



HunterDouglas

Annual Report
2014

HunterDouglas®



DUETTE®

SILHOUETTE®

LUMINETTE®

VIGNETTE®

PIROUETTE®



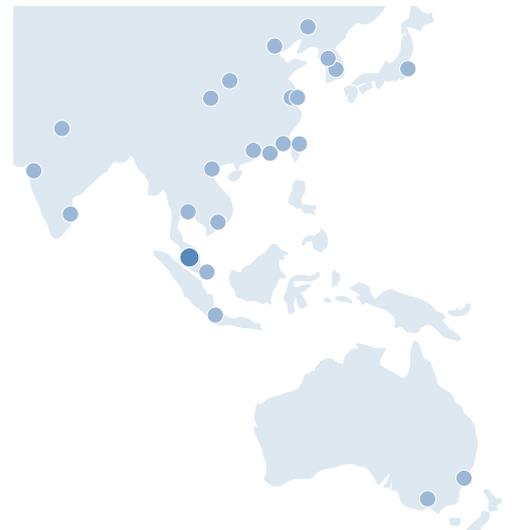
LUXALON®

NBK | ARCHITECTURAL
TERRACOTTA

Nedal®

Operational Headquarters

- **Rotterdam, The Netherlands**
World Headquarters and European Operations
- **Lucerne, Switzerland**
Management Office
- **Pearl River, NY, USA**
North American Operations
- **São Paulo, Brazil**
Latin American Operations
- **Kuala Lumpur, Malaysia**
Asian Operations



HunterDouglas

Hunter Douglas is the world market leader in window coverings and a major manufacturer of architectural products.

Hunter Douglas has its Head Office in Rotterdam, the Netherlands, and a Management Office in Lucerne, Switzerland.

The Group is comprised of 125 companies with 50 manufacturing and 75 assembly operations and marketing organizations in more than 100 countries.

Hunter Douglas employs about 16,500 people with sales in 2014 of USD 2.7 billion.

Operating Style

Hunter Douglas is professionally managed by entrepreneurial managers who run our business as their own.

Dynamic and performance oriented

Decentralized organization structure

- Global federation of small and medium-sized companies
- Guiding principle: 'Maximum accountability with minimum interference'

Innovative proprietary products

Creative marketing and promotional programs

Strong brands:

HunterDouglas® in North America and Asia, and for Architectural Products worldwide

Luxaflex® for residential window coverings in the rest of the world

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Financial highlights

Two-year summary

	USD millions			EUR per common share		
	Notes	2014	2013	Notes	2014	2013
Net Sales		<u>2,695</u>	<u>2,636</u>			
Earnings before interest, tax, depreciation and amortization (before non-recurring restructuring expenses)		<u>282</u>	<u>261</u>	3	<u>6.12</u>	<u>5.65</u>
Income from Operations (before non-recurring restructuring expenses)		193	170			
Net Profit from Operations (before non-recurring restructuring expenses)		<u>146</u>	<u>118</u>	3	<u>3.18</u>	<u>2.55</u>
Non-recurring restructuring expenses		-23	-12			
Net Profit from Operations (after non-recurring restructuring expenses)		<u>123</u>	<u>106</u>	3	<u>2.68</u>	<u>2.30</u>
Net Result Investment Portfolio		2	1			
Total Net Result	1	<u>125</u>	<u>107</u>	3	<u>2.71</u>	<u>2.32</u>
Operating Cash flow		152	220	3	3.29	4.75
Investments in tangible fixed assets		73	69			
Depreciation property, plant and equipment		82	83			
Net Assets Employed	2	1,586	1,619			
Shareholders' equity		1,050	1,124	4	24.86	23.46
Return on equity		11.5%	9.7%			
Dividend				5	1.35	1.25
RONAE: (Return before interest/net assets employed)		12.3%	10.4%			
Employees (at year-end)		16,362	16,932			

1 Net Result attributable to equity shareholders

2 Total assets (excl. Investment Portfolio) minus non-interest-bearing current liabilities

3 Based on the average number of shares outstanding during the affected year

4 Based on the number of shares outstanding at year-end, adjusted for treasury shares

5 Proposed for 2014

Chairman's letter

To our shareholders

Hunter Douglas has now largely completed an extended period of operational restructurings and consolidations. Our improved results reflect this.

- › Our European Operations had higher sales and significantly improved results benefitting from lower costs and expenses. While consumer demand and housing remained subdued in most markets, our sales were supported by a pick-up in demand in the UK and the Middle East and growth in new product lines.
- › We experienced solid sales growth in North America supported by an improving economy, while profits were level as margins on increased sales were invested in additional selling and marketing efforts.
- › Our Asian Operations had slightly higher sales and operational profits.
- › Our Latin American Operations had higher sales but lower operational profits in local currency; while US dollar sales and profits were significantly lower due to substantial currency devaluations.

Sales: Were USD 2.695 bln; 2.2% higher than in 2013.

Sales volumes (excluding acquisitions and currency effects) were in total 3.9% higher, 6% higher in North America, 2% higher in Europe, 4% higher in Latin America, 4% higher in Asia, and 6% higher in Australia.

Earnings before interest, tax, depreciation and amortization – EBITDA (before non-recurring restructuring expenses): were USD 282 mln, 8.2% higher than USD 261 mln in 2013.

Income from Operations (before non-recurring restructuring expenses): was 13.5% higher at USD 193 mln compared with USD 170 mln in 2013; higher in all areas.

Non-recurring restructuring expenses: were USD 23 mln compared with USD 12 mln in 2013. These relate to the North American and European Operations.



Ralph Sonnenberg – Chairman & CEO
David & Marko Sonnenberg –
Co-Presidents & COO's

Net Profit: USD 125 mln (per share EUR 2.71), compared with USD 107 mln in 2013 (per share EUR 2.32).

Acquisitions:

- › In the US we acquired the remaining 3 Independent Fabricators and integrated them into our Fabrication Division. This change in strategy to one-step distribution for our Hunter Douglas branded products is expected to enhance the fabrication and marketing efficiencies of our US Operations.
- › We acquired Fasadeprodukter, a fast growing Norwegian direct selling blindmaker which will be combined with our existing Norwegian direct sales organization; thereby strengthening our residential business in Norway.

Capital Expenditures in 2014 were USD 73 mln, while depreciation was USD 82 mln.

Investments were focused on new products and efficiency improvements as well as the completion of a new plant in India. In 2015, capital expenditures will be about USD 65 mln and depreciation USD 80 mln.

Operating Cash flow in 2014 was USD 152 mln compared with USD 220 mln in 2013.

Financing: All borrowings are covered by committed long term facilities.

Dividend: The Directors propose a Dividend for 2014 of EUR 1.35 per Common share, compared with EUR 1.25 in 2013.

Investment Portfolio: In November we restarted an Investment Portfolio of about USD 100 mln on the same basis as previously. In 2015 the Portfolio will be increased to USD 200 million at cost.

Organization: Marv Hopkins will be retiring on July 1st, 2015 after 20 years as CEO of our North American Operations and 29 years with the Company.

We express our sincere gratitude to him for his outstanding leadership and many contributions to the success and growth of this business.

Ron Kass, who joined our company in 2005 as head of the Design Products Division and who has been President and COO of our North American Operations since 2014, will become President and CEO on July 1st.

Outlook: We expect further improving economic conditions in the US and Asia, more difficult conditions in Latin America and an ongoing challenging environment in Europe until consumer confidence and housing markets recover.

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

The people of Hunter Douglas are our most important and valuable asset. They create, make and market our products and are responsible for our continuing success. The Board and I express our sincere thanks and appreciation for their contributions, dedication and support.

Ralph Sonnenberg
Chairman & Chief Executive Officer

History

Global time line 1919 - 2014

1919-1946

In 1919 Henry Sonnenberg founded a machine tool distribution and subsequently manufacturing company in Düsseldorf, Germany.

In 1933 he moved to the Netherlands and established a machine tool operation.

In 1940, he moved to the United States where he founded the Douglas Machinery Company.

In 1946 Henry Sonnenberg established a joint venture with Joe Hunter which developed new technology and equipment for the continuous casting and fabrication of aluminium. This led to the production of lightweight aluminium slats for Venetian Blinds.

Hunter Douglas, as we know it today, was born.

1946-1960

Hunter Douglas aluminium blinds quickly gained leadership in the American market. As innovative as the product was the business model for its distribution. Hunter Douglas developed a vast network of more than 1,000 independent fabricators in the United States and Canada. They sold blinds during the day and custom assembled them in their workrooms at night.

In 1956, policy differences led to the sale of the US business. Henry Sonnenberg moved Hunter Douglas' headquarters to Montreal, Canada and, using the European machinery business as a base, concentrated on building the window covering business outside the United States.

1960-1980

Hunter Douglas expanded its operations in Europe and into Australia and Latin America.

In 1969 the Hunter Douglas Group went public, and its shares were listed on the Montreal and Amsterdam Stock Exchanges.

In 1971, Hunter Douglas' Group headquarters were moved to Rotterdam, the Netherlands, and Hunter Douglas N.V., became the worldwide Group parent Company.

In 1976, Hunter Douglas reacquired its former US business.

1980-2000

Hunter Douglas continued its global growth and expanded into Asia. The innovative spirit of the Company led to the development of revolutionary new products to meet the increasing demand for fashion and functionality.

- 1985 - Duette® Honeycomb Shades
- 1991 - Silhouette® Window Shadings
- 1994 - Vignette® Modern Roman Shades
- 1996 - Luminette® Privacy Sheers and PowerRise® battery-powered remote control system
- 1999 - UltraGlide® retractable cord system

2000-2013

- 2000 - LiteRise® cordless system, EOS® hardware system
- 2003 - Techstyle® Acoustical Ceilings
- 2004 - Facette® Shades, The Alustra® Collection
- 2006 - Duette® Architella® Shades, Skyline™ Panels
- 2007 - Pirouette® Shadings, Platinum™ Technology Motorization
- 2008 - Nano Roller Blinds
- 2010 - Vignette® Architella® Shades, RB 500 Roller Shade System
- 2011 - Silhouette® Shadings with LiteRise®
- 2012 - Duette® Architella® Trielle™ Shades, Platinum™ App, Solera™ Soft Shades
- 2013 - Silhouette® A Deux™ Window Shadings
- 2014 - Pirouette® window shadings, Cordless operating system, 3form® glass offering

Innovations

About envisioning what comes next

Ever since we created the aluminium blind in 1946, we have defined our industry with products that deliver revolutionary style and functionality. What's more, our expertise in customization helps keep our customers around the world at the forefront of design.

Pirouette® window shadings

Building on the popularity and sales success of Pirouette® window shadings, Alustra® Pirouette® window shadings represent an evolution of this proprietary Hunter Douglas design innovation. Unique offerings include woven fabrics, metallic finishes and distinctive accents and operating systems that are hallmarks of all Alustra® Collection products.



Cordless operating system

Specifically created for enhanced safety and operating convenience, the LiteRise® cordless lifting system option is now also available on many Hunter Douglas Europe products, including Plissé and Duette® Shades and Roller and Venetian Blinds. Its innovative design not only makes raising and



lowering window coverings easier, the elimination of operating cords also makes it especially ideal for homes with young children and pets.

3form® glass offering

Pattern+ from 3form® is a revolutionary new glass customization system that works across multiple

material platforms. The initial offering includes 28 dynamic patterns in customizable textures and colors with the ability to scale patterns to allow designers and architects maximum flexibility in creating diversity and dimension in their projects.





.....
*“There is no substitute
for the beauty of natural
daylight.”*

Duette® Architella® honeycomb
shades





.....
*“Gentle translucency
for an endless variety of
moods.”*

Silhouette® Window Shadings

Window Coverings

Hunter Douglas is the world market leader in window coverings.

- › Our strength is our ability to develop and market innovative, high quality, proprietary products, targeted primarily at upscale consumers.
- › Our success is based upon trusted brand names recognized around the world: HunterDouglas®, Luxaflex®, Duette®, Silhouette® and Vignette®.
- › Our proprietary fabric shades are consistently recognized for excellence in design, styling, features, quality and breadth of selection: Duette® Honeycomb Shades, Silhouette® and Pirouette® Window Shadings, Luminette® Privacy Sheers, Vignette® Modern Roman Shades and Facette® Shades.
- › In addition to our proprietary design innovations, we offer a fully integrated and premium line of standard window covering



› Vignette® Roman Shades

styles. These include Venetian and Vertical Blinds, Roman, Roller, Pleated and Woven Wood Shades, Wood and Alternative Wood Blinds and Custom Shutters. And Exterior Venetian Blinds, Screen Products, Shutters and Awnings.

- › We customize each window covering to the individual consumer's specific needs, and deliver that unique product typically within a week of ordering.

- › Our proprietary operating systems are equally innovative and unique. They offer ease of use, reliable performance, convenience and improved safety features, identified by our 'Designed with Safety in Mind' logo. They also include the EOS® modular hardware system.

Silhouette® Window Shadings with UltraGlide® 2 Click and Walk Away™

A new take on UltraGlide™ retractable cord operation on Silhouette® shadings, this enhanced version smoothly lowers and opens the shading with just a gentle pull on the cord. It also decreases the pull force needed to raise the shading by 50%. The retractable cord is designed to maintain a constant length that is out of reach of most young children for enhanced safety at the window.



› Pirouette® Window Shadings



Architectural Products

Hunter Douglas is a world-leading manufacturer of sun-control solutions, suspended ceilings, ventilated façade systems, and translucent materials.

- › We focus on high-performance architectural materials with proprietary characteristics in design, comfort, and sustainability.
- › Our strength is our ability to develop customizable product systems, which assure reliable installation and enable design flexibility with minimal custom engineering.
- › Our success is based on giving architects a high degree of technical and design assistance in applying our products. We collaborate with architects and owners to realize their design objectives while also meeting functional needs such as light control, energy efficiency, and acoustics.

› Our global network of specialized manufacturing facilities lets us deliver a broad, consistent range of solutions that can be adapted to local design requirements.

Sun-Control Solutions

Hunter Douglas offers an unparalleled breadth of solutions and expertise to manage heat and light inside and outside windowed walls. We are at the forefront of the emerging field of architectural solar-control products.

Ventilated Façade Systems

Our QuadroClad® ventilated façade system features lightweight skins fused to a honeycomb aluminium core that provides extreme strength and flatness. QuadroClad® panels are available in many specialty shapes and curves, as well as a wide range of colours. In 2007 the Group acquired NBK, a pioneering manufacturer of terracotta façades. NBK is today the market and quality leader in size, flatness, and design options for large terracotta panels.

Suspended Ceilings

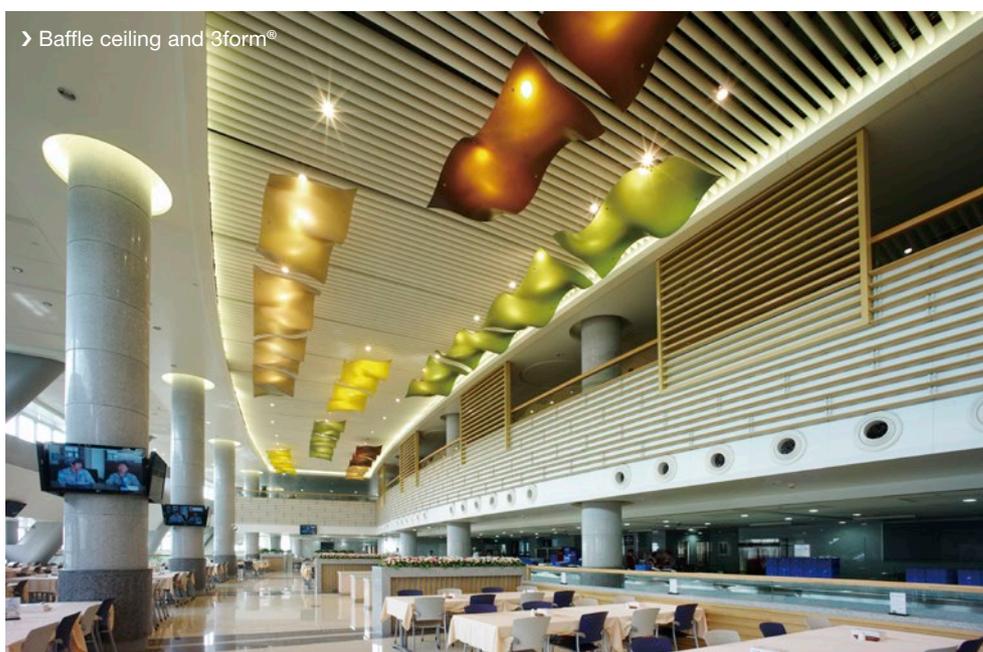
Our Luxalon® metal ceiling systems enable a wide variety of designs and applications, including curved and specialty shapes.

Our revolutionary Techstyle® acoustical panels deliver superior noise reduction; a clean, monolithic look; and easy access to the plenum.

3form®

In 2007, Hunter Douglas acquired 3form®, the leading manufacturer of translucent architectural materials. 3form® panels in resin and glass give architects and interior designers the flexibility to play with colour, shape, texture, and transparency in a wide range of interior and exterior applications, including back-lit wall features, partitions, ceiling elements, horizontal surfaces, canopies, building accents and signage. Through its LightArt® division, the company also manufactures a range of lighting fixtures based on these materials.

3form expanded its signature Full Circle program, a highly regarded and popular collection of products, which brings to life handcrafted materials from artisans around the world. These materials are designed and produced in collaboration with artisan communities and encapsulated in Varia Ecoresin.







Our Company

Research & Development

Hunter Douglas was founded on a tradition of bringing breakthrough products to market. At the beginning of the 21st century, our new product development has accelerated with the introduction of a number of innovative products, including Facette® Shades, EOS® Hardware systems, LiteRise® cordless operating systems, Techstyle® Acoustical Ceilings and Duette® Architella® Shades.

- › We have specialized R & D Centres in the United States, the Netherlands, Germany, China and South Korea where products are currently under development for introduction in 2015, 2016 and beyond.
- › Around the world, our subsidiaries adapt products to respond to local market needs.
- › We are continually seeking, testing and developing new ideas and concepts that will enable Hunter Douglas to serve and grow our markets in future years.
- › Top priorities are the comfort and safety of the end users, the functionality and durability of our products and the evolving fashion and style needs of the marketplace.
- › We strive to simplify assembly, improve production processes, eliminate waste and reduce maintenance.
- › In 2015 we expect our R & D activities to remain at approximately the same level as in 2014.

Manufacturing

Almost 70 years ago, Hunter Douglas pioneered a unique, continuous casting and integrated manufacturing process for aluminium, to produce painted aluminium strip, and from that the basic materials for many of our products. That innovative thinking has been applied to all aspects of our operation.

- › We have applied the lessons learned in manufacturing metal products to our fabric shades and have set the industry standard for forming fabrics into innovative designs that trap air in cellular pockets for superior insulation, softly diffuse harsh incoming light, provide privacy while preserving outside views and help protect furnishings from damaging UV rays.
- › Our proprietary innovations include the energy-efficient cells used in Duette® and Vignette® Architella® Shades; translucent sheer fabrics used in shades, sheers and shading systems; and the process for bonding diverse fabrics to yield products like Silhouette® and Pirouette® Window Shadings, Vignette® Modern Roman Shades and Luminette® Privacy Sheers.
- › We concentrate production of our principal products in a few efficient manufacturing locations around the world.
- › Process re-engineering and automation is a critical concept in a custom business, allowing us to better manage inventory and our other assets, lower costs, and serve our customers more quickly and efficiently.

Worldwide distribution system

Our distribution system is key to our business and an essential element in our marketing strategy. It is as distinctive as it is efficient.

- › We rely upon a worldwide network of several thousand independent and 75 company-owned fabricators to sell, assemble and distribute our products in local markets.
- › We closely support fabricators to ensure they consistently offer the best quality and service.
- › We provide sophisticated sampling, merchandising and training programs to enable our fabricators to establish strong dealer networks.
- › We provide support to over 100,000 retail dealers - the second tier in our distribution network. They rely upon us for sales and marketing programs; advertising and promotional campaigns; sampling, displays and signage; product education and business-building programs; technical service and assistance in computer-supported administrative areas.
- › Proper installation of our products is key to lifetime performance and customer satisfaction. We have expanded our training to assist the thousands of professional Hunter Douglas installers around the world.
- › Strong and enduring relationships have been forged between Hunter Douglas, our fabricators and our dealers. We consider them to be our strategic partners and the principal sales and marketing arms for our products.



Marketing

We want consumers who purchase Hunter Douglas products to have a thoroughly satisfying experience throughout their process of selecting, buying and living with our products. We have built an additive-process marketing program that builds awareness of and desire for our products and creates strong brand loyalty.

- › Brand awareness is built through many channels: print, broadcast

and online advertising campaigns; a comprehensive consumer website; branded social media programs, retail merchandising and displays; relationship building with the trade and consumer press, as well as interior designers and architects; newspaper and magazine articles and editorials; sponsorship of special events and worthy charitable causes at the local, national and international levels.



- › Our messages are based upon extensive research into consumer needs, motivations and regional differences, enabling us to better understand what consumers most desire from our products and what dealers need to support and sell them.
- › Once in a retail store, the consumer will find a wealth of materials that help simplify the purchase decision: brochures, design books, sampling of the full range of colours and options, and

displays that show how actual products look and function.

- › We actively support our commercial clients with products that meet their needs and specifications, and with technical information concerning light control, motorization and climate control.

Our internet sites enable us to:

- › Give consumers the information and interactive design tools they need to help narrow their product

selections and make appropriate buying decisions when visiting our dealers' showrooms.

- › Educate and support our dealers and installers; including online learning modules and interactive features to select, measure, order and install products.

Education, Corporate Citizenship and Employment

Education

We have developed multi-level training and education programs for our fabricators, retail dealers, professional designers and installers.

- › We hold consumer seminars to help prospective buyers understand the importance of window coverings for home fashions and for light control and energy efficiency.
- › We provide training seminars and hands-on workshops for retailers, designers and installers - including CD-Roms, movies, and web-based instructions - throughout the world.
- › We have created the industry's first and only formal Retail Alliance Program, offering our very best dealers a choice of tiered partnership options that reward their brand loyalty with lucrative business-building benefits, including financial incentives and exclusive products and programs.
- › Through our exclusive partnership with Archiprix International, we build relationships with the next generation of architects as they begin their careers after college. With our support, Archiprix organizes a biennial international competition for the best graduation projects in architecture. Finalists travel to a host city with hundreds of architects from around the world, where an independent jury evaluates the student entries and recognizes the most outstanding work with the Hunter Douglas award.

- › Our 'Windows of Opportunity' seminar on the use of window fashions in interior design reaches more than 2,500 design school students and designers in major United States' markets each year.
- › At the Fashions Institute of Technology in New York and other leading design schools, we provide design students with industry overviews and a business perspective through teaching opportunities.
- › At the renowned Pratt School of Architecture, we have sponsored design studio projects that challenge students to envision new and novel ways to integrate our products and materials into architectural structures.

Corporate Citizenship

- › We actively support the communities in which we live, work and do business. Decisions about which causes to support and the form that support takes are made locally by our management in each country.
- › We provide window coverings to hospitals, research centres and healthcare facilities around the world.
- › We support educational opportunities for the families of our staff and less privileged members of our communities.
- › In the United States and Canada, we sponsor Habitat for Humanity, donating custom window coverings for the homes they have built for low-income families since 1993. Our employees have also contributed thousands of hours in sweat equity assisting with the building of these homes at the local level.

- › We stimulate students' awareness of our products and encourage their creativity through competitions in which they are judged upon the innovative application of our products in their design projects.
- › Hunter Green™ and Keen on Green are important company-wide environmental initiatives being undertaken by our Hunter Douglas branded companies to reduce energy consumption, water usage and our overall carbon-footprint. It also includes an ongoing consumer marketing effort to increase awareness of our corporate commitment to the cause as well as the superior energy-saving benefits of our products.

Employment

Employment levels decreased from 16,932 to 16,362. This is not expected to materially change in 2015.

Strategy

Our strategy remains unchanged: to grow the market and our market share by continuing to introduce innovative and proprietary products and by expanding our presence in key geographic markets.

Corporate Governance

Hunter Douglas N.V. has its statutory seat in Curaçao. Hunter Douglas is therefore not subject to the Netherlands Corporate Governance Code. However, Hunter Douglas adheres to good Corporate Governance and follows many of these recommendations.

Corporate structure

Board of Directors

Hunter Douglas has a one-tier corporate structure. Under its Charter the Board of Directors is responsible for the overall management and control of the Company. The Board is appointed by the shareholders at the annual General Meeting. The Board has four regular meetings per year and additional meetings as required. Board members may not be members of more than five boards of public companies.

Independence

The Board has five members, of whom three are independent. It acts collectively by majority resolution.

Functions

The Board reviews the overall strategy, financial objectives, budgets, acquisitions, divestments, capital expenditures, currency and aluminium hedging, portfolio composition and returns, results and risks in the Company's business.

Audit and Compensation Committees

The Board has an Audit and a Compensation Committee, whose members are independent. The Audit Committee reviews the Company's accounts, internal controls and meets with the Company's external Auditors at least once a year.

The Compensation Committee reviews the Directors' and Officers' compensation and stock options.

Chairman & CEO

Mr. Ralph Sonnenberg is Chairman of the Board of Directors and Chief Executive Officer.

Officers

The Board annually appoints the Officers of the Company – the Co-Presidents, four regional Presidents and two Staff Vice Presidents.

Financial reporting

To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group. The annual report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group.

Internal Controls

The Company has the following key internal controls.

Conflicts of Interest Policy

The Company has a 'Conflicts of Interest Policy' applicable to all key employees which covers relations with customers, suppliers and other third parties.

Insider Trading Policy

The Company has an 'Insider Trading Policy', as prescribed by the Authority Financial Markets ('AFM'), restricting trading in the Company's shares by Directors, Officers, key employees and related persons.

Internal Audit Function

Hunter Douglas' principal Operating Companies have an Internal Audit Program.

Authority limits

Every Manager, including the Regional Presidents, has clearly defined Authority Limits.

Whistleblower Policy

Hunter Douglas has a 'Whistleblower' Policy in each Company.

Compensation

Compensation is reviewed by the Compensation Committee of the Board. The Company also follows the 'best practices'.

Stock options

Stock options are granted for five years with vesting starting after two years.

Stock

The Company does not provide stock at no cost.

Loans

Loans to Directors, Officers or other employees bear market interest. There is no forgiveness of principal or interest.

Investor Relations

Hunter Douglas has an Investor Relations Website, regularly issues press releases and holds analysts' and investor meetings.

Financial Risk Management

For risk management objectives and policies in relation to the financial instruments reference is made to note 25 of the financial statements.

Objectives

The Company's objectives are to:

- › Expand its Window Coverings and Architectural Products businesses at a growth rate exceeding that of the market while continuing to be the best Company in the industry;
- › Develop and introduce innovative new products;
- › Seek acquisitions that add to the Company's organic growth by expanding product lines or distribution and that meet its return targets;
- › Continue with an efficient decentralized entrepreneurial organization, based on the principle of 'maximum accountability with minimum interference'.

- › Prices for raw materials, in particular: aluminium, steel, fabric, synthetics and other oil based products;
- › Exchange rates: rates of non US dollar currencies can affect the Company's results. Hunter Douglas' policy is to generally hedge transactional exposures, to selectively hedge translation of earnings, and generally not to hedge balance sheet exposures.

Rotterdam, 10 March 2015

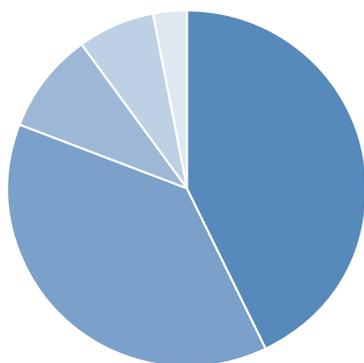
Board of Directors

Sensitivity to External Factors

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

- › Overall economic activity and particularly consumer confidence which affects demand for consumer durables;

Worldwide sales



Financial information by region*

Amounts in millions	Europe		North America		Latin America		Asia		Australia		Total	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
Net sales												
Window Coverings	836	822	1,019	976	170	185	79	79	89	89	2,193	2,151
Architectural Products	106	113	136	123	69	72	107	102	4	4	422	414
Other	80	71									80	71
Total***	1,022	1,006	1,155	1,099	239	257	186	181	93	93	2,695	2,636
Net assets employed**	692	722	436	433	124	142	141	184	46	51	1,439	1,532
of which												
Non-current assets***	363	398	434	402	55	57	115	126	22	24	989	1,007
Additions to tangible fixed assets	27	26	29	25	9	6	7	10	1	2	73	69
Depreciation tangible fixed assets	37	36	27	27	5	6	11	12	2	2	82	83
Employees per year-end	6,002	6,242	6,729	6,642	1,772	1,997	1,548	1,749	311	302	16,362	16,932

(*) This table excludes the turnover of 491 (2013: 452) and net assets employed of 147 (2013: 87) of Metals Trading.

(**) Total assets (excl. Investment Portfolio) minus non-interest-bearing current liabilities.

(***) Net sales in the Netherlands were 139 (2013: 137) and non-current assets 69 (2013: 96).

Relative distribution of employees per business segment per area is in line with net sales per area.

Europe

European Operations had higher sales and profits.

Hunter Douglas Europe had significantly improved results benefitting from a lower cost structure, a pickup in demand in the UK, and growth in its new product-lines. Consumer demand remained subdued in most markets. Our commercial businesses continued to face a challenging building market, with growth in the Middle East. We continued to streamline and consolidate our operations while investing in growth markets and new products, especially Germany, the UK, Scandinavia and the Middle East.

Window Covering Products

› Our company-owned blindmakers had increased sales and profits, with improved performance in the UK, Ireland, Scandinavia and the Benelux, partly offset by weaker results in our other main markets, especially in France and Spain. We extended our efforts to grow our market position in key product groups, including Duette® shades, pleated blinds and roller blinds. We launched a Duette® consumer campaign in the UK to build awareness and generate sales leads for our dealers.



Aad Kuiper
President & CEO
European Operations

- › Our Duette® SmartCord® and Duette® LiteRise® operating systems won the prestigious IF Design Award, which garnered over 5,000 corporate submissions from over 31 countries.
- › Component sales to independent blindmakers decreased slightly. We continued to strengthen our position in Germany, where Duette® shades in particular are becoming increasingly popular, and our on-line Duette® campaign was awarded Best Company campaign of 2014, by Eurodecor.
- › Eclipse, our leading UK manufacturer and distributor of fabrics and window covering components had higher sales and profits.
- › Benthin, the leading Germany based developer and supplier of vertical, roller blind and pleated blind systems, continued to achieve strong results.
- › Blöcker, our market-leading supplier of pleated blind systems and fabrics had good results.
- › Fasadeprodukter, a fast growing Norwegian direct-selling blindmaker, was acquired in November. This company will be combined with our existing Norwegian direct-sales organization and strengthens our residential business in Norway.
- › Sunflex/Integra, our UK packaged window-covering company, further improved its low cost position in the market and achieved higher results.
- › Gardinia, the leading distributor of packaged window coverings in Germany and Eastern Europe, had a difficult year with lower sales but improved results. Both Gardinia's German and Eastern

Amounts in millions	EUR	
	2014	2013
Net sales		
Window coverings	631	619
Architectural products	80	85
Other	60	53
Total	771	757
Net assets employed	570	524
Employees per year-end	6,002	6,242





› Duette® Shades

European businesses experienced difficult market conditions and are in the process of significantly streamlining their cost structure.

- › Mermet, our fiberglass sunscreen manufacturer in France, achieved higher sales and profits.

Luxaflex® Window Coverings

- › Our main brand in Europe continued to gain share in a challenging market as our leadership in distribution, product innovation and trade support programs continued to attract dealers to the brand. We introduced new Duette® and Pleated collections.
- › We launched an integrated consumer brand campaign in our main European markets. As part of this effort, we continued to expand our on-line marketing initiatives with the launch of a new responsive website for Luxaflex® blinds.
- › Duette® shades realized another year of strong growth.

- › We grew our market share in the important roller blind market with the launch of a new collection.

Architectural and Project market

- › The market continued to remain challenging and we improved results despite stable sales. Our ceiling and metal façades business grew modestly, while our window covering and sun control businesses had lower results.
- › Our new ceiling products, especially our XL Panel and BXD Panels, are continuing to be well received by the architectural community.
- › We achieved good results in the Middle East, especially in Saudi Arabia, which remains a very promising market for our products. In the Benelux our business continued to perform well.
- › The NBK ceramic façades business achieved lower sales, but improved results.

Operations/Manufacturing

- › Our main manufacturing facilities in the Netherlands had improved performance, despite lower volumes, mainly driven by investments in more efficient production processes.
- › Artex, our textile development and production center based in Aarle-Rixtel, the Netherlands, had lower sales and profits.
- › Our Fabrication plants in Czech and Poland added assembly volumes from several of our Western European plants and improved their results.
- › Significant quality and delivery improvements were achieved through the continued roll-out of “Lean Manufacturing” processes at our main assembly operations.

Nedal

Our Dutch based aluminum extrusion operation had higher sales and results.

North America

Higher sales and level profits.

After 20 years as Chief Executive Officer of North American operations and 29 years with Hunter Douglas, I have decided that the time has come to step down. Therefore, I'm pleased to announce that, upon my retirement on July 1, 2015, Ron Kass will become President and Chief Executive Officer of North American operations. Ron, President and Chief Operating Officer since January 2014, joined Hunter Douglas in 2005 as President of our Design Products Group of companies, and his responsibilities were subsequently expanded to include the Independent Fabricator Group and Corporate Marketing. He has been a key contributor to our company during these past ten years, and I am confident he will lead North America to continuing growth and success in the years ahead.

› In 2014, we experienced solid sales growth in our US window coverings and architectural products businesses. Sales were fueled by an improving economy, investments in our



Marvin B. Hopkins
Chairman & CEO North American Operations

Hunter Douglas brand dealer network, market share gains in our alternative window covering brands and enhanced product offerings and manufacturing capabilities in architectural products.

› 2014 operating profit rose modestly as margins on increased sales were reinvested in additional selling and marketing efforts. These investments, combined with a continued weakening of the Canadian dollar, tempered our results.

› In 2015, continued strong investment across our business should drive overall growth in sales and profit. US sales and profit growth will continue to align with housing, employment, interest rates and consumer confidence.

› In Canada, a continued weak Canadian dollar would continue to dampen profits due to higher import costs and unfavorable translation to US dollars. Also, the decline in the price of oil will adversely impact the Canadian economy and subdue consumer purchases.



Ron Kass
President & COO North American Operations

› In 2014, we restructured our business and acquired all remaining independent fabricators of Hunter Douglas branded products. This will enable us to fully transition the Hunter Douglas branded business to work directly with our retail dealers. We believe that this model will simplify and enhance the process of doing business with our dealers, and allow us to strengthen our partnerships with them.

› We continued to rationalize manufacturing focusing on our productivity both through plant consolidations and investments in more automated equipment.

Amounts in millions	USD	
	2014	2013
Net sales		
Window coverings	1,019	976
Architectural products	136	123
Other		
Total	1,155	1,099
Net assets employed	436	433
Employees per year-end	6,729	6,642



› Silhouette® Window Shadings

› We expanded our network of Hunter Douglas Alliance dealers with the addition of 396 new Gallery, Showcase, and Priority dealers, bringing the total to 5,398 in the U.S. while in Canada, we added 49 new Alliance dealers, bringing the total to 1,056.

› Alustra®, our signature design collection, offering the best materials and finishes sold exclusively through our Gallery and Showcase dealers, enjoyed a substantial sales increase of 36%. Growth was led by a 56% increase in Alustra® Silhouette® sales and further bolstered by the introduction of a new Alustra® Pirouette® shadings collection.

› We expanded the availability of our proprietary LiteRise® and UltraGlide® lifting systems across more of our product lines and continued to increase the percentage of products purchased with one of these distinctive systems which differentiate our product collections from competitors and offer superior benefits to consumers.

› 3form®, our architectural products company, launched an innovative line of decorative glass panels. This new 'Infinite Glass' line offers the design community a unique and versatile combination of patterns and finishes. 3form's fast growing LightArt™ business introduced a line of resin based fixtures that has quickly become popular with hospitality designers.

› Our commercial ceilings business had record sales and profits, boosted by its expanded custom capabilities and the launch of its High Profile Series™ metal ceilings, which create popular textural looks.



› Pirouette® window shadings

› A new GreenScreen Evolve fabric from Mermet was introduced and received a strong reception from the architectural community. This product is PVC-free and manufactured with 100% recycled consumer waste fibers.

› For the 14th time in the 17 years of the award's existence, Hunter Douglas was honored with the Window Covering Manufacturers Association's Product of the Year award. Our Heritage® Hardwood Shutters Collection, with its innovative new Handcrafted Series finishes, received the award. In total, Hunter Douglas garnered 30 of the 56 awards given, making this our 17th consecutive year of achieving more wins than any other company in the industry.

› We expanded our digital footprint with the integration of digital video advertising and enhanced social media activities, along with the introduction of an award-winning redesigned consumer website, with the goal of maximizing brand exposure among our prime prospects.

› We achieved record dealer attendance at our formal Premieres training events that are hosted in key markets across the country. Our library of online courses that supplement this hands-on training proved increasingly popular with our dealers, with more than 123,000 individual training sessions completed during 2014.

› We celebrated our 22nd consecutive year of partnership with Habitat for Humanity (HFH), whose mission is to provide decent, affordable housing to deserving individuals. To date, we have furnished HFH homes with about 400,000 blinds, and our own employees have donated thousands of hours of 'sweat equity' helping to construct some of those homes.

› In 2015, we will continue to invest in the development of innovative new products and programs that enhance the customer experience and optimize our productivity and profitability.

Latin America

Higher sales and lower operational profits in local currency.

Our Latin American operations had higher sales and lower operational profits in local currency. US dollar sales and profits were significantly lower due to sizable currency devaluations throughout Latin America.

Our Window Covering business had higher local currency sales and profits but slightly lower US Dollar sales and operational profits. We continued to develop the market for our products through an exclusive network of well merchandised dealers focused on serving an upscale clientele with our main Hunter Douglas® and Luxaflex® brands; concentrating on our new and innovative products. Our secondary brands, tailored to the middle class segment, continued to develop well.

Stock window covering products had level local currency sales and operational profits.

Our Architectural Products business had lower local currency sales and profits. Our business was significantly affected by the slowdown in the Chilean economy and devaluation in Colombia, in part offset by record sales and profits in Brazil and Mexico.



Renato Rocha
President & CEO
Latin American Operations

Brazil

- › Higher sales and slightly higher profits in local currency.
- › Window Coverings had level sales and profits.
- › Architectural Products had record sales and profits, despite a weak economy.

Mexico

- › Significantly higher local currency sales and operational profits, supported by a recovering economy.
- › Window Coverings had slightly higher sales and profits.
- › Architectural Products had record sales and profits.

Chile

- › Significantly lower sales and profits due to a sharp contraction in construction activity.
- › Window Coverings had significant higher profits despite lower sales due to efficiency gains and cost reductions.

- › Our sizable Architectural Products business had significantly lower sales and results. The drop in activity was in part offset by cost reductions, and the business remains solidly profitable on a lower level of sales.

Colombia

- › Level sales and slightly higher operational profits in local currency in both Window Coverings and Architectural Products.
- › Stock Products performed well with higher sales and operational profits.
- › A new, larger manufacturing plant on the outskirts of Bogota is being completed.

Argentina

- › Higher sales but lower profits in local currency.
- › Our results continued to be affected by import restrictions and currency devaluation.

Venezuela

- › Lower local currency sales and higher profits.
- › Our operations continued to be severely constrained by the ongoing difficulty in obtaining US dollars to finance imports.

Panama & Peru

- › Panama had significant higher sales and results, while Peru had higher sales but slightly lower results.



› Showroom

Amounts in millions	USD	
	2014	2013
Net sales		
Window coverings	170	185
Architectural products	69	72
Other		
Total	239	257
Net assets employed	124	142
Employees per year-end	1,772	1,997

Asia

Higher sales and Operational profits.

Our Asian Operations had slightly higher sales and operational profits. Our architectural and commercial window covering businesses continued to face challenging market conditions. We are completing a number of cost rationalization programs, principally in China, where we are consolidating our activities into our main production site in Shanghai.

China

- › Architectural Products had higher sales but lower profits. Under-absorption at our recently completed NBK Terracotta plant in Suzhou and our Architectural Products plant in Xian continued to affect our results.
- › Window Covering Products had level sales but higher profits. We are concentrating our dealer base to better support fewer, more aligned dealers in tier 1 cities who can create a more upscale merchandising environment for our brand. We continued to reach out to the fast growing interior design community.
- › We closed our textiles and injection molding plant in Southern China, reallocating these activities to other plants in the Group.

India

- › Architectural Products had higher sales but lower profits



G.C. Neoh
President & CEO
Asian Operations

due to start-up costs and under-absorption at our new manufacturing plant, as well as currency depreciation.

- › Window Covering Products had lower results as a decline in commercial sales was only partially offset by improved results in the residential business.

Japan

- › Window Coverings had significantly higher sales and profits, driven by increased acceptance of our proprietary products and strongly increased supplies to home builders.
- › Architectural Products had lower sales and profits. We have lowered our cost structure to improve performance in a challenging environment for imported products.

Korea

- › Window Coverings had higher

sales and level profits. The Korean housing market remains depressed and our business remains challenged by local copycat products.

- › Architectural Products had higher sales and profits. NBK Terracotta façades continued grow in popularity.

Vietnam

- › Strong sales and profits with the completion of the supplies of metal ceilings and façades to the new terminal at Hanoi International Airport.

Taiwan, Hong Kong

- › Higher sales and profits.

Malaysia, Singapore, Indonesia, Philippines and Thailand

- › Lower sales and profits. Our Malaysian business secured a strong order book for metro and rail station ceilings and façades.

Amounts in millions	USD	
	2014	2013
Net sales		
Window coverings	79	79
Architectural products	107	102
Other		
Total	186	181
Net assets employed	141	184
Employees per year-end	1,548	1,749



› Xuzhou Concert Hall, Linear ceiling



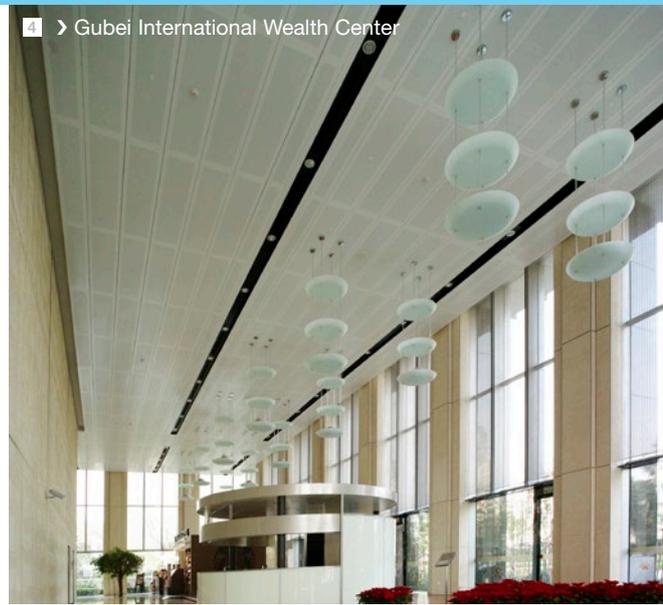
1 > Hangzhou Xiaoshan Airport



2 > Kunming Changshui International Airport



> Guangzhou Mayland Resort Hotel 3



4 > Gubei International Wealth Center



5 > Manquehue Subway Station



> Library of the University of Vilnius 6

-
- 1 | Linear and curved screen ceiling
 - 2 | QuadroClad® Façade
 - 3 | 3form® Varia
 - 4 | Perforated ceiling
 - 5 | QuadroClad® Façade
 - 6 | NBK Terracotta Façade

Consolidated statement of income for the year



Leen Reijtenbagh
Vice President, CFO & Secretary



Chris King
Vice President General Counsel

Amounts in millions	Notes	USD	
		2014	2013
Net sales	3	2,695	2,636
Cost of sales	4	<u>-1,646</u>	<u>-1,596</u>
Gross profit		1,049	1,040
Gross profit metals trading	3	<u>21</u>	<u>16</u>
Total gross profit		1,070	1,056
Selling and marketing expense	3	<u>-537</u>	<u>-543</u>
General and administrative expense	3	<u>-363</u>	<u>-354</u>
Income from operations (EBIT)		170	159
Finance costs	4	<u>-24</u>	<u>-25</u>
Finance income	4	<u>6</u>	<u>2</u>
Income before taxes		152	136
Taxes on income	19	<u>-27</u>	<u>-29</u>
Net profit for the year		125	107
Net profit attributable to non-controlling interest			
Net profit attributable to equity shareholders		125	107
Earnings per share attributable to equity shareholders	20		
- basic for profit for the year		3.59	3.08
- fully diluted for profit for the year		3.59	3.08

Consolidated statement of comprehensive income for the year

Amounts in millions	USD	
	2014	2013
Net profit for the year	125	107
Other comprehensive income		
Actuarial (losses) gains	<u>-73</u>	44
Currency translation differences*	<u>-100</u>	-13
Net movement in cash flow hedges*	<u>4</u>	5
Tax effect on other comprehensive income	<u>26</u>	<u>-34</u>
Total comprehensive income for the year, net of tax	-18	109
Attributable to equity shareholders	<u>-15</u>	108
Attributable to non-controlling interest	<u>-3</u>	1

* These items will be recycled thru statement of income at a future point in time. The tax effect of these items amounts to -1.

The accounting policies and explanatory notes on pages 35 through 60 form an integral part of the financial statements.

Consolidated cash flow statement for the year

Amounts in millions	Notes	USD	
		2014	2013
Net profit attributable to equity shareholders		125	107
Adjustments for:			
Depreciation property, plant & equipment	8	82	83
Amortization patents & trademarks	7	7	7
Increase (decrease) provisions		12	-14
Non-cash items on loans and borrowings		-22	
Other non-cash items		-4	-15
Unrealized result investment portfolio		-2	-1
Operating cash flow before working capital changes		198	167
Changes in working capital:			
- increase trade and other receivables and prepayments		-22	-10
- (increase) decrease inventories		-64	53
- increase trade and other payables		40	10
Operating cash flow		152	220
Dividend paid	21	-59	-58
Net cash from operations		93	162
Cash flow from investing activities			
Investments subsidiaries, net of cash acquired	5	-32	-4
Investment intangible fixed assets		-1	-2
Investment property, plant and equipment	8	-73	-69
Divestment property, plant and equipment	8	21	10
(Increase) decrease investment portfolio		-108	126
Investment other financial non-current assets		-11	-2
Net cash from investing activities		-204	59
Cash flow from financing activities			
Treasury shares			-1
Increase (decrease) interest-bearing loans and borrowings	16	116	-236
Net cash from financing activities		116	-237
Net increase (decrease) in cash and cash equivalents		5	-16
Change in cash and cash equivalents			
Balance at 1 January		32	50
Net increase (decrease) in cash and cash equivalents		5	-16
Exchange difference cash and cash equivalents		-5	-2
Balance at 31 December	14	32	32

Income tax paid 23 (2013: 37), interest paid 22 (2013: 23) and interest received 1 (2013: 1) are included in net cash from operations.

The accounting policies and explanatory notes on pages 35 through 60 form an integral part of the financial statements.

Consolidated balance sheet as per 31 December

Assets

Amounts in millions	Notes	USD	
		2014	2013
Non-current assets			
Intangible fixed assets	7	319	315
Property, plant and equipment	8	498	560
Deferred income tax assets	19	133	109
Other financial non-current assets	9	41	25
Total non-current assets		991	1,009
Current assets			
Inventories	10	650	632
Trade and other receivables	11	403	407
Prepaid income tax		35	32
Prepayments	12	99	85
Currency derivatives	26	2	7
Metal derivatives	26	10	7
Investment portfolio	13	116	2
Cash and short-term deposits	14	32	32
Total current assets		1,347	1,204
TOTAL ASSETS		2,338	2,213

The accounting policies and explanatory notes on pages 35 through 60 form an integral part of the financial statements.

Consolidated balance sheet as per 31 December

Shareholders' equity and liabilities

Amounts in millions	Notes	USD	
		2014	2013
Equity attributable to equity shareholders			
Issued capital	15	10	12
Share premium		86	97
Treasury shares		-29	-29
Cash flow hedge reserve		-12	-16
Foreign currency translation		-115	-35
Retained earnings		1,110	1,095
Total equity attributable to equity shareholders of the parent		1,050	1,124
Non-controlling interest		14	17
Total equity		1,064	1,141
Non-current liabilities			
Interest-bearing loans and borrowings	16	373	295
Preferred shares	16	10	11
Provisions	17	177	103
Deferred income tax liabilities	19	2	2
Total non-current liabilities		562	411
Current liabilities			
Trade and other payables	18	582	545
Income tax payable		19	16
Restructuring provisions		14	11
Currency derivatives	26	21	20
Interest-bearing loans and borrowings	16	76	69
Total current liabilities		712	661
TOTAL LIABILITIES		1,274	1,072
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		2,338	2,213

The accounting policies and explanatory notes on pages 35 through 60 form an integral part of the financial statements.

Consolidated statement of changes in equity for the year

Amounts in millions	Attributable to equity shareholders of the parent							Non-controlling interest	Total equity
	Issued capital	Share premium	Treasury shares	Cash flow hedge reserve	Foreign currency translation	Retained earnings	Total		
At 1 January 2013	11	93	-28	-21	-25	1,045	1,075	16	1,091
Net profit						107	107		107
Other comprehensive income (expense)	1	4		5	-10	1	1	1	2
Total comprehensive income (expense)	1	4	0	5	-10	108	108	1	109
Purchase shares			-1				-1		-1
Equity dividends						-58	-58		-58
At 31 December 2013	12	97	-29	-16	-35	1,095	1,124	17	1,141
Net profit						125	125		125
Other comprehensive income (expense)	-2	-11		4	-84	-47	-140	-3	-143
Total comprehensive income (expense)	-2	-11	0	4	-84	78	-15	-3	-18
Equity dividends						-59	-59		-59
At 31 December 2014	10	86	-29	-12	-115	1,110	1,050	14	1,064

The accounting policies and explanatory notes on pages 35 through 60 form an integral part of the financial statements.

Notes to consolidated financial statements

1. Corporate information

The consolidated financial statements of Hunter Douglas N.V. for the year ended 31 December 2014 were authorized for issue on 10 March 2015. These financial statements will be adopted by the Annual General Meeting of Shareholders on 9 June 2015.

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

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

2. Summary of significant accounting policies

Basis of presentation

The consolidated financial statements have been prepared on a historical cost basis, except for the investment portfolio and derivative financial instruments which have been measured at fair value. The consolidated financial statements are presented in US dollars and all values are rounded to the nearest million except when otherwise indicated.

Statement of compliance

The consolidated financial statements of Hunter Douglas N.V. and all its subsidiaries have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union and International Financial Reporting Standards as issued by the IASB.

In accordance with Article 2:402 of the Civil Code, an abbreviated version of the income statement is presented in the Company's financial statements.

Basis of consolidation

The consolidated financial statements comprise the financial statements of Hunter Douglas N.V. and its subsidiaries as at 31 December each year. The financial statements of subsidiaries are prepared for the same reporting year as the parent Company, using consistent accounting policies.

All intercompany balances and transactions, including unrealized profits arising from intra-group transactions, have been eliminated upon consolidation.

Subsidiaries are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group, in which case the consolidated financial statements include the results for the part of the reporting year during which Hunter Douglas N.V. had control.

Acquisitions have been included in the consolidated financial statements using the acquisition accounting method.

The purchase method of accounting involves allocating the costs of the business combination to the fair value of the assets acquired and liabilities assumed at the date of acquisition.

Accordingly, the consolidated financial statements include the results from the new acquisitions from the date of their acquisition.

Non-controlling interest represents the portion of profit or loss and net assets in Gardinia, Germany and in some Latin American subsidiaries not held by Hunter Douglas N.V. and are presented separately in the statement of income and within equity in the consolidated balance sheet, separately from shareholders' equity.

Foreign currency translation

The consolidated financial statements are presented in US dollars, which is the Company's presentation and functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Transactions in foreign currencies are initially recorded at the functional currency rate on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange on the balance sheet dates. All differences are taken to the income statement with the exception of differences on foreign currency borrowings that provide a hedge against a net investment in a foreign entity. These are taken directly to other comprehensive income until the disposal of the net investment, at which time they are recognized in the income statement. Tax charges and credits attributable to exchange differences on those borrowings are also dealt with in other comprehensive income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date the fair value was determined.

As at the reporting date, the assets and liabilities of the subsidiaries are translated into the presentation currency of the Group (US dollar) at the rate of exchange on the balance sheet date and their income statements are translated at the weighted average exchange rates for the year. The exchange differences arising on the translation are taken directly to a separate component of equity. On disposal of a foreign entity, the deferred cumulative amount recognized in other comprehensive

income relating to that particular foreign operation is recognized in the income statement.

Intangible fixed assets

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life is reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the income statement in the expense category consistent with the function of the intangible asset.

Business Combinations and Goodwill

Business Combinations are accounted for using the acquisition accounting method. This involves recognizing identifiable assets (including previously unrecognized intangible assets) and liabilities (including contingent liabilities and excluding future restructuring) of the acquired business at fair value. Goodwill on acquisition is initially measured at cost being the excess of the cost of the business combination over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill on acquisitions after 1 January 2004 is not amortized and goodwill already carried in the balance sheet is not amortized after 1 January 2004. Goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

If the acquirer's interest in the net fair value of the identifiable assets and liabilities and contingent liabilities is higher than the cost of the business combination, the difference is recognized as a gain in the income statement. This gain is classified as cost of sales.

As at the acquisition date, any goodwill acquired is allocated to each of the cash-generating units expected to benefit from the combination's synergies. Impairment is determined by assessing the recoverable amount of the cash-generating unit, to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognized.

Notes to consolidated financial statements

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured on the basis of the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Significant accounting judgement and estimates

The preparation of financial statements requires management to make estimates and assumptions that affect amounts reported in the consolidated financial statements in order to conform to IFRS. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. We evaluate these estimates and judgements on an ongoing basis and base our estimates on experience, current and expected future conditions, third-party evaluations and various other assumptions that we believe are reasonable under the circumstances. The results of these estimates form the basis for making judgements about the carrying values of assets and liabilities as well as identifying and assessing the accounting treatment with respect to commitments and contingencies. Actual results could differ from the estimates and assumptions.

Estimates significantly impact goodwill and other intangibles acquired, impairments, fair value of the investment portfolio, liabilities from employee benefit plans, other provisions and tax and other contingencies. The fair values of acquired identifiable intangibles are based on an assessment of future cash flows. Impairment analyses of goodwill are performed annually and whenever a triggering event has occurred to determine whether the carrying value exceeds the recoverable amount. These analyses are based on estimates of future cash flows.

Assumptions used to determine pension liabilities include the interest rate and discount rate. Assumptions used to determine the fair value of the investment portfolio relate to credit risk and liquidity risk of the fund.

In various countries the Company has taken standpoints regarding its tax position which may at any time be challenged by the tax authorities because the authorities in question interpret the law differently. In determining the probability of realization of deferred tax assets and liabilities these uncertainties are taken into account.

Property, plant and equipment

Property, plant and equipment are carried at cost less accumulated depreciation and any accumulated impairment in value. Fixed assets are depreciated over the expected useful lives, using the straight-line method. An indication of the expected useful life is as follows:

Buildings	20 - 40 years
Machinery & equipment	5 - 10 years
Other property, plant and equipment	3 - 10 years
Land is not depreciated	

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amounts, the assets of cash-generating units are written down to their recoverable amount.

Other financial non-current assets

Other financial non-current assets are recorded at amortized costs.

Inventories

Inventories are valued at the lower of production cost and net realizable value. Costs incurred in bringing each product to its present location and conditions are accounted for as follows:

- Raw materials are stated principally at the lower of cost (first-in/first-out) or net realizable value;
- Finished goods and work-in-progress are stated at cost of direct materials and labor and a proportion of manufacturing overheads based on normal operating capacity.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

Trade and other receivables

Trade receivables, which generally have 30-60 day terms, are recognized and carried at original invoice amount less an allowance for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is not longer probable.

Cash and cash equivalents

Cash and short-term deposits in the balance sheet comprise cash at bank and in hand and short-term deposits with an original maturity of less than one year. For the purpose of the consolidated cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above.

Interest-bearing loans and borrowings

All loans and borrowings are initially recognized at cost, being the fair value

of the consideration received net of issue costs associated with the borrowing. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any issue costs, and any discount or premium on settlement. Gains and losses are recognized in net profit or loss when the liabilities are derecognized, as well as through the amortization process.

The revised IAS 23 requires capitalization of borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset. Borrowing costs are capitalized on qualifying assets with a commencement date on or after 1 January 2009. During the 12 months to 31 December 2014, no borrowing costs have been capitalized on qualifying assets included in construction in progress.

Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event. It is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a borrowing cost.

Pensions and other post-employment benefits

The Group operates three defined benefit pension schemes, all of which require contributions to be made to separately administered funds.

The cost of providing benefits under the plans is determined separately for each plan using the projected unit credit actuarial valuation method. Actuarial gains and losses for the defined benefit plans are recognized in full in the period in which they occur in other comprehensive income. Such actuarial gains and losses are also immediately recognized in retained earnings and are not reclassified to profit or loss in subsequent periods.

Notes to consolidated financial statements

The defined benefit asset or liability comprises the present value of the defined benefit obligation less the fair value of plan assets out of which the obligations are to be settled. Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the creditors of the Group, nor can they be paid directly to the Group. Fair value is based on market price information and, in the case of quoted securities, it is the published bid price. The value of any defined benefit asset recognized is restricted to the present value of any economic benefits available in the form of refunds from the plan or reductions in the future contributions to the plan.

The Group also operates a number of defined contribution pension plans. The cost of providing contributions under the plans is charged to the income statement in the period to which the contributions relate.

Share-based payments/option plans

Share-based payments are expensed on the basis of their value determined by using option pricing models. The share-based payments qualify as cash-settled transactions and are measured initially at fair value at the grant date using the Black-Scholes formula, taking into account the terms and conditions upon which the instruments were granted (see Note 22 employee benefits). This fair value is expensed over the period until vesting with recognition of a corresponding liability. The liability is remeasured at each balance sheet date up to and including the settlement date with changes in fair value recognized in the income statement.

Treasury shares

Own equity instruments which are reacquired (treasury shares) are deducted from equity. No gain or loss is recognized in the income statement on the purchase, sale, issue or cancellation of the Group's own equity instruments.

Leases

Leases which do not transfer to the Group substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognized as an expense in the income statement on a straight-line basis over the lease term.

Net sales

Net sales are recognized to the extent that it is probable that the economic benefits will flow to the Group and the net sales can be reliably measured. Net sales represent the invoiced value of manufactured products delivered to customers net of freight, returns, allowances and sales tax. Net sales are recognized when the significant risks and rewards of ownership of the goods

have passed to the buyer and can be reliably measured. Cost of sales are recorded in the same period as sales are recognized. Other revenues and expenses are recorded in the period in which they originate.

Metals trading

Metals trading is presented on a net basis as these activities classify as broker/trader activities. Metals trading sales are excluded from net sales. Gross profit on metals trading represents the margin earned on bulk aluminium delivered to clients net of direct acquisition and trading costs.

Research and development

Research costs are expensed as incurred. Development costs are capitalized if it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity; and the cost of the asset can be measured reliably.

Income tax

Current tax assets and liabilities for the current and prior years are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the balance sheet date.

Deferred income tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax basis of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred income tax liabilities are recognized for all taxable temporary differences such as the value of inventories, fixed assets and provisions for tax purposes which differ from the value used for financial reporting purposes, except where the deferred income tax liability arises from the initial recognition of goodwill or the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognized for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilized, except where the deferred income tax asset relating to the deductible

temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognized to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

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 or substantively enacted at the balance sheet date.

Income taxes relating to items recognized directly in equity or other comprehensive income are recognized in equity or other comprehensive income and not in the income statement.

Sales tax

Revenues, expenses and assets are recognized net of the amount of sales tax except:

- where the sales tax incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the sales tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

Derecognition of financial instruments

The derecognition of a financial instrument takes place when the Group no longer controls the contractual rights that comprise the financial instrument, which is normally the case when the instrument is sold, or all the cash flows attributable to the instrument are passed through to an independent third party.

Derivative financial instruments

The Group uses derivative financial instruments such as foreign currency contracts, interest rate swaps and

Notes to consolidated financial statements

metals futures to hedge its risks associated with interest rate, metal commodities and foreign currency fluctuations. Such derivative financial instruments are stated at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. The fair value of a financial instrument is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Fair values are determined from listed market prices, price quotations from banks or from pricing models. Any gains or losses arising from changes in fair value on derivatives are taken directly to the income statement. No hedge accounting is applied except for cash flow hedges, which are recognized in other comprehensive income. For the purpose of hedge accounting, hedges are classified as cash flow hedges when hedging exposure to variability in cash flows that is either attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognized firm commitment.

Foreign currency differences arising on the retranslation of a financial liability designated as a hedge of a net investment in a foreign operation are recognized directly as a separate component of equity, to the extent that the hedge is effective. To the extent that the hedge is ineffective, such differences are recognized in the statement of income.

Investment portfolio

The investment portfolio is reported separately on the balance sheet at fair value. Net results of the investment portfolio are reported separately. The individual investments held by the various investment funds are valued at fair value by the funds. The net asset values reported by the fund managers are discounted if management expects that it may not be able to fully realize the underlying fair values of the investments held by the investment funds. This assessment is made by individual funds and the valuation is adjusted accordingly.

IFRS accounting standards effective as from 2014

There are no standards applicable as from 2014 which are likely to materially impact the Company's financial statements.

IFRS accounting standards effective as from 2015

There are no standards applicable as from 2015 which are likely to materially impact the Company's financial statements.

Notes to consolidated financial statements

3. Segment information

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

Business segments

The following table presents revenue and income information and certain asset and liability information regarding the Group's business segments for the years ended 31 December 2014 and 2013.

Amounts in millions	Window Coverings		Architectural Products		Metals Trading		Investment Portfolio		Total	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
Revenue										
Sales to external customers	2,193	2,151	502	485					2,695	2,636
Segment revenue	2,193	2,151	502	485					2,695	2,636
Total gross profit	867	872	182	168	21	16			1,070	1,056
Selling and marketing expense	-438	-451	-99	-92					-537	-543
General and administrative expense	-316	-302	-41	-47	-6	-5			-363	-354
Income from operations	113	119	42	29	15	11			170	159
Finance costs	-18	-23	-5		-1	-2			-24	-25
Finance income	3	1	1				2	1	6	2
Income before taxes	98	97	38	29	14	9	2	1	152	136
Taxes on income	-5	-9	-17	-17	-5	-3			-27	-29
Net profit	93	88	21	12	9	6	2	1	125	107
Net profit attributable to non-controlling interest										
Net profit attributable to equity shareholders	93	88	21	12	9	6	2	1	125	107
Assets and liabilities										
Segment assets	1,547	1,578	451	479	219	149	116	2	2,333	2,208
Investment in an associate	4	4	1	1					5	5
Total assets	1,551	1,582	452	480	219	149	116	2	2,338	2,213
Segment liabilities	973	800	229	211	72	61			1,274	1,072
Total liabilities	973	800	229	211	72	61			1,274	1,072
Net assets employed	1,108	1,163	331	369	147	87			1,586	1,619
Other segment information										
Additions property, plant and equipment	47	49	26	20					73	69
Depreciation property, plant and equipment	61	60	21	23					82	83
Intangibles	276	262	45	53					321	315
Amortization patents and trademarks	4	4	3	3					7	7
Non-recurring restructuring expenses	20	12	3						23	12

The financial information by region is reported separately on page 21.

Notes to consolidated financial statements

4. Revenues and expenses

Amounts in millions	2014	2013
Finance costs		
Bank loans and overdraft	-19	-22
Other loans (including non-cumulative redeemable preference shares)	-5	-3
Total finance costs	-24	-25
Finance income		
Bank interest receivable	2	1
Net result investment portfolio	2	1
Non-operational exchange result	2	
Total finance income	6	2
Non-recurring restructuring expenses are included in the consolidated income statement as follows:		
Cost of sales	17	8
Selling and marketing expense	2	2
General and administrative expense	4	2
	23	12
Non-recurring restructuring expenses relate to window coverings and consist mainly of reduction of employees		
Depreciation, amortization and costs of inventories included in consolidated income statement		
Included in cost of sales:		
Depreciation of property, plant and equipment	55	58
Employee benefits expense	418	415
Costs of inventories recognized as an expense	1,173	1,123
	1,646	1,596
Included in selling and marketing expense:		
Employee benefits expense	241	255
Included in general and administrative expenses:		
Employee benefits expense	211	216
Minimum lease payments recognized as an operating lease expense	10	6
Amortization other intangibles	7	7
Employee benefits expense		
Wages and salaries	679	690
Social security costs	154	149
Pension costs	38	42
Expense of share-based payments	-1	5
	870	886
Research costs		
Research costs consist of 35 (2013: 35) charged directly to general and administrative expense in the income statement.		

Notes to consolidated financial statements

5. Business combination

In 2014 Hunter Douglas acquired the following companies:

- 100% of Lafayette, a Lafayette, Indiana, based fabricator of window covering products since March. Lafayette has annual sales of about USD 40 million.
- 100% of Mill, a Hamden, Connecticut, based fabricator of window covering products since July. Mill has annual sales of about USD 20 million and employs 70 people.
- 100% of Tentina, a Lindenhurst, New York, based fabricator of window covering products since July. Tentina has annual sales of about USD 15 million and employs 70 people.
- 100% of Fasadeprodukter, a Molde, Norway, based direct selling and installing made-to-measure sun-protection products company since November. Fasadeprodukter has annual sales of about USD 20 million and employs 55 people.

In 2013 Hunter Douglas acquired the following companies:

- 100% of Kaleidoscope, a Howell, Michigan based fabricator of window covering products since December. Kaleidoscope has annual sales of about USD 6 million and employs 25 people.
- 100% of Beauti-Vue, a Bristol, Wisconsin based fabricator of window covering products since December. Beauti-Vue has annual sales of about USD 6 million and employs 18 people.

The fair value of the identifiable assets and liabilities of these companies determined as at the date of acquisition are:

Amounts in millions	Recognized on acquisitions	
	2014	2013
Inventories	10	2
Trade and other receivables	8	
Cash and short-term deposits	1	
Trade and other payables	-9	
Fair value of net assets	<u>10</u>	<u>2</u>
Goodwill arising on acquisitions	23	2
Total consideration	<u>33</u>	<u>4</u>
Cash outflow on acquisitions:		
Cash paid	-33	-4
Net cash acquired with acquisitions	<u>1</u>	<u>-4</u>
	<u>-32</u>	<u>-4</u>

Relative profitability of the acquisitions is in line with the business segments.

Notes to consolidated financial statements

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

The carrying amount of goodwill is allocated to the cash-generating units within the window coverings or architectural products segment.

The recoverable amount of the units is based on value-in-use calculations. Those calculations use cash flow projections based on the budget for the coming year extrapolated with no growth to determine the termination value. A pre-tax Weighted Average Cost of Capital (WACC) of 10.0% (2013: 9.8%) has been used as a basis to discount the projected cash flows. Per unit local market conditions are accounted for in determining next year's budget. The budgets are founded on achieved results in the preceding years and expectations on local industry developments going forward. With regard to the assessment of value in use, management believes that, considering the assumptions used, no reasonably expected change in any of the above key assumptions would cause the carrying value of the goodwill to materially exceed its recoverable amount.

7. Intangible fixed assets

Amounts in millions	Goodwill		Patents & Trademarks		Total	
	2014	2013	2014	2013	2014	2013
At 1 January	271	265	44	51	315	316
Additions	1				1	
Acquisitions	23	4			23	4
Amortization			-7	-7	-7	-7
Exchange	-11	2	-2		-13	2
At 31 December	284	271	35	44	319	315
At 1 January						
Cost	271	265	90	90	361	355
Accumulated amortization			-46	-39	-46	-39
Net carrying amount	271	265	44	51	315	316
At 31 December						
Cost	284	271	90	90	374	361
Accumulated amortization			-55	-46	-55	-46
Net carrying amount	284	271	35	44	319	315

Goodwill is not amortized but is subject to annual impairment testing (see note 6). Patents and trademarks are amortized between 10 and 20 years.

For the 2013 acquisitions the fair value amounts were provisional. These have been finalized in 2014 with no changes to the provisional amounts. For the 2014 acquisitions the fair value amounts are provisional. These will be finalized in 2015.

The carrying amount of goodwill of USD 284 mln exists mainly of goodwill paid for the following 2 cash generating units:

- The pleated blind systems distribution in Europe is mainly handled by Benthin and Blöcker in Germany and Thomas Sanderson in the U.K. For those companies, acquired in the past, the Company has per balance sheet date an amount of USD 61 mln for goodwill.
- As the U.S. window covering business is very much integrated, we see this business as one cash generating unit. For the acquired businesses in this segment, the Company has per balance sheet date an amount of USD 150 mln for goodwill.

Notes to consolidated financial statements

8. Property, plant and equipment

Amounts in millions	Land & Buildings		Machinery & Equipment		Other fixed assets		Total	
	2014	2013	2014	2013	2014	2013	2014	2013
At 1 January	315	331	221	228	24	25	560	584
Additions	21	9	50	57	2	3	73	69
Acquisitions					1		1	
Disposals	-15	-5	-7	-4		-1	-22	-10
Depreciation charge for the year	-18	-20	-61	-60	-3	-3	-82	-83
Exchange	-15		-16		-1		-32	
At 31 December, net of accumulated depreciation	288	315	187	221	23	24	498	560
At 1 January								
Cost	568	573	1,089	1,073	64	64	1,721	1,710
Accumulated depreciation	-253	-242	-868	-845	-40	-39	-1,161	-1,126
Net carrying amount	315	331	221	228	24	25	560	584
At 31 December								
Cost	532	568	1,007	1,089	60	64	1,599	1,721
Accumulated depreciation	-244	-253	-820	-868	-37	-40	-1,101	-1,161
Net carrying amount	288	315	187	221	23	24	498	560

Included in Property, plant and equipment at 31 December 2014 is an amount of 22 (2013: 24) relating to expenditure in construction.

9. Other financial non-current assets

Amounts in millions	2014	2013
Receivables from key management employees	4	4
Other long-term receivables	25	11
Investments in unconsolidated affiliates	5	5
Other	7	5
	41	25

10. Inventories

Amounts in millions	2014	2013
Raw materials (at cost)	450	404
Work-in-progress (at cost)	42	47
Finished goods:		
- At cost	289	321
- Provision	-131	-140
	650	632

Notes to consolidated financial statements

11. Trade and other receivables (current)

Amounts in millions	2014	2013
Trade receivables	380	391
Redemption investment portfolio		4
Financial institutions	7	4
Short-term advances	16	8
	<u>403</u>	<u>407</u>

Trade receivables are non-interest bearing and are generally on 30-60 day terms.

As at 31 December 2014, trade receivables at nominal value of 29 (2013: 30) were impaired and fully provided for and relates to the past due trade receivables.

Movements in the provision for impairment of trade receivables were as follows:

Amounts in millions	2014	2013
At 1 January	30	31
Additions	13	15
Utilized	-12	-16
Exchange	-2	
At 31 December	<u>29</u>	<u>30</u>

As at 31 December the ageing of trade receivables that were not impaired is as follows:

Amounts in millions	Not due		Past due		
	< 30 days	30-60 days	60-90 days	90-120 days	> 120 days
2014	288	50	18	8	16
2013	287	57	20	9	18

12. Prepayments

Amounts in millions	2014	2013
Prepaid expenses	81	71
Prepaid taxes (no income tax)	9	12
Other	9	2
	<u>99</u>	<u>85</u>

The net amount of sales tax receivable and sales tax payable is non-interest bearing and is remitted to the appropriate taxation authorities on a monthly basis.

13. Investment portfolio

Hunter Douglas has restarted an investment portfolio. Management of these investments is delegated to a widely diversified range of independent, primarily hedge fund, managers. The Net Asset Value of the investments is determined monthly by the Funds' administrators and the results are monitored on a monthly basis. The Portfolio's risk is limited by broad diversification in a wide range of asset classes, countries (of which the US, with 50%, is the largest) and risk profiles. At year-end 2014, the Portfolio had 116 million invested in 41 funds. This will be increased to 200 million at cost in 2015.

Notes to consolidated financial statements

14. Cash and short-term deposits

Cash at bank and in hand earns interest at floating rates based on market conditions. Short-term deposits are made for varying periods of between one day and 3 months depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates. At 31 December 2014 the fair value of cash and cash equivalents is 32 (2013: 32).

At 31 December 2014, the Group had available 386 (2013: 345) of undrawn committed borrowing facilities in respect of which all conditions precedent had been met. For the purposes of the consolidated cash flow statement, cash and cash equivalents comprise the following at 31 December:

Amounts in millions	2014	2013
Cash at bank and in hand	29	28
Short-term deposits	3	4
	<u>32</u>	<u>32</u>

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

15. Issued capital and reserves

Numbers x 1,000	Ordinary shares	
	2014	2013
	€ 0.24 each	€ 0.24 each
Issued and fully paid-in		
At 1 January	35,432	35,432
At 31 December	<u>35,432</u>	<u>35,432</u>
Treasury shares		
At 1 January	646	649
At 31 December	646	646

The Sonnenberg Family owns at year-end 2014 28,764,039 (2013: 28,764,039) common shares of Hunter Douglas N.V. representing 81.18% (2013: 81.18%) of the common shares of the Company.

The Company has a share option scheme under which options to subscribe for the Company's shares have been granted to certain executives and senior employees (note 22).

Share premium: under present Dutch Law, substantially all share premium may be distributed as stock dividend free from Dutch dividend withholding tax.

The foreign currency translation reserve and the cash flow hedge reserve are legal reserves and when negative the retained earnings cannot be distributed for this amount.

Retained earnings: this reserve is freely distributable.

There are no external capital requirements.

Notes to consolidated financial statements

16. Interest-bearing loans and borrowings

Amounts in millions	Currency	Interest rate	Maturity date	2014	2013
Current					
Bank overdraft		Various *	N/A	43	32
Short-term bank loans		Various *	N/A	33	36
Current Portion of long-term debt	USD	4.70	N/A		1
				<u>76</u>	<u>69</u>
Non-current					
NIBC	EUR	Various *			69
Bayerische Landesbank	EUR	Various *	2017	91	55
RBS	USD	Various *	2017	110	90
RABO	EUR	Various *	2017	30	41
Commerzbank	EUR	Various *	2017	60	
ING	EUR	Various *	2019	82	40
				<u>373</u>	<u>295</u>
Preferred shares					
Preferred shares	EUR	Various *	N/A	10	11

* Mostly at Interbank rates plus a margin

Average life of long-term loans is 2.94 years (2013: 2.15 years); all loans are at variable rates of interest. The balance consists mainly of multi-currency lines of credit at Interbank interest rates with varying spreads. All loans are unsecured.

Hunter Douglas N.V.'s Articles of Association fix the annual dividend on each preferred share at a percentage of the par value. This percentage amounts to 2.25% per annum over the European Central Bank's deposit rate on the last working day of May of the affected year.

Notes to consolidated financial statements

17. Provisions

Amounts in millions	Pensions	Other Employee Benefits	Social Plan	Other	Total
	(note 22)				
At 1 January 2014	65	24	1	13	103
Additions from income statement	8	1		7	16
Actuarial losses	73				73
Utilized	-5		-1	-2	-8
Exchange	-2	-2		-3	-7
At 31 December 2014	<u>139</u>	<u>23</u>	<u>0</u>	<u>15</u>	<u>177</u>
Non-current 2014	139	23	0	15	177
Non-current 2013	65	24	1	13	103

18. Trade and other payables (current)

Amounts in millions	2014	2013
Trade payables	176	177
Accrued wages, social charges and other compensation	188	194
Other payables and accrued expenses	145	113
Commissions, discounts and allowances	36	28
Other	<u>37</u>	<u>33</u>
	<u>582</u>	<u>545</u>

Terms and conditions of the above financial liabilities:

Trade payables are non-interest-bearing and are normally settled on 45-day terms.

Other payables are non-interest-bearing and have an average term of 6 months.

Notes to consolidated financial statements

19. Income tax

Major components of income tax expense for the years ended 31 December 2014 and 2013 are:

Amounts in millions	2014	2013
Consolidated income statement		
Current income tax		
Current income tax charge	26	29
Adjustments in respect of current income tax of previous years	-1	-3
Deferred income tax		
Relating to origination and reversal of temporary differences and recognition of tax losses	2	3
	<u>27</u>	<u>29</u>

A reconciliation of income tax expense applicable to accounting profit before income tax at the statutory income tax rate to income tax expense at the Group's effective income tax rate for the years ended 31 December 2014 and 2013 is as follows:

Amounts in millions	2014	2013
Accounting profit before income tax	152	136
At Dutch statutory income tax rate of 25% (2013: 25%)	38	34
Tax loss carry forward not valued in prior years	-3	-5
Adjustments in respect of current income tax of previous years	-1	2
Impact different tax rates per country	-2	-2
Impact foreign exchange Dutch fiscal unity	-5	
At effective income tax rate of 17.8% (2013: 21.3%)	<u>27</u>	<u>29</u>
Income tax expense reported in consolidated income statement	27	29

Notes to consolidated financial statements

Deferred income tax at 31 December relates to the following:

Amounts in millions	Consolidated Balance Sheet		Consolidated Income Statement		Via O.C.I.	
	2014	2013	2014	2013	2014	2013
Deferred income tax assets						
Losses available for offset against future taxable income	62	64	-2	-16		
Temporary valuation differences	71	45		12	26	-34
	<u>133</u>	<u>109</u>				
Deferred income tax liabilities						
Other	2	2		1		
	<u>2</u>	<u>2</u>				
Deferred income tax income (expense)			<u>-2</u>	<u>-3</u>	<u>26</u>	<u>-34</u>

Deferred tax assets have been only recognized to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profits will be available, against which the temporary differences can be utilized.

The Group has unused tax losses of 70 (2013: 46), of which 12 expires within 5 years, that are available for offset against future taxable profits of the companies in which the losses arose.

20. Earnings per share

Basic earnings per share amounts are calculated by dividing net profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year (adjusted for the effects of dilutive options).

The income and share data used in the basic and diluted earnings per share computations is as follows:

Amounts in millions	2014	2013
Net profit attributable to equity shareholders	125	107

Numbers x 1,000	2014	2013
Weighted average number of ordinary shares for basic earnings per share	34,786	34,785
Effect of dilution:		
Adjusted weighted average number of ordinary shares for diluted earnings per share	<u>34,786</u>	<u>34,785</u>

There have been no other transactions involving ordinary shares or potential ordinary shares since the reporting date and before the completion of these financial statements.

Notes to consolidated financial statements

21. Dividends paid and proposed

Amounts in millions	2014	2013
Declared and paid during the year:		
Equity dividends on ordinary shares:		
Final dividend for 2013: EUR 1.25 (2012: EUR 1.25)	<u>59</u>	<u>58</u>
	<u>59</u>	<u>58</u>
Proposed for approval at AGM (not recognized as a liability as at 31 December):		
Equity dividends on ordinary shares:		
Final dividend for 2014: EUR 1.35 (2013: EUR 1.25)	<u>57</u>	<u>60</u>
	<u>57</u>	<u>60</u>

22. Employee benefits

Employee share incentive plans

At year-end, directors and employees of the Hunter Douglas Group had the following options to buy common shares of Hunter Douglas N.V. The table below illustrates the number and prices of share options:

Issued in	Number of share options		Price per share (EUR)*	Year of expiration
	2014	2013		
2013	<u>500,000</u>	<u>500,000</u>	31.00	2018
	<u>500,000</u>	<u>500,000</u>		

* These prices equal the trading price of the common shares of Hunter Douglas N.V. on the Amsterdam Stock Exchange on the dates when these options were granted. One option represents the right to buy one common share.

Hunter Douglas has for many years operated a stock option plan. The purpose of the plan and of the stock options granted under it is to foster long-term employment of valued executives and employees of the Hunter Douglas Group, to associate them with the financial results of the Group and to interest them in the development of the public market for the shares of the Company. Under the plan, stock options are granted in each case for a period of five years with vesting starting after two years. Options granted which have vested are exercisable as long as the beneficiary of the option remains in the employment of the Hunter Douglas Group. In the event of death, the option remains exercisable by the executor of the decedent within a period of three months. Balance treasury shares at year-end 2014: 646,089 (2013: 646,089). The carrying amount of the liability relating to the cash-settled options at 31 December 2014 is 4 (2013: 6). During 2014 an amount of 1 is deducted from the provision and credited to the statement of income.

Notes to consolidated financial statements

22. Employee benefits (continued)

Year Option Grant	Year Option Expiry	Option Price per share	Outstanding 1-1-2013	Option Shares (HDNV common shares)			
				Granted	Exercised	Balance 31-12-2013	Balance 31-12-2014
Directors							
2008	2013	€ 17.00	520,000		520,000		
2013	2018	€ 31.00		500,000		500,000	500,000
			520,000	500,000	520,000	500,000	500,000
Officers							
2008	2013	€ 17.00	3,334		3,334		
			3,334		3,334		
			523,334	500,000	523,334	500,000	500,000

The fair value of the cash-settled options is calculated by using the Black-Scholes formula based on the following value input parameters:

Amounts in millions	2014	2013
Share price (in EUR)	34.48	32.90
Dividend yield (%)	3.70	4.34
Volatility (%)	25.00	37.00
Interest rates (%):		
1 month	NA	NA
1 year	NA	NA
2 years	NA	NA
3 years	NA	NA
4 years	0.23	NA
5 years	NA	1.07
Average expected life of options (years)	3.23	4.23

Notes to consolidated financial statements

22. Employee benefits (continued)

Pension plans

Defined benefit plans

Employee pension plans have been established in many countries in accordance with the legal requirements, customs and the local situation in the countries involved. The majority of employees in the Netherlands, United Kingdom and North America are covered by defined benefit plans. The defined benefit plans in the Netherlands and North America are based on average wage earned, in the United Kingdom is the defined benefit plan based on last wage earned. The benefits provided by these plans are based on employees' years of service and compensation levels. The measurement date for defined benefit plans is 31 December.

Contributions are made by the Company, except for the Netherlands, as necessary, to provide assets sufficient to meet the benefits payable to defined benefit pension plan participants. These contributions are determined based upon various factors, including funded status, legal and tax considerations as well as local customs. For the Netherlands the annual contribution is limited to a maximum of 35% of the pension basis combined for the employer and employees and with no obligations to make up a deficit. The US pension plan was frozen as of 31 December, 2012. No future benefits accruals and no new participants are allowed.

The following tables summarize the components of the net benefit expense recognized in the consolidated income statement and the funded status and amounts recognized in the consolidated balance sheet, as well as the principal assumptions applied.

The principal assumptions used for the purpose of the actuarial valuation are as follows:

%	Pension plans					
	NL		US		UK	
	2014	2013	2014	2013	2014	2013
Discount rate	1.80	3.00	4.25	5.25	3.60	4.50
Future salary increase	2.00	2.00	NA	4.00	2.90	3.30
Inflation assumption	2.00	0.75	NA	3.00	2.90	3.30

Sensitivity analysis: If the discount rate in the US increases (decreases) with 0.25% the pension provision will decrease (increase) with around 13, for the other plans changes are not expected to have a material effect on equity or profit-and-loss.

The amount recognized in the balance sheet in respect of the Group's defined benefit retirement plans is as follows:

Amounts in millions	NL Pension plan				
	2014	2013	2012	2011	2010
Defined benefit obligations	-382	-391	-338	-290	-308
Fair value of plan assets	375	386	332	290	308
Funded status	-7	-5	-6	0	0
Net liability in balance sheet	-7	-5	-6	0	0

No economic benefits are available to the Company in the form of refunds from the NL pension plan or reduction in future contributions to the NL pension plan.

Notes to consolidated financial statements

22. Employee benefits (continued)

Amounts in millions	US Pension plan				
	2014	2013	2012	2011	2010
Defined benefit obligations	-322	-249	-274	-266	-217
Fair value of plan assets	204	202	183	170	178
Funded status	-118	-47	-91	-96	-39
Net liability in balance sheet	-118	-47	-91	-96	-39

Amounts in millions	UK Pension plan				
	2014	2013	2012	2011	2010
Defined benefit obligations	-68	-63	-62	-55	-51
Fair value of plan assets	54	50	45	42	44
Funded status	-14	-13	-17	-13	-7
Net liability in balance sheet	-14	-13	-17	-13	-7

Amounts recognized in profit or loss in respect of the defined benefit plans are as follows:

Amounts in millions	Pension plans					
	NL		US		UK	
	2014	2013	2014	2013	2014	2013
Current service cost	5	1			1	1
Interest cost on benefit obligation	11	10	12	11	2	2
Interest return on plan assets	-11	-10	-10	-8	-2	-2
Net benefit expense	5	1	2	3	1	1
Actual return on plan assets	41	40	8	25	4	7

Notes to consolidated financial statements

22. Employee benefits (continued)

Changes in the fair value of the defined benefit obligations are as follows:

Amounts in millions	Pension plans					
	NL		US		UK	
	2014	2013	2014	2013	2014	2013
Opening defined benefit obligations	391	338	249	274	63	62
Current service cost and received employee contributions	8	5			1	1
Interest cost on benefit obligation	11	10	12	11	2	2
Benefits paid	-11	-14	-7	-6	-2	-2
Actuarial (gain) loss	32	36	68	-30	7	-1
Exchange differences on plans	-49	16			-3	1
Closing defined benefit obligations	382	391	322	249	68	63

The liability in respect of the pension obligations of Hunter Douglas Europe (NL) is based on and calculated pursuant to IAS 19. Pursuant to the Dutch Pension and Savings Law (Pensioen- en Spaarfondsenwet), Hunter Douglas Europe is required to provide all pension benefits through a regulated pension fund.

Hunter Douglas Europe has contracted with a single-employer fund (Stichting Pensioenfonds Hunter Douglas) to provide these benefits. As of the date of the financial statements, Hunter Douglas Europe has satisfied all its liabilities to the fund and has no further financial obligations to the fund.

Changes in the fair value of the plan assets are as follows:

Amounts in millions	Pension plans					
	NL		US		UK	
	2014	2013	2014	2013	2014	2013
Opening fair value of plan assets	386	332	202	183	50	45
Interest return on plan assets	11	10	10	8	2	2
Contributions	8	10	1	2	1	1
Benefits paid	-11	-14	-7	-6	-2	-2
Actuarial gain (loss)	30	31	-2	15	6	3
Exchange differences	-49	17			-3	1
Closing fair value of plan assets	375	386	204	202	54	50
Of which:						
Bonds	148	151	54	56		
Equities	210	215	118	101	51	47
Other	17	20	32	45	3	3
The actual return on plan assets amounts	12.0%	12.0%	4.2%	13.3%	9.6%	14.5%

For the next years we expect the contributions to remain at the same level as in 2014.

The plan assets do not include any of the Group's own financial instruments, nor any property occupied or other assets used by the Group. The Group expects to contribute approximately 5 to its defined benefit plans in 2015. Contribution by employer will not materially differ from previous years.

Defined contribution plans

The expense of the defined contribution plans for 2014 amounts to 30 (2013: 37).

Notes to consolidated financial statements

23. Commitments and contingencies

Operating lease commitments - Group as lessee

The Group has entered into commercial leases on certain premises, motor vehicles and items of small machinery. These leases have an average life of between 5 and 10 years with renewal terms included in the contracts. Renewals at market conditions are at the option of the specific entity that holds the lease. There are no restrictions placed upon the lessee by entering into these leases.

Future minimum rentals payable under non-cancelable operating leases at 31 December are as follows:

Amounts in millions	2014	2013
Within one year	22	22
After one year but not more than five years	46	47
More than five years	3	15

Capital commitments

At 31 December 2014, the Group has commitments for capital expenditures of 13 (2013: 11).

Legal claims

Legal claims have been filed against the Company in the course of its normal business. Management together with their legal counsel have only recognized a provision if it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation.

Guarantees

Hunter Douglas N.V. has the following contingent liabilities at 31 December 2014:

- The Company is contingently liable for guarantees given mainly for its subsidiaries (guarantees under article 2:403 of Dutch Civil Code), on which no material losses are expected.
- The Company forms part of a fiscal unity for Dutch corporate income tax purposes, and as such is jointly and severally liable for the liabilities of the whole fiscal unity.

24. Related party disclosure

The consolidated financial statements include the financial statements of Hunter Douglas N.V. and the subsidiaries as listed on page 66 and 67.

Compensation of key management employees (directors and officers) of the Group

Amounts in millions	2014	2013
Short-term employee benefits	16	17
Share-based payments	-1	5
Total compensation paid to key management employees	15	22

As per year-end loans and advances to key management employees amounted to 4 (2013: 4), bearing market interest.

Notes to consolidated financial statements

25. Capital management and financial risk management objectives and policies

The financing of the Group is based on a conservative capital structure.

The Group has procedures and policies in place to control risks related to financial instruments. These policies and procedures include a clear segregation of duties between operating, settlement, accounting and controlling of all financial instruments used. The Group's senior management takes an active role in the risk management process. In addition, the geographical spread of the Company's activities limits the exposures to concentrations of credit or market risk.

The Company attempts to minimize the counterparty credit risk associated with the financial instruments used by selecting counterparties that it assumes to be creditworthy, given their high credit ratings.

The Company does not have significant credit risk exposure to any individual customer or counterparty. A substantial part of trade receivables is covered by securities obtained, credit insurance or letters of credit. The Company invests in an investment portfolio. Also, the Company has concluded netting arrangements with some counterparties to offset financial instruments. Given their credit ratings, the remaining credit exposure with these counterparties is not considered of significance.

The following instruments are used:

a. Interest derivatives

Interest derivatives are used to manage exposure to movements in interest rates and to assume trading positions.

b. Foreign exchange derivatives

Foreign exchange derivatives are used to manage the exposure of currency exchange rate risks resulting from cash flows from (anticipated) business activities and financing arrangements denominated in foreign currencies and to assume trading positions.

c. Commodity derivatives

Commodity derivatives all relate to aluminum and are used to manage the exposure of the price and timing risks on underlying (anticipated) business activities and to assume trading positions. The contract amounts of financial instruments are indicative of the Company's use of derivatives but are not necessarily a measure for the exposure to market or credit risk through its use of financial instruments.

Interest, commodity and foreign exchange derivatives are carried at their fair value. The interest, commodity and foreign exchange derivatives generally mature within one year. All changes in the fair value of derivatives are taken directly to the income statement as no hedge accounting is applied, with the exception of interest derivatives for which cash flow hedge accounting is applied. The cash flow hedges of the expected future interest payments were assessed to be highly effective and a net unrealized gain of 3 (net of taxes) relating to the hedging instruments is included in other comprehensive income. The major part of the cash flow hedges expires in 2017.

The Company also enters into forward sales and purchase contracts for commodities that are settled by physical delivery of receipt of the commodity. These sales and purchases contracts do not qualify as derivatives under IAS 39.

Interest rate risk table

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variances held constant, of the Group's profit before tax (through the impact on floating rate borrowings). The effect on equity excludes the effect on profit before tax which ends up in equity.

Amounts in millions	Increase/decrease in basis points	Effect on profit before tax	Effect on equity
2014			
Euro	50	1	1
US dollar	50	1	
2013			
Euro	50	1	1
US dollar	50		

Notes to consolidated financial statements

25. Capital management and financial risk management objectives and policies (continued)

Foreign currency risk

As a result of significant operations in Europe, the Group's balance sheet can be affected significantly by movements in the US dollar / Euro exchange rates. The Group seeks to mitigate the effect of its structural currency exposure by borrowing in Euros. Between 20% and 50% of the Group's investment in non-USD operations will be hedged in this manner.

The following table demonstrates the sensitivity to a reasonably possible change in the Euro exchange rate, with all other variances held constant, of the Group's profit before tax (due to changes in the fair value of monetary assets and liabilities) and the Group's equity (due to changes in the net investments, excluding the effect on profit before tax which ends up in equity).

Amounts in millions	Increase/decrease Euro exchange rate	Effect on profit before tax	Effect on equity
2014	5%	14	34
	-5%	-12	-34
2013	5%	7	34
	-5%	-8	-34

26. Financial instruments

Derivative financial instruments

Amounts in millions	Face amount	Fair value
Currency forward		
Buy	87	1
Sell	-363	-8
	<u>-276</u>	<u>-7</u>
Currency options		
Buy - call	350	8
Buy - put	-147	-5
Sell - call	-275	-7
Sell - put	385	5
	<u>313</u>	<u>1</u>

Currency forwards are valued at existing forward rates at the balance sheet date.
Currency options are valued at their market value at the balance sheet date.

Amounts in millions	Tonnage	Assets	Liabilities
Metal derivatives			
Physical forwards	-324		
Futures	-61,685	10	
		<u>10</u>	<u>0</u>

The value of the metal derivatives is based on quoted metal market prices. Commodity contracts that are used for trading by Hunter Douglas Metals Inc. are also considered as derivatives and also valued based on quoted metal market prices.

Notes to consolidated financial statements

26. Financial instruments (continued)

Fair values

Set out below is a comparison by category of carrying amounts and fair values of all the Group's financial instruments.

The fair value of borrowings has been calculated by discounting the expected future cash flows at prevailing interest rates. The fair value of other financial assets has been calculated using the market interest rates. For financial instruments at fair value, the fair value hierarchy is indicated.

Amounts in millions	Carrying amount		Fair value	
	2014	2013	2014	2013
Financial assets				
Non-current				
Other financial assets - loans and receivables	41	25	41	25
Current				
Trade receivables - loans and receivables	380	391	380	391
Financial institutions and brokers - fair value through P&L	7	8	7	8
Currency derivatives - held for trading	2	7	2	7
Metal derivatives - held for trading	10	7	10	7
Investment portfolio - fair value through P&L	116	2	116	2
Cash and short-term deposits - loans and receivables	30	28	30	28
Short-term advances - loans and receivables	2	4	2	4
	<u>547</u>	<u>447</u>	<u>547</u>	<u>447</u>
Financial liabilities				
Non-current - loans and receivables				
Preferred shares - floating rate*	10	11	10	11
Other borrowings - floating rate*	373	295	373	295
	<u>383</u>	<u>306</u>	<u>383</u>	<u>306</u>
Current				
Trade payables - loans and receivables	176	177	176	177
Interest derivatives - held for trading	13	17	13	17
Currency derivatives - held for trading	8	3	8	3
Bank overdraft - floating rate* - loans and receivables	43	32	43	32
Short-term bank loans - floating rate* - loans and receivables	33	36	33	36
Current portion of long-term debt - fixed rate - loans and receivables		1		1
	<u>273</u>	<u>266</u>	<u>273</u>	<u>266</u>

* For interest-bearing loans and borrowings with a floating rate their fair value approximates their carrying value.

Notes to consolidated financial statements

26. Financial instruments (continued)

Liquidity risk

The following table sets out the carrying amount, by maturity, of the Group's financial instruments as per 31 December:

Amounts in millions	Within 1 year		1-2 years		2-3 years		3-4 years		4-5 years		More than 5 years		Total	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
Trade payables	176	177											176	177
Currency derivatives	21	3											21	3
Fixed rate														
Bank loans		1												1
Floating rate														
Bank loans	76	68	145	291	110	82	40						449	363
Preferred shares											10	11	10	11
Interest	9	10	5	6	3	2	1		1				19	18
	<u>282</u>	<u>259</u>	<u>5</u>	<u>151</u>	<u>294</u>	<u>112</u>	<u>83</u>	<u>40</u>	<u>1</u>	<u>0</u>	<u>10</u>	<u>11</u>	<u>675</u>	<u>573</u>

Interest on financial instruments classified as floating rate is repriced at intervals of less than one year.
Interest on financial instruments classified as fixed rate is fixed until the maturity of the instrument.

Assets measured at fair value

Amounts in millions	2014				2013			
	Fair value measurement at the end of the reporting period using:				Fair value measurement at the end of the reporting period using:			
Description	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit and loss								
Trading securities			116	116			2	2
Trading derivatives	10	2		12	7	7		14
Total	<u>10</u>	<u>2</u>	<u>116</u>	<u>128</u>	<u>7</u>	<u>7</u>	<u>2</u>	<u>16</u>

Notes to consolidated financial statements

26. Financial instruments (continued)

Liabilities measured at fair value

Amounts in millions	2014			2013		
	Fair value measurement at the end of the reporting period using:			Fair value measurement at the end of the reporting period using:		
	Level 1	Level 2	Total	Level 1	Level 2	Total
Description						
Financial liabilities at fair value through profit and loss						
Trading derivatives		21	21		3	3
Interest swap					12	12
Total		<u>21</u>	<u>21</u>		<u>15</u>	<u>15</u>

Assets measured at fair value based on Level 3

Amounts in millions	2014		2013	
	Fair value measurement at the end of the reporting period		Fair value measurement at the end of the reporting period	
	Trading securities	Total	Trading securities	Total
Financial assets at fair value through profit and loss				
Opening balance	2	2	25	25
Total gain in profit or loss	2	2	1	1
Investments (settlements)	112	112	-24	-24
Closing balance	<u>116</u>	<u>116</u>	<u>2</u>	<u>2</u>
Total profit for the period included in profit or loss for assets held at the end of the reporting period	<u>2</u>	<u>2</u>	<u>1</u>	<u>1</u>

Balance sheet* & statement of income – Hunter Douglas N.V.

Amounts in millions	Notes	USD	
		2014	2013
ASSETS			
Non-current assets			
Financial fixed assets			
- Investments in subsidiaries	2	2,094	3,696
- Advances to subsidiaries		451	385
- Other		8	8
Total non-current assets		2,553	4,089
Current assets			
Accounts receivable		19	22
Accounts receivable - affiliated companies		152	47
Total current assets		171	69
TOTAL ASSETS		2,724	4,158
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity			
Issued capital	3	10	12
Share premium		86	97
Treasury shares		-29	-29
Cash flow hedge reserve		-12	-16
Foreign currency translation		-115	-35
Retained earnings		985	988
Net result for the year		125	107
Total shareholders' equity		1,050	1,124
Provisions			
Provision for pensions		4	4
Total provisions		4	4
Non-current liabilities			
Long-term loans - other	4	383	306
Long-term loans - affiliated companies		896	2,083
Total non-current liabilities		1,279	2,389
Current liabilities			
Short-term borrowings		76	74
Accounts payable - other		39	28
Accounts payable - affiliated companies		276	539
Total current liabilities		391	641
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		2,724	4,158
STATEMENT OF INCOME			
Income from subsidiaries and affiliates after taxation		153	113
Other expense, net		-28	-6
Net profit		125	107

* before appropriation of net profit

Notes to financial statements

1. Accounting policies

General

The Company's financial statements have been prepared in accordance with Title 9 of Book 2 of the Dutch Civil Code. As permitted by Article 2:362 paragraph 8 of this code, the Company's financial statements have been prepared applying the same IFRS accounting policies as used in the consolidated financial statements in order to maintain consistency between the figures in the consolidated and Company's financial statements. In accordance with Article 2:402 of the Civil Code, an abbreviated version of the income statement is presented. The principal accounting policies adopted are the same as those set out in note 2 to the consolidated financial statements except that investments in subsidiaries are stated at net asset value as the Company effectively exercises influence of significance over the operational and financial activities of these investments. The net asset value is determined on the basis of the accounting principles applied by the Company.

2. Financial fixed assets

Investment in subsidiaries

Amounts in millions	2014	2013
Beginning of the year	3,696	3,366
Change during the year		
Share in results, net	153	113
Actuarial (losses) gains	-50	23
Received dividends	-5	-13
Increase, net		19
Waiver of loans	-1,527	123
Exchange differences	-173	65
Net change	-1,602	330
End of year	2,094	3,696

The waiver of loans is the result of a legal restructuring within Dutch fiscal unity. Affiliated companies amount to nil (2013: 0.1).

3. Shareholders' equity

Details are given in note 15 to the consolidated financial statements.

4. Long-term loans - other

Amounts in millions	2014	2013
Unsecured loans maturing in various installments through 2019	373	295

Average life of long-term loans is 2.94 years (2013: 2.15 years); all loans are at variable rates of interest. Maturities until 2019 are 2017: 291 and 2019: 82.

Amounts in millions	2014	2013
Preferred shares	10	11

For the conditions in respect of preferred shares: see page 64.

Notes to financial statements

5. Contingencies

The Company is contingently liable for guarantees given mainly for its subsidiaries, on which no material losses are expected.

The Company forms part of a fiscal unity for Dutch corporate income tax purposes, and as such is jointly and separately liable for the liabilities of the whole fiscal unity.

6. Employee benefits

	Year Option Grant	Year Option Expiry	Option Price per share	Option Shares (HDNV common shares)			
				Outstanding 1 January	Granted	Exercised	Balance 31 December
				see notes 1;2			see note 2
Directors							
2014							
R. Sonnenberg	2013	2018	€ 31.00	500,000			500,000
				<u>500,000</u>			<u>500,000</u>
2013							
R. Sonnenberg	2008	2013	€ 17.00	500,000		500,000	
R. Sonnenberg	2013	2018	€ 31.00		500,000		500,000
J.T. Sherwin	2008	2013	€ 17.00	20,000		20,000	
				<u>520,000</u>	<u>500,000</u>	<u>520,000</u>	<u>500,000</u>

Compensation* paid to directors was: R. Sonnenberg nil (2013: nil), J.T. Sherwin 1,065 (2013: 888) as compensation and all other directors 53 (2013: 53) as directors fee. No pension contributions were paid. The share option expense for the directors was -1 (2013: 5).

* Amounts in thousands

7. Remuneration of the auditor

The total costs related to the services provided by Ernst & Young in the Netherlands were as follows (amounts in thousands):

	2014	2013
Audit of financial statements	445	418
Other audit services		7
Non-audit services	233	40
	<u>678</u>	<u>465</u>

8. Employees

The number of employees at year-end amounts 18 (2013: 18).

Rotterdam, 10 March 2015

Board of Directors

Additional information

1. Independent auditor's report

**To: the shareholders of
Hunter Douglas N.V.**

Report on the financial statements

We have audited the financial statements 2014 of Hunter Douglas N.V., Curaçao (as set out on pages 30 to 63). The financial statements include the consolidated financial statements and the Company's financial statements. The consolidated financial statements comprise the consolidated balance sheet as at 31 December 2014, the consolidated statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and the notes, comprising a summary of the significant accounting policies and other explanatory information. The Company's financial statements comprise the Company's balance sheet as at 31 December 2014, the Company's statement of income for the year then ended and the notes, comprising a summary of the accounting policies and other explanatory information.

Management's responsibility

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and International Financial Reporting Standards as adopted by IASB and with Part 9 of Book 2 of the Dutch Civil Code, and for the preparation of the directors' report in accordance with Part 9 of Book 2 of the Dutch Civil Code.

Furthermore management is responsible for such internal control as it determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion with respect to the consolidated financial statements

In our opinion, the consolidated financial statements give a true and fair view of the financial position of Hunter Douglas N.V. as at 31 December 2014, its result and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and International Financial Reporting Standards as adopted by IASB and with Part 9 of Book 2 of the Dutch Civil Code.

Opinion with respect to the Company's financial statements

In our opinion, the Company's financial statements give a true and fair view of the financial position of Hunter Douglas N.V. as at 31 December 2014 and of its result for the year then ended in accordance with Part 9 of Book 2 of the Dutch Civil Code.

Report on other legal and regulatory requirements

Pursuant to the legal requirement under Section 2:393 sub 5 at e and f of the Dutch Civil Code, we have no deficiencies to report as a result of our examination whether the directors' report, to the extent we can assess, has been prepared in accordance with Part 9 of Book 2 of this Code, and whether the information as required under Section 2:392 sub 1 at b-h has been annexed.

Further we report that the directors' report, to the extent we can assess, is consistent with the financial statements as required by Section 2:391 sub 4 of the Dutch Civil Code.

Amsterdam, the Netherlands,
10 March 2015

Ernst & Young Accountants LLP
/S/ J.J. Vernooij

2. Events after balance sheet date

There are no material subsequent events after balance sheet date.

3. Appropriation of profits

Common shares

Hunter Douglas N.V.'s Articles of Association require the general meeting of common and preferred shareholders to determine the value of the annual common share dividend and the meeting of common shareholders to decide that the dividend will be distributed in cash or, alternatively, shares. The directors recommend a cash dividend of EUR 1.35 per common share.

Preferred shares

Hunter Douglas N.V.'s Articles of Association fix the annual dividend on each preferred share at a percentage of the par value. This percentage amounts to 2.25% per annum over the European Central Bank's deposit rate on the last working day of May of the affected year. The general meeting of preferred shareholders is to decide whether such dividend is distributed in cash or, alternatively, shares.

4. Shareholders' meetings

The shareholders' meetings will be held on 9 June 2015 at the Avila Beach Hotel, Penstraat 130, Willemstad, Curaçao, starting at 9.00 a.m. for the common shareholders, 9.30 a.m. for the preferred shareholders and 10.00 a.m. for the common and preferred shareholders.

5. Dividends

Cash dividends will be distributed on all shares. Dividends declared pursuant to the preceding paragraphs will be distributed on 18 June 2015.

6. Audit and Compensation Committees

The members for both committees are:

H.F. van den Hoven
A. van Tooren
F. Wagener

Five-year summary

Millions, except per share data	Notes	USD				
		2014	2013	2012	2011	2010
Net sales		2,695	2,636	2,588	2,573	2,445
Earnings before interest, tax, depreciation and amortization						
(before non-recurring restructuring expenses)		282	261	257	230	257
Income from Operations						
(before non-recurring restructuring expenses)		193	170	165	143	167
Net Profit from Operations						
(before non-recurring restructuring expenses)		146	118	131	127	159
Non-recurring restructuring expenses		-23	-12	-45	-31	-17
Net Profit from Operations						
(after non-recurring restructuring expenses)		123	106	86	96	142
Net Result Investment Portfolio		2	1	15	-18	11
Total Net Result		125	107	101	78	153
Operating cash flow		152	220	154	180	159
Investments in tangible fixed assets		73	69	77	111	71
Depreciation of tangible fixed assets		82	83	86	81	85
Net Assets Employed		1,586	1,619	1,832	1,719	1,730
Shareholders' equity		1,050	1,124	1,075	1,069	1,126
Per common share						
- Total Net Result	1	3.59	3.08	2.90	2.19	4.31
- Operating cash flow	1	4.37	6.32	4.40	5.10	4.49
- Shareholders' equity	2	30.19	32.30	30.90	30.50	32.78
- Dividend in EUR (proposed for 2014)		1.35	1.25	1.25	1.25	1.25
Average annual exchange rate EUR/USD		1.33	1.33	1.29	1.39	1.33
Year-end exchange rate EUR/USD		1.21	1.38	1.32	1.29	1.34
Average number of outstanding common shares (thousands)	3	34,786	34,785	34,917	35,315	35,366
Year-end number of outstanding common shares (thousands)	3	34,786	34,786	34,783	35,066	35,366

1 Based on average number of shares outstanding during affected year, adjusted for stock dividends and treasury shares, where applicable.

2 Based on number of shares outstanding at year-end, adjusted for stock dividends and treasury shares, where applicable.

3 Adjusted for stock dividends and treasury shares, where applicable.

Hunter Douglas Principal Operating Companies

Europe, Middle East and Africa

www.hunterdouglasgroup.com

Belgium

Hunter Douglas Belgium, Lokeren
Luxaflex Belgium, Bruges
Helioscreen, Lokeren

Bulgaria

Hunter Douglas Bulgaria, Sofia

Croatia

Hunter Douglas Croatia, Zagreb

Czechia

Hunter Douglas Czechia, Prague
Hunter Douglas Kadan, Kadan

Denmark

Hunter Douglas Architectural Projects
Scandinavia, Ryslinge
Luxaflex Scandinavia, Risskov, Hornum
W.H. Produkter, Odense

Finland

Luxaflex Scandinavia, Helsinki

France

Hunter Douglas, Paris
Luxalon Plafonds France, Bonneuil, Lille
Filtersun, La Loupe
Luxaflex France, Tourcoing
Mermet, Veyrins-Thuellin

Germany

Benthin, Bremerhaven
Blöcker, Bremen
Hunter Douglas, Düsseldorf,
Bremerhaven, Kassel
Hunter Douglas Architektur-Systeme,
Düsseldorf
Gardinia, Isny (74%)
NBK, Emmerich

Hungary

Hunter Douglas Hungary, Budapest

Ireland

T.M. Blinds, Newcastle

Italy

Hunter Douglas Italia, Milan

Netherlands

Hunter Douglas, Rotterdam
Hunter Douglas Europe, Rotterdam,
Leek, Oudenbosch
Buismetaal III B.V., Rotterdam
Industrie- en Handelsonderneming
"Buismetaal", Rotterdam
Artex, Aarle-Rixtel
Asco, Roermond
HCI Holland Coating Industries,
Hoogeveen
Luxaflex Nederland,
Hardinxveld-Giessendam
Luxaflex Outdoor, Eindhoven
3form, Rotterdam
Multisol Raambekleding, Nijmegen
Nedal, Utrecht

Schellekens en Schellekens, Beuningen
Sunway (Benelux), Nieuwegein

Norway

Hunter Douglas Norge, Gjøvik, Oslo
Fasadeprodukter, Molde
Luxaflex Scandinavia, Oslo

Poland

Hunter Douglas Fabrication, Chludowo
Hunter Douglas Polska, Warsaw
Magnum Metal, Zdunska Wola

Portugal

Luxaflex Portugal, Albergaria-a-Velha,
Fajozes
NBK, Figueira da Foz

Romania

Hunter Douglas Romania, Bucharest,
Cluj

Russia

Hunter Douglas, Moscow

Serbia

Hunter Douglas, Belgrade

South Africa

Hunter Douglas South Africa,
Johannesburg

Spain

Hunter Douglas España, Llagostera,
Madrid

Sweden

Hunter Douglas Scandinavia, Alingsås,
Gothenburg, Hillerstorp
Hunter Douglas Assembly Automation,
Stenungsund
AMA Produktions, Gothenburg
Nibrol, Angered
Luxaflex Scandinavia, Helsingborg,
Anderstorp, Falköping

Switzerland

Hunter Douglas Management, Lucerne
Hunter Douglas (Schweiz), Root, Wängi

Turkey

Hunter Douglas, Istanbul

United Arab Emirates

Hunter Douglas Middle East, Dubai

United Kingdom

AMO Blinds, Liversedge, Hartlepool
Apollo Blinds, Glasgow
Eclipse, Glasgow
Faber Blinds, Northampton
Hunter Douglas, Sunninghill, Stockport,
Birmingham
Sunflex, Cannock
Thomas Sanderson Blinds, Waterlooville
Turnils, Glasgow

North America

www.hunterdouglas.com

Canada

Hunter Douglas Canada, Brampton
(ON), Calgary (AB)
Shade-O-Matic, Toronto
Turnils, Toronto

U.S.A.

Hunter Douglas North America, Pearl
River (NY)
Hunter Douglas Window Fashions
Division, Broomfield (CO)
Hunter Douglas Window Designs
Division, Bessemer City (NC)
Hunter Douglas R&D Centre,
Whitesville (KY)
Hunter Douglas Metals and Distribution
Centre, Tupelo (MS)
Hunter Douglas Plastics and Casting
Centre, Owensboro (KY)
Hunter Douglas Custom Shutter
Division, Tempe (AZ)
Hunter Douglas Horizontal Blinds
Division, Tempe (AZ)
Hunter Douglas Fabrication: Calverton
(MD), Cumberland (MD), Milpitas (CA),
Pinellas Park (FL), Tukwila (WA), Salt
Lake City (UT), West Sacramento (CA),
Plymouth Meeting (PA), Minneapolis
(MN), Omaha (NE), Houston (TX),
St. Louis (MO), Kansas City (KS),
Islandia (NY), Tempe (AZ), Lombard (IL)
Lamtec, Natick (MA)
3form, Salt Lake City (UT)
Architectural Window Shades/Nysan
Specialty Shades, Pasadena (CA)
Carole Fabrics, Augusta (GA)
Century Blinds, Corona (CA)
Comfortex Window Fashions,
Maplewood (NY)
Contract Window Coverings,
Poway (CA)
Custom Brands Group, Artesia (CA)
Eclipse Shutters, Suwanee (GA)
Electronic Solutions, Lafayette (CO)
Flexo Solutions, Appleton (WI)
HD Hospitality, Las Vegas (NV)
LightArt, Seattle (WA)
Luxalon Metal Ceilings, Norcross (GA)
Mermet, Cowpens (SC)
Nibrol, Lancaster (SC)
Techstyle Ceilings, Thornton (CO)
Timber Blinds Manufacturing,
McKinney (TX)
Turnils, Suwanee (GA)
Vista Products, Jacksonville (FL)

Hunter Douglas Metals, Homewood (IL)

Hunter Douglas Principal Operating Companies

Latin America

www.hunterdouglas.cl

Argentina

Hunter Douglas Argentina, Buenos Aires

Brazil

Hunter Douglas do Brasil (98.5%), São Paulo, Campinas

Chile

Hunter Douglas Chile (95%), Santiago
Persianas Andina (95%), Santiago

Colombia

Hunter Douglas de Colombia (95%), Bogotá

Curaçao

Hunter Douglas International, Willemstad

Mexico

Hunter Douglas de Mexico, Mexico City
ILM, Playas de Rosarito

Panama

Hunter Douglas Panama, Panama City

Peru

Hunter Douglas Peru, Lima

Venezuela

Hunter Douglas Venezuela, Caracas

Asia

www.hunterdouglas.asia

China

Hunter Douglas Architectural Products, Shanghai, Beijing, Shenyang, Suzhou, Xian, Chengdu, Shenzhen, Wuhan
Hunter Douglas Window Covering Products, Shanghai, Guangzhou, Beijing, Shenzhen, Chengdu, Xian
Turnils/Mermet, Shanghai

Hong Kong

Hunter Douglas China/Hong Kong

India

Hunter Douglas India, Chennai, Mumbai, New Delhi, Bangalore, Silvassa

Indonesia

Hunter Douglas Indonesia, Jakarta, Cikarang

Japan

Hunter Douglas Japan, Tokyo, Ibaraki

Korea

Hunter Douglas Korea, Seoul, Gumi City

Malaysia

Hunter Douglas Malaysia, Kuala Lumpur
Turnils-Mermet Asia, Kuala Lumpur

Singapore

Hunter Douglas Singapore, Singapore

Taiwan

Hunter Douglas Taiwan, Taipei

Thailand

Hunter Douglas Thailand, Bangkok

Vietnam

Hunter Douglas Vietnam, Ho Chi Minh City, Hanoi, Danang, Can Tho

Australia

www.hunterdouglas.com.au

Hunter Douglas Components, Sydney
Hunter Douglas Blindmaker, Sydney, Brisbane
Hunter Douglas Architectural Products, Sydney
Bricos Group, Melbourne
Turnils, Sydney

Hunter Douglas N.V.

Directors

R. Sonnenberg

Chairman & CEO
Hunter Douglas N.V.

H.F. van den Hoven

Chairman Unilever N.V. (retired)

J.T. Sherwin

Executive Vice President
Hunter Douglas N.V. (retired)

A. van Tooren

Former Senior Executive ING Group

F.N. Wagener

Chairman Bourse Luxembourg

Officers

R. Sonnenberg

Chairman & CEO

D.H. Sonnenberg

Co-President & COO

M.H. Sonnenberg

Co-President & COO

M.B. Hopkins

President & CEO
North American Operations

C. King

Vice President General Counsel

A. Kuiper

President & CEO European Operations

G.C. Neoh

President & CEO Asian Operations

L. Reijtenbagh

Vice President, CFO & Secretary

R. Rocha

President & CEO Latin American
Operations

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Stock listings

Common shares:

- > Amsterdam (HDG)
- > Frankfurt (HUD)

Preferred shares:

- > Amsterdam (HUNDP)

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R. Sonnenberg

President & CEO

C. King

Vice President, General Counsel &
Secretary

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L. Reijtenbagh

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Depositaries and dividend disbursement agents

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Rotterdam - The Netherlands
- > ING BANK: Amsterdam, Rotterdam -
The Netherlands

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