

Hunter Douglas N.V.

Unaudited interim condensed consolidated financial statements

30 June 2016

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Chairman's letter

To our shareholders

Sales: USD 1,306.3 million, 3.7% higher compared with USD 1,260.1 million in the first half of 2015.

Earnings before interest, tax, depreciation and amortization - EBITDA:

USD 154.0 million, 9.9% higher than USD 140.1 million in the first half of 2015.

Income from Operations:

USD 114.2 million, 18.5% higher than USD 96.4 million in the first half of 2015. Results in local currencies were better in all areas except in Australia where results were lower.

Profit before Tax (excluding Net Result investment Portfolio):

USD 110.8 million, 26.2% higher than USD 87.8 million in the first half of 2015.

Net Result Investment Portfolio: USD 7.3 million negative (after deduction of imputed interest and expenses) compared with USD 5.6 million positive in the first half of 2015. The Portfolio's return in U.S. dollars (before imputed interest and expenses) was 3.1% negative. The Portfolio had a fair value at June 30, 2016 of USD 196 million compared with USD 202 million at December 31, 2015.

The Portfolio is being reduced to approximately USD 100 million by year-end to fund acquisitions.

Profit before Tax: USD 103.5 million, 10.8% higher than USD 93.4 million in the first half of 2015.

Total Net Profit: USD 83.7 million (per share EUR 2.17), 8.1% higher than USD 77.4 million in the first half of 2015 (per share EUR 1.98).

Capital expenditures were USD 32 million compared with USD 25 million in the first half of 2015, while depreciation was USD 36 million compared with USD 40 million in the first half of 2015. For the full year capital expenditures are expected to be approximately USD 55 million and depreciation USD 70 million.

Acquisitions (included in results after date shown):

- **Levolor / Kirsch:** A leading North American supplier of window coverings and drapery hardware to home centers with 2015 sales of USD 302 million (June 30, 2016).
- **Blinds 2go:** 60% of the leading online retailer in the UK with 2015 sales of GBP 34 million (June 10, 2016).
- **Aluvert:** 88% of a leading South African window covering fabricator with 2015 sales of EUR 11 million which will absorb the company's existing window covering business (March 1, 2016).
- **Lunex:** A Norwegian direct selling window covering business with 2015 sales of EUR 18 million (March 10, 2016).

Operating cash flow: USD 18.8 million compared with USD 63.2 million in the first half of 2015.

Shareholder's equity was USD 1,085 million compared with USD 1,065 million at the end of 2015, reflecting the first half year results offset by negative exchange translation and the payment of the dividend of EUR 1.50, totaling USD 59 million.

RONAE (return before interest/net asset employed) excluding Metals Trading and Investment Portfolio was 16.6% compared with 13.4% in the first half of 2015.

Outlook

Hunter Douglas expects continued growth in the US and Asia, stable economic conditions in Europe and continued difficult conditions in Latin America.

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

Sensitivity to External Factors

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

- Overall economic activity and particularly consumer confidence which affects demand for consumer durables. Our decentralized entrepreneurial organization manages these market risks as effectively as possible;
- Prices for raw materials, in particular: aluminium, steel, fabric, synthetics and other oil based products. Changes in material prices for our window covering and architectural products are normally passed on in our product prices. Base commodity price risks in our Metal Trading business are substantially hedged;
- The Investment Portfolio risks are limited by the wide diversification of the funds;
- Exchange rates: rates of non US dollar currencies can affect the Company's results. Hunter Douglas' policy is to selectively hedge transactional earnings exposures and generally not to hedge balance sheet exposures.

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>2016</u> (unaudited)	<u>2015</u> (unaudited)
Net sales	1,306.3	1,260.1
Cost of sales	-777.3	-738.2
Gross profit	529.0	521.9
Gross profit metals trading	6.3	7.2
Total gross profit	535.3	529.1
Selling and marketing expense	-257.9	-259.3
General and administrative expense	-163.2	-173.4
Income from operations (EBIT)	114.2	96.4
Finance costs	-11.2	-11.0
Finance income	0.5	8.0
Income before taxes	103.5	93.4
Taxes on income	-19.3	-15.8
Net profit for the year	84.2	77.6
Net profit attributable to minority interest	0.5	0.2
Net profit attributable to equity shareholders	83.7	77.4
Earnings per share attributable to equity shareholders		
- basic for profit for the year	2.41	2.23
- fully diluted for profit for the year	2.41	2.23

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

Amounts in millions	USD	
	<u>2016</u> (unaudited)	<u>2015</u> (unaudited)
Net profit for the year	84.2	77.6
Other comprehensive income		
Currency translation differences *)	-6.7	-64.1
Net movement in cash flow hedges *)	1.9	3.0
Total comprehensive income for the year, net of tax	79.4	16.5
Attributable to equity shareholders	78.8	17.7
Attributable to minority interest	0.6	-1.2

*) 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>2016</u> (unaudited)	<u>2015</u> (unaudited)
Net sales	715.2	673.3
Cost of sales	-416.2	-383.0
Gross profit	299.0	290.3
Gross profit metals trading	3.3	2.7
Total gross profit	302.3	293.0
Selling and marketing expense	-134.6	-129.6
General and administrative expense	-87.4	-90.0
Income from operations (EBIT)	80.3	73.4
Finance costs	-1.6	-5.2
Finance income	0.2	3.1
Income before taxes	78.9	71.3
Taxes on income	-13.4	-12.1
Net profit for the year	65.5	59.2
Net profit attributable to minority interest	0.4	-0.1
Net profit attributable to equity shareholders	65.1	59.3
Earnings per share attributable to equity shareholders		
- basic for profit for the year	1.88	1.71
- fully diluted for profit for the year	1.88	1.71

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

Amounts in millions	USD	
	<u>2016</u> (unaudited)	<u>2015</u> (unaudited)
Net profit for the year	65.5	59.2
Other comprehensive income		
Currency translation differences *)	-9.7	-0.1
Net movement in cash flow hedges *)	1.3	0.7
Total comprehensive income for the year, net of tax	57.1	59.8
Attributable to equity shareholders	57.1	59.7
Attributable to minority interest		0.1

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

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

USD

Amounts in millions

2016
(unaudited) **2015**
(unaudited)

Net profit attributable to equity shareholders	83.7	77.4
Adjustments for:		
Depreciation property, plant & equipment	36.3	40.4
Amortization patents & trademarks	3.5	3.3
Increase provisions	4.8	3.0
Non-cash items on loans and borrowings		-32.0
Other non-cash items	4.2	
Unrealized result investment portfolio	5.3	-7.6
Operating cash flow before working capital changes	137.8	84.5
Changes in working capital:		
-increase trade and other receivables and prepayments	-52.1	-8.8
-(increase) decrease inventories	-38.9	30.8
-decrease trade and other payables	-28.0	-43.3
Operating cash flow	18.8	63.2
Dividend paid	-58.6	-53.0
Net cash from operations	-39.8	10.2
Cash flow from investing activities		
Investments subsidiaries, net of cash acquired	-301.6	
Investment property, plant and equipment	-32.3	-25.4
Divestment property, plant and equipment	7.9	0.1
Increase investment portfolio		-85.1
Decrease (increase) other financial non-current assets	0.4	-27.9
Net cash from investing activities	-325.6	-138.3
Cash flow from financing activities		
Increase interest-bearing loans and borrowings	377.1	122.5
Net cash from financing activities	377.1	122.5
Net increase (decrease) in cash and cash equivalents	11.7	-5.6
Change in cash and cash equivalents		
Balance at 1 January	30.9	32.3
Net increase (decrease) in cash and cash equivalents	11.7	-5.6
Exchange difference cash and cash equivalents	-0.8	-2.6
Balance at 30 June	41.8	24.1

Interim consolidated balance sheet as per

Assets

Amounts in millions	USD	
	<u>30-jun-16</u> (unaudited)	<u>31-dec-15</u>
Non-current assets		
Intangible fixed assets	594.5	302.1
Property, plant and equipment	445.3	434.6
Deferred income tax assets	110.0	113.0
Other financial non-current assets	60.4	60.1
Total non-current assets	1,210.2	909.8
Current assets		
Inventories	669.7	592.0
Trade and other receivables	412.9	359.3
Prepaid income tax	29.9	30.9
Prepayments	76.0	66.6
Metal derivatives	13.3	8.2
Investment portfolio	196.1	201.5
Cash and short-term deposits	41.8	30.9
Total current assets	1,439.7	1,289.4
TOTAL ASSETS	2,649.9	2,199.2

Interim consolidated balance sheet as per

Shareholders' equity and liabilities

Amounts in millions	USD	
	30-jun-16 (unaudited)	31-dec-15
Equity attributable to equity shareholders		
Issued capital	9.5	9.3
Share premium	78.6	77.0
Treasury shares	-28.5	-28.5
Cash flow hedge reserve	-5.4	-7.3
Foreign currency translation	-238.4	-231.6
Retained earnings	1,269.0	1,245.7
Total equity attributable to equity shareholders of the parent	1,084.8	1,064.6
Non-controlling interest	18.0	10.6
Total equity	1,102.8	1,075.2
Non-current liabilities		
Interest-bearing loans and borrowings	735.4	346.3
Preferred shares	9.2	9.0
Provisions	140.0	134.9
Deferred income tax liabilities	0.6	0.8
Total non-current liabilities	885.2	491.0
Current liabilities		
Trade and other payables	574.5	531.4
Income tax payable	12.4	22.5
Restructuring provisions	4.0	7.7
Currency and interest derivatives	6.0	8.1
Interest-bearing loans and borrowings	65.0	63.3
Total current liabilities	661.9	633.0
TOTAL LIABILITIES	1,547.1	1,124.0
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	2,649.9	2,199.2

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

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

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		
At 1 January 2015	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
At 30 June 2015 (unaudited)	9.5	79.0	-28.5	-9.0	-177.7	1,141.7	12.9	1,027.9

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 2016 were authorized for issue in accordance with a resolution of the Directors on 2 August 2016.

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 2015. The same accounting policies are followed in the interim condensed consolidated financial statements as compared with the Group's annual financial statements as at 31 December 2015.

IFRS accounting standards effective as from 2016

There are no new standards applicable as from 2016 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:

First half year 2016	<u>Window Coverings</u>	<u>Architectural Products</u>	<u>Metals Trading</u>	<u>Investment Portfolio</u>	<u>Total</u>
Revenue					
Sales to external customers	1,089.2	217.1			1,306.3
Total revenue	1,089.2	217.1			1,306.3
Results					
Segment profit before tax	90.7	18.0	2.1	-7.3	103.5
First half year 2015					
	<u>Window Coverings</u>	<u>Architectural Products</u>	<u>Metals Trading</u>	<u>Investment Portfolio</u>	<u>Total</u>
Revenue					
Sales to external customers	1,053.3	206.8			1,260.1
Total revenue	1,053.3	206.8			1,260.1
Results					
Segment profit before tax	78.5	5.8	3.5	5.6	93.4
Assets and liabilities					
Segment assets	1,849.0	422.5	167.9	196.1	2,635.5
Investment in an associate	13.8	0.6			14.4
Total assets at 30 June 2016	1,862.8	423.1	167.9	196.1	2,649.9
Segment liabilities	1,217.1	274.4	55.6		1,547.1
Total liabilities at 30 June 2016	1,217.1	274.4	55.6	0.0	1,547.1
Assets and liabilities					
Segment assets	1,541.2	391.3	189.2	208.7	2,330.4
Investment in an associate	13.6	1.2			14.8
Total assets at 30 June 2015	1,554.8	392.5	189.2	208.7	2,345.2
Segment liabilities	1,036.7	220.2	59.7	0.7	1,317.3
Total liabilities at 30 June 2015	1,036.7	220.2	59.7	0.7	1,317.3

4. Business combination

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

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

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

Amounts in millions	Recognized on acquisition
Property, plant and equipment	18.4
Intangible fixed assets	24.5
Other financial non-current assets	0.5
Inventories	34.7
Trade and other receivables	9.7
Cash and short-term deposits	13.4
Non-controlling interest	-6.8
Provisions	-0.9
Trade and other payables	-52.5
Fair value of net assets	41.0
Goodwill arising on acquisitions	274.0
Total consideration	315.0
Cash outflow on acquisition:	
Cash paid	-315.0
Net cash acquired with acquisition	13.4
	-301.6

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

An impairment analysis has been performed per the end of 2015. There are no impairment indicators that would require an updated calculation.

6. Cash and short-term deposits

Cash at bank and in hand earns interest at floating rates based on market conditions. Short-term deposits are made for varying periods of between one day and 3 months depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates. The fair value of cash and cash equivalents at 30 June 2016 is 41.8 (30 June 2015: 24.1).

At 30 June 2016 the Group had available 211 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>2016</u>	<u>2015</u>
Cash at bank and in hand	38.6	23.3
Short-term deposits	<u>3.2</u>	<u>0.8</u>
	<u>41.8</u>	<u>24.1</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, which are immaterial to the Group.

7. Dividends paid and proposed

Amounts in millions	<u>2016</u>	<u>2015</u>
Declared and paid during the year:		
Equity dividends on ordinary shares:		
Final dividend for 2015: EUR 1.50 (2014: EUR 1.35)	<u>58.6</u>	<u>53.0</u>
	<u>58.6</u>	<u>53.0</u>

8. Capital commitments and other commitments

Capital commitments

At 30 June 2016, the Group has commitments for capital expenditures of 11 (31 December 2015: 6).

Rotterdam, 2 August 2016

Board of Directors