

# **Hunter Douglas N.V.**

## **Unaudited interim condensed consolidated financial statements**

**30 June 2015**

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# Chairman's letter

## To our shareholders

**Sales:** USD 1,260.1 million, 4.8% lower compared with USD 1,323.9 million in the first half of 2014.

**Earnings before interest, tax, depreciation and amortization - EBITDA:** USD 140.1 million, 5.1% higher than USD 133.3 million in the first half of 2014.

**Income from Operations:** USD 96.4 million, 10.2% higher than USD 87.5 million in the first half of 2014. Results in local currencies were better in all areas except in Asia and Latin America where they were lower.

**Net Profit Investment Portfolio:** USD 5.6 million (after deduction of imputed interest and expenses). The portfolio did not exist in the first half of 2014.

**Profit before Tax:** USD 93.4 million, 21.1% higher than USD 77.1 million in the first half of 2014.

**Total Net Profit:** USD 77.4 million (per share EUR 1.98), 19.6% higher than USD 64.7 million in the first half of 2014 (per share EUR 1.36).

**Capital expenditures** were USD 25 million compared with USD 31 million in the first half of 2014, while depreciation was USD 40 million compared with USD 42 million in the first half of 2014. For the full year capital expenditures are expected to be approximately USD 65 million and depreciation USD 80 million.

## Outlook

We expect further improvement in economic conditions in the US and Asia, continued growth in the UK, stable conditions in Europe and more difficult conditions in Latin America.

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

## Sensitivity to External Factors

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

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

## Financial reporting

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

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

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

Amounts in millions	USD	
	<u>2015</u> (unaudited)	<u>2014</u> (unaudited)
<b>Net sales</b>	<b>1,260.1</b>	1,323.9
Cost of sales	<b>-738.2</b>	<b>-799.8</b>
<b>Gross profit</b>	<b>521.9</b>	524.1
Gross profit metals trading	<b>7.2</b>	7.3
<b>Total gross profit</b>	<b>529.1</b>	531.4
Selling and marketing expense	<b>-259.3</b>	<b>-269.4</b>
General and administrative expense	<b>-173.4</b>	<b>-174.5</b>
<b>Income from operations (EBIT)</b>	<b>96.4</b>	87.5
Finance costs	<b>-11.0</b>	<b>-11.4</b>
Finance income	<b>8.0</b>	1.0
<b>Income before taxes</b>	<b>93.4</b>	77.1
Taxes on income	<b>-15.8</b>	<b>-11.7</b>
<b>Net profit for the year</b>	<b>77.6</b>	65.4
Net profit attributable to minority interest	<b>0.2</b>	0.7
<b>Net profit attributable to equity shareholders</b>	<b>77.4</b>	64.7
<b>Earnings per share attributable to equity shareholders</b>		
- basic for profit for the year	<b>2.23</b>	1.86
- fully diluted for profit for the year	<b>2.23</b>	1.86

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

Amounts in millions	USD	
	<u>2015</u> (unaudited)	<u>2014</u> (unaudited)
<b>Net profit for the year</b>	<b>77.6</b>	65.4
<b>Other comprehensive income</b>		
Currency translation differences *)	<b>-64.1</b>	<b>-6.2</b>
Net movement in cash flow hedges *)	<b>3.0</b>	0.6
<b>Total comprehensive income for the year, net of tax</b>	<b>16.5</b>	59.8
Attributable to equity shareholders	<b>17.7</b>	59.9
Attributable to minority interest	<b>-1.2</b>	<b>-0.1</b>

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

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

Amounts in millions	USD	
	<u>2015</u> (unaudited)	<u>2014</u> (unaudited)
<b>Net sales</b>	<b>673.3</b>	718.3
Cost of sales	<b>-383.0</b>	<b>-426.0</b>
<b>Gross profit</b>	<b>290.3</b>	292.3
Gross profit metals trading	<b>2.7</b>	3.8
<b>Total gross profit</b>	<b>293.0</b>	296.1
Selling and marketing expense	<b>-129.6</b>	<b>-140.4</b>
General and administrative expense	<b>-90.0</b>	<b>-83.9</b>
<b>Income from operations (EBIT)</b>	<b>73.4</b>	71.8
Finance costs	<b>-5.2</b>	<b>-5.6</b>
Finance income	<b>3.1</b>	0.7
<b>Income before taxes</b>	<b>71.3</b>	66.9
Taxes on income	<b>-12.1</b>	<b>-12.1</b>
<b>Net profit for the year</b>	<b>59.2</b>	54.8
Net profit attributable to minority interest	<b>-0.1</b>	0.7
<b>Net profit attributable to equity shareholders</b>	<b>59.3</b>	54.1
<b>Earnings per share attributable to equity shareholders</b>		
- basic for profit for the year	<b>1.71</b>	1.55
- fully diluted for profit for the year	<b>1.71</b>	1.55

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

Amounts in millions	USD	
	<u>2015</u> (unaudited)	<u>2014</u> (unaudited)
<b>Net profit for the year</b>	<b>59.2</b>	54.8
<b>Other comprehensive income</b>		
Currency translation differences *)	<b>-0.1</b>	<b>-2.0</b>
Net movement in cash flow hedges *)	<b>0.7</b>	0.3
<b>Total comprehensive income for the year, net of tax</b>	<b>59.8</b>	53.1
Attributable to equity shareholders	<b>59.7</b>	52.7
Attributable to minority interest	<b>0.1</b>	0.4

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

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

Amounts in millions	USD	
	<b>2015</b> (unaudited)	<b>2014</b> (unaudited)
<b>Net profit attributable to equity shareholders</b>	<b>77.4</b>	64.7
<b>Adjustments for:</b>		
Depreciation property, plant & equipment	<b>40.4</b>	42.2
Amortization patents & trademarks	<b>3.3</b>	3.6
Increase (decrease) provisions	<b>3.0</b>	-4.0
Non-cash items on loans and borrowings	<b>-32.0</b>	
Other non-cash items		0.3
Unrealized result investment portfolio	<b>-7.6</b>	
Operating cash flow before working capital changes	<b>84.5</b>	106.8
<b>Changes in working capital:</b>		
-increase trade and other receivables and prepayments	<b>-8.8</b>	-45.8
-decrease (increase) inventories	<b>30.8</b>	-46.2
-decrease trade and other payables	<b>-43.3</b>	-4.5
<b>Operating cash flow</b>	<b>63.2</b>	10.3
Dividend paid	<b>-53.0</b>	-59.0
<b>Net cash from operations</b>	<b>10.2</b>	-48.7
<b>Cash flow from investing activities</b>		
Investment intangible fixed assets		-2.5
Investment property, plant and equipment	<b>-25.4</b>	-30.9
Divestment property, plant and equipment	<b>0.1</b>	5.8
(Increase) decrease investment portfolio	<b>-85.1</b>	2.4
Increase other financial non-current assets	<b>-27.9</b>	-7.6
<b>Net cash from investing activities</b>	<b>-138.3</b>	-32.8
<b>Cash flow from financing activities</b>		
Increase interest-bearing loans and borrowings	<b>122.5</b>	74.4
<b>Net cash from financing activities</b>	<b>122.5</b>	74.4
<b>Net decrease in cash and cash equivalents</b>	<b>-5.6</b>	-7.1
<b>Change in cash and cash equivalents</b>		
<b>Balance at 1 January</b>	<b>32.3</b>	32.2
Net decrease in cash and cash equivalents	<b>-5.6</b>	-7.1
Exchange difference cash and cash equivalents	<b>-2.6</b>	-4.0
<b>Balance at 30 June</b>	<b>24.1</b>	21.1

## Interim consolidated balance sheet as per

### Assets

Amounts in millions	USD	
	<u>30-jun-15</u> (unaudited)	<u>31-dec-14</u>
<b>Non-current assets</b>		
Intangible fixed assets	309.9	318.6
Property, plant and equipment	466.5	497.9
Deferred income tax assets	137.3	132.8
Other financial non-current assets	62.6	41.5
<b>Total non-current assets</b>	<b>976.3</b>	<b>990.8</b>
<b>Current assets</b>		
Inventories	598.4	650.5
Trade and other receivables	422.9	402.7
Prepaid income tax	43.1	34.7
Prepayments	69.9	99.0
Currency derivatives	1.8	2.1
Metal derivatives		10.3
Investment portfolio	208.7	116.0
Cash and short-term deposits	24.1	32.3
<b>Total current assets</b>	<b>1,368.9</b>	<b>1,347.6</b>
<b>TOTAL ASSETS</b>	<b>2,345.2</b>	<b>2,338.4</b>

## Interim consolidated balance sheet as per

### Shareholders' equity and liabilities

Amounts in millions	USD	
	<b>30-jun-15</b> (unaudited)	<u>31-dec-14</u>
<b>Equity attributable to equity shareholders</b>		
Issued capital	9.5	10.3
Share premium	79.0	85.9
Treasury shares	-28.5	-28.5
Cash flow hedge reserve	-9.0	-12.0
Foreign currency translation	-177.7	-115.0
Retained earnings	1,141.7	1,109.6
<b>Total equity attributable to equity shareholders of the parent</b>	<b>1,015.0</b>	1,050.3
Non-controlling interest	12.9	14.1
<b>Total equity</b>	<b>1,027.9</b>	1,064.4
<b>Non-current liabilities</b>		
Interest-bearing loans and borrowings	501.5	373.4
Preferred shares	9.2	10.0
Provisions	177.9	176.9
Deferred income tax liabilities	1.4	1.6
<b>Total non-current liabilities</b>	<b>690.0</b>	561.9
<b>Current liabilities</b>		
Trade and other payables	533.4	582.3
Income tax payable	14.6	19.3
Restructuring provisions	4.7	13.6
Currency derivatives	9.8	21.2
Metal derivatives	9.1	
Interest-bearing loans and borrowings	55.7	75.7
<b>Total current liabilities</b>	<b>627.3</b>	712.1
<b>TOTAL LIABILITIES</b>	<b>1,317.3</b>	1,274.0
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>	<b>2,345.2</b>	2,338.4



## Interim consolidated statement of changes in equity for the first half year 2015

Amounts in millions

	Attributable to equity shareholders of the parent						Non-controlling interest	Total Equity
	Issued capital	Share premium	Treasury shares	Cashflow hedge reserve	Foreign currency translation	Retained earnings		
<b>At 1 January 2015</b>	10.3	85.9	-28.5	-12.0	-115.0	1,109.6	14.1	1,064.4
Net profit						77.4	0.2	77.6
Other comprehensive income (expense)	-0.8	-6.9		3.0	-62.7	7.7	-1.4	-61.1
Total comprehensive income (expense)	-0.8	-6.9	0.0	3.0	-62.7	85.1	-1.2	16.5
Equity dividends						-53.0		-53.0
<b>At 30 June 2015 (unaudited)</b>	9.5	79.0	-28.5	-9.0	-177.7	1,141.7	12.9	1,027.9

## Interim consolidated statement of changes in equity for the first half year 2014

Amounts in millions

	Attributable to equity shareholders of the parent						Non-controlling interest	Total Equity
	Issued capital	Share premium	Treasury shares	Cashflow hedge reserve	Foreign currency translation	Retained earnings		
<b>At 1 January 2014</b>	11.7	97.4	-28.5	-16.4	-34.7	1,094.2	16.8	1,140.5
Net profit						64.7	0.7	65.4
Other comprehensive income (expense)	-0.1	-0.8		0.6	-5.4	0.9	-0.8	-5.6
Total comprehensive income (expense)	-0.1	-0.8	0.0	0.6	-5.4	65.6	-0.1	59.8
Equity dividends						-59.0		-59.0
<b>At 30 June 2014 (unaudited)</b>	11.6	96.6	-28.5	-15.8	-40.1	1,100.8	16.7	1,141.3

## **Notes to the interim condensed consolidated financial statements**

USD (millions, unless indicated otherwise)

### **1. Corporate information**

The interim condensed consolidated financial statements of Hunter Douglas N.V. for the half year ended 30 June 2015 were authorized for issue in accordance with a resolution of the Directors on 4 August 2015.

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

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

### **2. Basis of preparation and significant accounting policies**

#### **Basis of preparation**

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

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2014.

#### **IFRS accounting standards effective as from 2015**

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

### 3. Segment information

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

#### Business segments

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

<b>First half year 2015</b>	<b>Window Coverings</b>	<b>Architectural Products</b>	<b>Metals Trading</b>	<b>Investment Portfolio</b>	<b>Total</b>
<b>Revenue</b>					
Sales to external customers	1,053.3	206.8			1,260.1
<b>Total revenue</b>	<b>1,053.3</b>	<b>206.8</b>			<b>1,260.1</b>
<b>Results</b>					
Segment profit before tax	78.5	5.8	3.5	5.6	93.4
<b>First half year 2014</b>					
	<b>Window Coverings</b>	<b>Architectural Products</b>	<b>Metals Trading</b>	<b>Investment Portfolio</b>	<b>Total</b>
<b>Revenue</b>					
Sales to external customers	1,088.9	235.0			1,323.9
<b>Total revenue</b>	<b>1,088.9</b>	<b>235.0</b>			<b>1,323.9</b>
<b>Results</b>					
Segment profit before tax	67.2	6.4	3.5		77.1
<b>Assets and liabilities</b>					
Segment assets	1,541.2	391.3	189.2	208.7	2,330.4
Investment in an associate	13.6	1.2			14.8
<b>Total assets at 30 June 2015</b>	<b>1,554.8</b>	<b>392.5</b>	<b>189.2</b>	<b>208.7</b>	<b>2,345.2</b>
Segment liabilities	1,036.7	220.2	59.7	0.7	1,317.3
<b>Total liabilities at 30 June 2015</b>	<b>1,036.7</b>	<b>220.2</b>	<b>59.7</b>	<b>0.7</b>	<b>1,317.3</b>
<b>Assets and liabilities</b>					
Segment assets	1,670.1	457.8	148.7		2,276.6
Investment in an associate	2.6	0.2			2.8
<b>Total assets at 30 June 2014</b>	<b>1,672.7</b>	<b>458.0</b>	<b>148.7</b>		<b>2,279.4</b>
Segment liabilities	864.1	223.7	50.3		1,138.1
<b>Total liabilities at 30 June 2014</b>	<b>864.1</b>	<b>223.7</b>	<b>50.3</b>		<b>1,138.1</b>

#### 4. Business combination

There were no acquisitions during the first half year of 2015.

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

An impairment analysis has been performed per the end of 2014. There are no impairment indicators that would require an updated calculation.

#### 6. Cash and short-term deposits

Cash at bank and in hand earns interest at floating rates based on market conditions. Short-term deposits are made for varying periods of between one day and one year depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates. The fair value of cash and cash equivalents at 30 June 2015 is 24.1 (30 June 2014: 21.1).

At 30 June 2015 the Group had available 141 of undrawn committed borrowing facilities in respect of which all conditions precedent had been met. For the purposes of the consolidated cash flow statement, cash and cash equivalents comprise the following at 30 June:

Amounts in millions	<u>2015</u>	<u>2014</u>
Cash at bank and in hand	23.3	19.2
Short-term deposits	<u>0.8</u>	<u>1.9</u>
	<u>24.1</u>	<u>21.1</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.

#### 7. Dividends paid and proposed

Amounts in millions	<u>2015</u>	<u>2014</u>
<b>Declared and paid during the year:</b>		
Equity dividends on ordinary shares:		
Final dividend for 2014: EUR 1.35 (2013: EUR 1.25)	<u>53.0</u>	<u>59.0</u>
	<u>53.0</u>	<u>59.0</u>

#### 8. Capital commitments and other commitments

##### Capital commitments

At 30 June 2015, the Group has commitments for capital expenditures of 24 (31 December 2014: 13).

Rotterdam, 4 August 2015

Board of Directors