annual limitations under applicable tax law. Interest carryforwards have an indefinite carryforward period.

Deferred tax liabilities of \$1,097.0 million primarily relate to intangible assets, long-lived assets and derivatives.

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Notes to Consolidated Financial Statements

At December 31, 2022 the Company recorded \$2.1 million related to uncertain tax positions, with \$0.2 million and \$0.3 million of accrued interest and penalties, respectively.

The Company is under examination, or may be subject to examination, by tax authorities for the calendar year 2016 and thereafter. These examinations may lead to ordinary course adjustments or proposed adjustments to the Company's taxes or loss carryforwards with respect to years under examination as well as subsequent periods.

Note 9. Stock-based compensation

During the Successor Period 3G HD Holdings (UK) Limited, a holding company with an economic interest in the Company, issued equity awards, including both stock options and profits units, to certain employees of the Company. The awards vest in tranches, generally over a five-year service period. The awards do not include any market or performance vesting conditions. The fair value of the awards was estimated on the grant date using the Black-Scholes model. The weighted average assumptions used to determine the fair value of the awards were as follows:

	Successor December 31, 2022
Risk-free interest rate ^(a)	1.56%
Expected volatility ^(b)	55%
Expected forfeiture rate ^(c)	5%
Expected dividend yield	-
Discount for lack of marketability	30%
Expected term ^(d)	5 years

(a) Term-matched risk-free rate interpolated from the US one-year constant maturity treasury yield curve at the grant date.

(b) Estimated equity volatility based on review of publicly traded peer companies and further adjusted based on the financial leverage of the Company at the grant date.

(c) In accordance with their respective plans, awards are forfeited if a holder voluntarily terminates employment prior to the vesting date. The Company estimates forfeitures based on an analysis of historical trends updated as discrete new information becomes available and are re-evaluated on an annual basis.

(d) In the absence of historical data, expected term estimated based on the weighted average vesting period and the contractual term of the awards.

Award activity during the Successor Period consisted of the following:

	Number of stock options	Weighted average exercise price	Aggregate intrinsic value	Average remaining contractual term
Outstanding at February 25, 2022	-	\$ -		
Granted	8,567,100	10.00		
Forfeited	-	-		
Exercised	-	-		
Outstanding at December 31, 2022	8,567,100	\$ 10.00	\$ -	4 years
Exercisable at December 31, 2022	-	\$ -	\$ -	-

The weighted average grant date fair value of awards granted during the Successor Period was \$3.38.

Stock-based compensation expense is presented within Selling, general and administrative expenses in the Consolidated Statements of Income. The Company recognized stock-based compensation of \$4.4 million in the Successor Period, while \$22.9 million was unrecognized and is expected to be recorded over the next four years.

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Notes to Consolidated Financial Statements

Note 10. Employee benefit plan obligations

The components of net periodic pension cost were as follows:

(\$ in millions)	Successor February 25, 2022 to December 31, 2022	Predecessor January 1, 2022 to February 24, 2022
Service cost	\$ -	\$ -
Interest cost	8	1
Expected return on plan assets	(10)	(1)
Amortization of net actuarial (gains) losses	1	-
Net periodic pension cost (benefit)	\$ (1)	\$ -

Net periodic pension cost is presented within Selling, general and administrative expenses in the Consolidated Statements of Income. The Company estimates that the amortization of prior service costs (credits) and net actuarial (gains) losses will not be material to the Company's consolidated results of operations in each of the next five years.

The changes in benefit obligation, plan assets and funded status of the Company's plans were as follows:

(\$ in millions)	Successor February 25, 2022 to December 31, 2022	Predecessor January 1, 2022 to February 24, 2022
Change in Benefit Obligation:		
Benefit obligation at the beginning of the period	\$ -	\$ 324
Acquisitions	302	-
Service cost	-	-
Interest cost	8	1
Actuarial (gain) loss	(63)	(22)
Benefits paid	(12)	(2)
Translation adjustments	(8)	1
Benefit obligation at the end of the period	227	302
Change in Plan Assets:		
Fair value of plan assets at the beginning of the period	-	253
Acquisitions	243	-
Actual return on plan assets	(14)	(9)
Employer contribution	3	-
Participants' contributions	-	-
Benefits paid	(12)	(2)
Translation adjustments	(8)	1
Fair value of plan assets at the end of the period	212	243
Funded status	\$ (15)	\$ (59)

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Notes to Consolidated Financial Statements

The amounts recognized in the Consolidated Balance Sheet were as follows:

(\$ in millions)

	Successor
	December 31, 2022
Other assets	\$ 9
Other current liabilities	\$ 2
Other liabilities	\$ 22

The weighted average assumptions used in determining the projected benefit obligations were as follows:

	Successor	Predecessor
	February 25, 2022 to December 31, 2022	January 1, 2022 to February 24, 2022
Discount rate	4.8% - 5.3%	3.2% - 3.7%

The weighted average assumptions related to net periodic pension cost were as follows:

	Successor	Predecessor
	February 25, 2022 to December 31, 2022	January 1, 2022 to February 24, 2022
Discount rate	3.1% - 4.8%	2.0% - 3.7%
Expected long-term rate of return	3.9% - 6.4%	4.3% - 6.8%

Discount rates were developed from a model portfolio of high quality, fixed-income debt instruments with durations that match the expected future cash flows of the plans.

Retirement-related benefit plan assets are recognized and measured at fair value. Because of the inherent uncertainty of valuations, these fair value measurements may not necessarily reflect the amounts the Company could realize in current market transactions.

The investment objectives of the retirement-related benefit plan asset portfolio are designed to generate returns that will enable the plans to meet future obligations. The precise amount for which these obligations will be settled depends on future events, including the retirement dates and life expectancy of the plans' participants. The investment strategy balances the requirement to generate returns, using potentially higher yielding assets such as equity securities, with the need to control risk in the portfolio with less volatile assets, such as fixed-income securities. Risks include, among others, inflation, volatility in equity values and changes in interest rates that could cause the plan to become underfunded, thereby increasing its dependence on contributions from the Company. To mitigate any potential concentration risk, consideration is given to balancing the portfolio among industry sectors, companies and geographies, taking into account interest rate sensitivity, dependence on economic growth, currency and other factors that affect investment returns.

The assets are managed by a professional investment firm. The investment firm is bound by investment mandates determined by the Company's management and is measured against specific benchmarks. The strategies employed by the investment firm contemplate balancing security concentration, issuer concentration, investment style and reliance on particular active and passive investment strategies.

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Notes to Consolidated Financial Statements

The Company's plan assets by class and their associated fair value at December 31, 2022 were as follows:

(\$ in millions)

	Successor			Total
	December 31, 2022			
	Level 1	Level 2	Level 3	
Equity securities				
Mutual funds	\$ 50	\$ -	\$ -	50
Cash				23
Investments measured at net asset value				139
Total fair value of plan assets				\$ 212

Equity securities are valued at the closing price reported on the stock exchange on which the individual securities are traded. These assets are generally classified as Level 1.

The fair value of investments in hedge funds and private equity funds is measured using net asset value ("NAV"), which is calculated based on the Company's proportionate interest in the underlying net assets of the fund. Investments measured at NAV are excluded from categorization within the fair value hierarchy. Redemptions of investments in certain funds is subject to restrictions including lock-up periods where no redemptions or withdrawals are allowed, restrictions on redemption frequency, and advance notice periods for redemptions. Generally, redemptions occur quarterly and the notice period generally ranges from 30 to 90 days. Amounts requested for redemption remain subject to market fluctuations until the redemption effective date.

As necessary, contributions are made by the Company to the plans. These contributions are determined based upon various factors, including funded status, legal and tax considerations, as well as local customs.

The Company estimates that the expected benefit payments to defined benefit pension plan participants will not be material to the Company's consolidated results of operations, financial condition or cash flows in each of the next five years.

Note 11. Derivative financial instruments and hedging activity

At December 31, 2022, the Company had outstanding interest rate and cross-currency swap derivative instruments with notional amounts of approximately \$3.5 billion and \$1.0 billion, respectively.

During the Successor Period, the Company used interest rate swaps to manage debt and interest rate exposures, most significantly the interest rate volatility with regard to the Senior Credit Facilities drawn to finance the 2022 Acquisition. The interest rate swaps were not designated hedges. The Company has various investments in foreign subsidiaries, the net assets of which are exposed to volatility in foreign currency exchange rates. The Company's cross-currency swaps were not designated hedges.

The fair value and corresponding balance sheet presentation of the Company's derivative instruments at December 31, 2022 were as follows:

(\$ in millions)

	Successor	
	December 31, 2022	
	Interest rate	Cross-currency
Other assets	\$ 335	\$ 20

The fair value of derivative instruments is determined using market transactions and other market evidence whenever possible, including market-based inputs to models, model calibration to market clearing transactions, broker or dealer quotations or alternative pricing sources with reasonable levels of price transparency. These assets are classified as Level 2.

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Notes to Consolidated Financial Statements

The pre-tax effect of derivative instruments in the Consolidated Statements of Income for the Successor Period were as follows:

(\$ in millions)

	Successor	
	December 31, 2022	
	Interest rate	Cross-currency
Other expense (income)	\$ (331)	\$ (25)

The pre-tax effect of derivative instruments in the Consolidated Statements of Income for the Predecessor Period were not material to the Company's results of operations.

Note 12. Commitments and contingencies

Legal matters

As a company with a substantial employee population and with customers in more than 100 countries, the Company is involved, either as plaintiff or defendant, in a variety of ongoing claims, demands, suits, investigations, tax matters and proceedings that arise from time to time in the ordinary course of its business. As is typical for companies of the Company's scope and scale, the Company is party to actions and proceedings in various jurisdictions involving a wide range of labor and employment issues, as well as actions with respect to contracts, product liability, securities, foreign operations, competition law and environmental matters. These actions may be commenced by a number of different parties, including competitors, clients, current or former employees, government and regulatory agencies, stockholders and representatives of the locations in which the Company does business. Some of the actions to which the Company is party may involve particularly complex technical issues, and some actions may raise novel questions under the laws of the various jurisdictions in which these matters arise.

The Company records a provision with respect to a claim, suit, investigation or proceeding when it is probable that a liability has been incurred and the amount of the loss can be reasonably estimated. The Company provides disclosures of matters for which the likelihood of material loss is at least reasonably possible. At December 31, 2022 the liabilities (if any) that may ultimately result from ongoing claims, demands, suits, investigations, tax matters and proceedings are not expected to have a material impact on the Company's consolidated results of operations, financial condition or cash flows.

Warranty liability

The Company's estimated warranty obligation for certain assurance type warranties at December 31, 2022 was \$52.6 million, presented within Other current liabilities in the Consolidated Balance Sheet.

Redeemable noncontrolling interests

Changes in redeemable noncontrolling interests were as follows:

(\$ in millions)

	Successor	Predecessor
	February 25, 2022 to December 31, 2022	January 1, 2022 to February 24, 2022
Balance at beginning of period	\$ -	\$ 85
Acquisitions	160	-
Net income (loss) attributable to redeemable noncontrolling interests	(1)	1
Changes in redemption value	7	1
Contributions from redeemable noncontrolling interests	-	-
Distributions to redeemable noncontrolling interests	(7)	(2)
Balance at end of period	\$ 159	\$ 85

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Notes to Consolidated Financial Statements

The Company's estimate of redemption amounts for puts that are redeemable at determinable prices on fixed or determinable dates are as follows:

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(\$ in millions)	
2023	\$ 6
2024	20
2025	3
2026	78
2027	10
Thereafter	42
	<u>\$ 159</u>

The carrying value of redeemable noncontrolling interests approximates fair value. The noncontrolling interests are classified as Level 3.

Note 13. Debt

(\$ in millions, except interest rates)

	<u>Successor</u> <u>December 31, 2022</u>	<u>Interest rates^(a)</u>
B-1 Loans ^(b)		
Outstanding principal	\$ 3,483	7.86%
Unamortized issuance costs	(60)	
Unamortized discount	(16)	
	<u>3,407</u>	
B-2 Loans ^(c)		
Outstanding principal	1,071	5.90%
Unamortized issuance costs	(19)	
Unamortized discount	(5)	
	<u>1,047</u>	
Other		
Outstanding principal	22	3.50%
Total long-term debt	<u>\$ 4,476</u>	

(a) Floating interest rates are stated as of December 31, 2022

(b) USD denominated

(c) EUR denominated

At December 31, 2022, contractual repayments of the Company's long-term debt are as follows:

(\$ in millions)	
2023	\$ 41
2024	41
2025	41
2026	38
2027	35
Thereafter	4,380
	<u>\$ 4,576</u>

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The fair value of long-term debt was as follows:

(\$ in millions)

	Successor	
	December 31, 2022	
	Fair value^(a)	Carrying value
B-1 Loans	\$ 2,877	\$ 3,407
B-2 Loans	\$ 899	\$ 1,047
Other	\$ 22	\$ 22

(a) Fair value of long-term debt determined using observable inputs, including market transactions, broker or dealer quotations or other market evidence. These liabilities are classified as Level 2.

Amortization of issuance costs and discount related to the B-1 Loans and B-2 Loans was \$11.9 million in the Successor Period. The issuance costs and debt discount are amortized using the effective interest method.

At December 31, 2022, accrued interest relating to the Term Loan Facilities was \$34.6 million.

Cash paid for interest was \$167.8 million in the Successor Period. There was no cash paid for interest in the Predecessor Period.

Senior Credit Facilities

The B-1 Loans and B-2 Loans (collectively, the "Term Loan Facilities") mature 7 years from the date of closing (February 25, 2022). The Term Loan Facilities have fluctuating interest rates based on, at the Company's election, a benchmark rate (including, but not limited to, EURIBOR or SOFR), plus a spread on each of the tranches ranging from 225-400 basis points. Loans under the Revolving Credit Facility have 5 year maturities and a fluctuating interest rate based on, at the Company's election, a benchmark rate (including, but not limited to, EURIBOR or SOFR), plus a spread on each of the tranches ranging from 175-375 basis points. As of December 31, 2022, there were no outstanding borrowings under the Revolving Credit Facility. The Company had letters of credit outstanding under the Revolving Credit Facility of \$6.4 million at December 31, 2022.

The obligations of the Company under the Senior Credit Facilities are guaranteed by its subsidiaries and each direct and indirect, existing and future, domestic material wholly owned restricted subsidiary of the Company.

The Term Loan Facilities contain a number of customary affirmative and negative covenants that, among other things, limits or restricts the ability of the Company and its restricted subsidiaries to incur additional indebtedness (including guarantee obligations); incur liens; engage in mergers, consolidations, liquidations and dissolutions (other than as part of an initial public offering); sell assets; pay dividends and make other payments in respect of capital stock; make acquisitions, investments, loans and advances; pay and modify the terms of certain indebtedness; engage in certain transactions with affiliates; enter into negative pledge clauses and clauses restricting subsidiary distributions; and change its line of business.

In addition, under the Revolving Credit Facility, the Company is required to comply with a specified first lien net leverage ratio to the extent any loans are outstanding under the Revolving Credit Facility or Letters of Credit issued and outstanding thereunder exceed \$260 million as of the end of any fiscal quarter.

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Notes to Consolidated Financial Statements

Note 14. Leases

The components of lease costs were as follows:

(\$ in millions)

	Successor	Predecessor
	February 25, 2022 to December 31, 2022	January 1, 2022 to February 24, 2022
Finance lease cost	\$ 1	\$ -
Operating lease cost	32	7
Short-term lease cost	7	2
Total lease cost	\$ 40	\$ 9

Finance lease right-of-use assets of \$1.1 million are presented within Property, plant and equipment, net, in the Consolidated Balance Sheet. The current portion of finance lease liabilities of \$0.7 million is presented within Other current liabilities in the Consolidated Balance Sheet. The non-current portion of finance lease liabilities of \$0.5 million is presented within Other liabilities in the Consolidated Balance Sheet.

The weighted average lease term and discount rate for operating and finance leases were as follows:

	Successor	
	December 31, 2022	
	Operating Leases	Finance Leases
Lease term	4.7 years	2.2 years
Discount rate	9.4%	8.7%

Expected future minimum lease payments for leases in effect at December 31, 2022 is as follows:

(\$ in millions)

	Operating Leases	Finance Leases
2023	\$ 37	\$ 1
2024	30	-
2025	24	-
2026	16	-
2027	11	-
Thereafter	38	-
Total future undiscounted lease payments	156	1
Imputed interest	(39)	-
Total lease liability	\$ 117	\$ 1

Cash flows arising from lease transactions were as follows:

(\$ in millions)

	Successor	Predecessor
	February 25, 2022 to December 31, 2022	January 1, 2022 to February 24, 2022
Operating cash inflows (outflows) from operating leases	\$ (43)	\$ (4)
Financing cash inflows (outflows) from finance leases	\$ (1)	\$ -

Note 15. Common stock

During the Successor Period the Company issued 10,000 common shares, \$0.01 par value per share.

The Company did not declare any dividends during the Successor Period or Predecessor Period.

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Notes to Consolidated Financial Statements

Note 16. Earnings per share

Basic earnings per common share is computed by dividing the net income (loss) available to common shareholders by the weighted average number of common shares outstanding during the period. Diluted earnings per common share adjusts basic earnings per common share for the effects of any other potentially dilutive financial instruments only in the periods in which such effect is dilutive.

(\$ in millions, except per share data)

	Successor
	December 31, 2022
Net income (loss) attributable to common shareholders	\$ (382)
Change in redemption value of redeemable noncontrolling interests	(7)
Accrued dividends on redeemable preferred stock	(2)
Net income (loss) available to common shareholders	\$ (391)
Weighted average common shares outstanding	10,000
Basic earnings (loss) per common share	\$ (39,191.78)
Effect of dilutive financial instruments ^(a)	-
Weighted average common shares outstanding, including dilutive effect	10,000
Diluted earnings (loss) per common share	\$ (39,191.78)

(a) Due to the results of operations, all potentially dilutive securities have been excluded from Diluted earnings per common share as they would be anti-dilutive.

Earnings per share for the Predecessor Period has not been presented as the Company's capital structure at December 31, 2022 is not reflective of, nor comparable to, the Company's capital structure prior to the 2022 Acquisition.

Note 17. Related parties

In the normal course of business, the Company sells window covering products to certain affiliates. The profits during the Successor Period and Predecessor Period from such transactions were not material to the Company. The accounts receivable from affiliates at December 31, 2022 were not material to the Company.

In certain circumstances, the Company leases property from affiliates. Rent expense paid to affiliates was \$1.7 million in the Successor Period and \$0.3 million in the Predecessor Period.

The Company has financing arrangements and financial instruments with certain affiliates, amounts outstanding and corresponding balance sheet presentation were as follows:

(\$ in millions)

	Successor
	December 31, 2022
Other assets	
Loan to Persianas Y Cortinas del Ecuador SA Percesa	\$ 1
Loan to SelectBlinds LLC ^(a)	\$ 87
Loans to SelectBlinds LLC - shareholder	\$ 30
Option to acquire controlling interest in SelectBlinds LLC	\$ 39
Redeemable preferred stock ^(b)	
Preferred stock issued to Blinds2go Ltd. management	\$ 26

(a) The Company has a 49% ownership interest in SelectBlinds LLC, a Delaware limited liability company. On October 7, 2021 the Company entered into a loan agreement with SelectBlinds LLC. The Company determined that SelectBlinds LLC meets the definition of a VIE as it does not have sufficient capital to finance its activities. The Company evaluated its relationship with SelectBlinds LLC and concluded that it is not the primary beneficiary of SelectBlinds LLC as it does not have power over the activities that most significantly impact the economic performance of the entity. As such, the results of operations and financial condition of SelectBlinds LLC are not consolidated by the Company.

(b) During the Successor Period the Company paid \$15.9 million to redeem preferred stock issued to Hunter Douglas Solskjerming AS management.

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Notes to Consolidated Financial Statements

Note 18. Segments

The Company manages and reports operating results through three reportable segments defined by geographic regions: North America, Europe and International. The accounting policies of the segments are the same as those described in the "Summary of significant accounting policies" for Hunter Douglas B.V.

Management uses Segment Adjusted EBITDA to evaluate segment performance and allocate resources. Segment Adjusted EBITDA is defined as net income from continuing operations before interest expense, income tax expense (benefit), and depreciation and amortization; in addition to these adjustments, the Company excludes, when they occur, the impact of restructuring activities, deal and integration expenses, impairment losses, stock-based compensation and certain other non-operating items. Segment Adjusted EBITDA includes intersegment revenues and where applicable, intercompany charges for certain expense allocations. Segment Adjusted EBITDA is a tool that assists management in evaluating performance by removing the impact of certain items that management does not consider relevant to the segment's underlying operations.

(\$ in millions)

	Successor	Predecessor
	February 25, 2022 to December 31, 2022	January 1, 2022 to February 24, 2022
Segment Adjusted EBITDA		
North America	\$ 428	\$ 64
Europe	250	38
International	63	4
Corporate	(35)	-
Other unallocated (expense) income	4	-
Amortization of purchase price allocation to inventory	(223)	-
Stock-based compensation	(4)	-
Depreciation and amortization	(195)	(22)
Impairment losses	(548)	-
Restructuring expense	(35)	-
Deal and integration expenses	(85)	(22)
Other operating expenses	(2)	-
Interest expense	(217)	-
Other (expense) income	279	(7)
Income tax (expense) benefit	(66)	(10)
Income (loss) from unconsolidated affiliates	7	1
Net income (loss)	\$ (379)	\$ 46

Depreciation and amortization by segment was as follows:

(\$ in millions)

	Successor	Predecessor
	February 25, 2022 to December 31, 2022	January 1, 2022 to February 24, 2022
Depreciation and amortization		
North America	\$ 104	\$ 11
Europe	72	7
International	19	3
Unallocated corporate depreciation and amortization	-	1
Total depreciation and amortization	\$ 195	\$ 22

Hunter Douglas B.V.
Notes to Consolidated Financial Statements

Goodwill by segment was as follows:

(\$ in millions)	Successor	
	December 31, 2022	
North America	\$	994
Europe		966
International		140
Total goodwill	\$	2,100

Restructuring expense by segment were as follows:

(\$ in millions)	Successor	
	December 31, 2022	
North America	\$	29
Europe		6
International		-
Total restructuring expense	\$	35

Asset information by segment is not reported internally or otherwise regularly reviewed by management. Property, plant and equipment, net by geography was as follows:

(\$ in millions)	Successor	
	December 31, 2022	
United States	\$	406
Other		635
Total property, plant and equipment, net	\$	1,041

The Company completed an internal reorganization effective January 1, 2023. In future periods the Company will report under a new segment structure and prior periods will be revised.

Note 19. Restructuring expense

During the Successor Period, the Company incurred certain exit and disposal costs related to restructuring activities, presented within Other operating expenses in the Consolidated Statements of Income. These primarily include severance and employee benefit costs. Severance and employee benefit costs include cash severance, non-cash severance, and pension and other termination benefits.

The Company's restructuring activities are focused on workforce reduction and factory consolidation. In 2022, the Company eliminated approximately 250 positions. At December 31, 2022, the Company expects to eliminate approximately 30 additional positions in 2023, primarily in North America and Europe.

Changes in the liability for restructuring activities were as follows:

(\$ in millions)		
Predecessor		
Balance at January 1, 2022	\$	-
Balance at February 24, 2022	\$	-
Successor		
Balance at February 25, 2022	\$	-
Charges (credits)		35
Cash payments		(24)
Balance at December 31, 2022	\$	11

The Company expects that the majority of the liability at December 31, 2022 will be paid by the end of 2023.

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Notes to Consolidated Financial Statements

Note 20. Subsequent events

The Company has evaluated subsequent events that have occurred from January 1, 2023 to April 28, 2023, which is the date that the consolidated financial statements were available to be issued, and determined that there were no subsequent events or transactions that required recognition or disclosure in the consolidated financial statements, other than the matters described below.

Curtain Hardware Australia

On January 31, 2023 the Company acquired Curtain Hardware Australia Pty Ltd, a manufacturer of curtain hardware and components based in Australia. The total cash consideration paid in connection with the acquisition was approximately \$20.4 million. The allocation of purchase price to the assets acquired and liabilities assumed as of the acquisition date has not been completed.

Stock-based compensation

3G HD Holdings (UK) Limited, a holding company with an economic interest in the Company, issued approximately 0.5 million common shares of 3G HD Holdings (UK) Limited common stock to certain employees of the Company for total consideration of \$5.3 million. Additionally, 3G HD Holdings (UK) Limited issued approximately 0.9 million restricted stock units ("RSUs") and approximately 1.7 million stock options to certain employees of the Company. The fair value of the RSUs and stock options was approximately \$8.9 million and \$5.8 million, respectively. The RSUs and stock options vest in tranches, generally over a five-year service period.

erfal

On February 22, 2023 the Company entered into an agreement to purchase erfal GmbH & Co. KG, a producer of screens and shutters based in Germany. The transaction is expected to close mid-2023 and is subject to customary closing conditions, including, among others, obtaining the relevant regulatory approvals. The total consideration expected to be paid in connection with the acquisition is approximately \$53 million.

UNILUX

On April 18, 2023 the Company acquired UNILUX SCREENING PIONEERS B.V., a producer of windows and doors based in Germany. The total consideration paid in connection with the acquisition was approximately \$63.3 million. The allocation of purchase price to the assets acquired and liabilities assumed as of the acquisition date has not been completed.

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