

Hunter Douglas N.V.

Unaudited interim condensed consolidated financial statements

30 June 2014

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Chairman's letter

To our shareholders

Sales: USD 1,323.9 million, 3.2% higher compared with USD 1,282.9 million in the first half of 2013.

Earnings before interest, tax, depreciation and amortization - EBITDA: USD 133.3 million, 10.8% higher than USD 120.3 million in the first half of 2013.

Income from Operations: USD 87.5 million, 15.9% higher than USD 75.5 million in the first half of 2013. Results were better in all areas except in North America where they were lower.

Income before Tax: USD 77.1 million, 13.0% higher than USD 68.2 million in the first half of 2013.

Total Net Profit: USD 64.7 million (per share EUR 1.36), 8.2% higher than USD 59.8 million in the first half of 2013 (per share EUR 1.31).

Capital expenditures were USD 31 million compared with USD 30 million in the first half of 2013, while depreciation was USD 42 million compared with USD 41 million in the first half of 2013. For the full year capital expenditures are expected to be approximately USD 70 million and depreciation USD 85 million.

Outlook

Hunter Douglas expects improving economic conditions in the US and Asia, stable conditions in Latin America, but an ongoing challenging economic 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.

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	
	2014 (unaudited)	<u>2013</u> (unaudited)
Net sales	1,323.9	1,282.9
Cost of sales	-799.8	-774.9
Gross profit	524.1	508.0
Gross profit metals trading	7.3	10.8
Total gross profit	531.4	518.8
Selling and marketing expense	-269.4	-266.3
General and administrative expense	-174.5	-177.0
Income from operations (EBIT)	87.5	75.5
Finance costs	-11.4	-9.1
Finance income	1.0	1.8
Income before taxes	77.1	68.2
Taxes on income	-11.7	-8.3
Net profit for the year	65.4	59.9
Net profit attributable to minority interest	0.7	0.1
Net profit attributable to equity shareholders	64.7	59.8
Earnings per share attributable to equity shareholders		
- basic for profit for the year	1.86	1.72
- fully diluted for profit for the year	1.86	1.72

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

Amounts in millions	USD	
	2014 (unaudited)	<u>2013</u> (unaudited)
Net profit for the year	65.4	59.9
Other comprehensive income		
Currency translation differences *)	-6.2	-28.7
Net movement in treasury shares		-0.9
Net movement in cash flow hedges *)	0.6	4.1
Total comprehensive income for the year, net of tax	59.8	34.4
Attributable to equity shareholders	59.9	34.7
Attributable to minority interest	-0.1	-0.3

*) 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	
	2014 (unaudited)	2013 (unaudited)
Net sales	718.3	702.0
Cost of sales	-426.0	-419.5
Gross profit	292.3	282.5
Gross profit metals trading	3.8	6.4
Total gross profit	296.1	288.9
Selling and marketing expense	-140.4	-135.2
General and administrative expense	-83.9	-90.3
Income from operations (EBIT)	71.8	63.4
Finance costs	-5.6	-5.8
Finance income	0.7	0.2
Income before taxes	66.9	57.8
Taxes on income	-12.1	-8.5
Net profit for the year	54.8	49.3
Net profit attributable to minority interest	0.7	-0.1
Net profit attributable to equity shareholders	54.1	49.4
Earnings per share attributable to equity shareholders		
- basic for profit for the year	1.55	1.42
- fully diluted for profit for the year	1.55	1.42

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

Amounts in millions	USD	
	2014 (unaudited)	2013 (unaudited)
Net profit for the year	54.8	49.3
Other comprehensive income		
Currency translation differences *)	-2.0	-1.2
Net movement in treasury shares		-0.8
Net movement in cash flow hedges *)	0.3	1.8
Total comprehensive income for the year, net of tax	53.1	49.1
Attributable to equity shareholders	52.7	49.1
Attributable to minority interest	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	
	2014 (unaudited)	2013 (unaudited)
Net profit attributable to equity shareholders	64.7	59.8
Adjustments for:		
Depreciation property, plant & equipment	42.2	41.3
Amortization patents & trademarks	3.6	3.6
(Decrease) increase provisions	-4.0	3.6
Non-cash items	0.3	-6.3
Unrealized result investment portfolio		-1.1
Operating cash flow before working capital changes	106.8	100.9
Changes in working capital:		
-increase trade and other receivables and prepayments	-45.8	-42.5
-(increase) decrease inventories	-46.2	1.3
-decrease trade and other payables	-4.5	-52.5
Operating cash flow	10.3	7.2
Dividend paid	-59.0	-58.2
Net cash from operations	-48.7	-51.0
Cash flow from investing activities		
Investment intangible fixed assets	-2.5	
Investment property, plant and equipment	-30.9	-29.6
Divestment property, plant and equipment	5.8	3.7
Decrease investment portfolio	2.4	115.7
Increase other financial non-current assets	-7.6	-3.8
Net cash from investing activities	-32.8	86.0
Cash flow from financing activities		
Treasury shares		-0.8
Increase (decrease) interest-bearing loans and borrowings	74.4	-45.8
Net cash from financing activities	74.4	-46.6
Net decrease in cash and cash equivalents	-7.1	-11.6
Change in cash and cash equivalents		
Balance at 1 January	32.2	49.7
Net decrease in cash and cash equivalents	-7.1	-11.6
Exchange difference cash and cash equivalents	-4.0	-1.4
Balance at 30 June	21.1	36.7

Interim consolidated balance sheet as per

Assets

Amounts in millions	USD	
	30-jun-14 (unaudited)	<u>31-dec-13</u>
Non-current assets		
Intangible fixed assets	318.2	315.5
Property, plant and equipment	541.3	560.2
Deferred income tax asset	108.8	109.2
Other financial non-current assets	30.3	24.3
Total non-current assets	998.6	1,009.2
Current assets		
Inventories	677.0	631.7
Trade and other receivables	450.5	406.6
Prepaid income tax	19.9	32.5
Prepayments	89.8	84.4
Currency derivatives	4.7	6.5
Metal derivatives	17.8	7.2
Investment portfolio		2.4
Cash and short-term deposits	21.1	32.2
Total current assets	1,280.8	1,203.5
TOTAL ASSETS	2,279.4	2,212.7

Interim consolidated balance sheet as per

Shareholders' equity and liabilities

Amounts in millions	USD	
	30-jun-14 (unaudited)	31-dec-13
Equity attributable to equity shareholders		
Issued capital	11.6	11.7
Share premium	96.6	97.4
Treasury shares	-28.5	-28.5
Cash flow hedge reserve	-15.8	-16.4
Foreign currency translation	-40.1	-34.7
Retained earnings	1,100.8	1,094.2
Total equity attributable to equity shareholders of the parent	1,124.6	1,123.7
Non-controlling interest	16.7	16.8
Total equity	1,141.3	1,140.5
Non-current liabilities		
Interest-bearing loans and borrowings	384.6	295.2
Preferred shares	11.3	11.4
Provisions	98.7	102.6
Deferred income tax liabilities	2.5	2.3
Total non-current liabilities	497.1	411.5
Current liabilities		
Trade and other payables	550.5	562.2
Income tax payable	4.1	16.3
Restructuring provisions	7.0	10.4
Currency derivatives	23.4	3.0
Interest-bearing loans and borrowings	56.0	68.8
Total current liabilities	641.0	660.7
TOTAL LIABILITIES	1,138.1	1,072.2
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	2,279.4	2,212.7

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

Amounts in millions

	Attributable to equity shareholders of the parent						Total	Non-controlling interest	Total Equity
	Issued capital	Share premium	Treasury shares	Cashflow hedge reserve	Foreign currency translation	Retained earnings			
At 1 January 2014	11.7	97.4	-28.5	-16.4	-34.7	1,094.2	1,123.7	16.8	1,140.5
Net profit						64.7	64.7	0.7	65.4
Other comprehensive income (expense)	-0.1	-0.8		0.6	-5.4	0.9	-4.8	-0.8	-5.6
Total comprehensive income (expense)	-0.1	-0.8	0.0	0.6	-5.4	65.6	59.9	-0.1	59.8
Equity dividends						-59.0	-59.0		-59.0
At 30 June 2014 (unaudited)	11.6	96.6	-28.5	-15.8	-40.1	1,100.8	1,124.6	16.7	1,141.3

Interim consolidated statement of changes in equity for the first half year 2013

Amounts in millions

	Attributable to equity shareholders of the parent						Total	Non-controlling interest	Total Equity
	Issued capital	Share premium	Treasury shares	Cashflow hedge reserve	Foreign currency translation	Retained earnings			
At 1 January 2013	11.2	93.2	-27.1	-21.5	-24.9	1,044.0	1,074.9	16.5	1,091.4
Net profit						59.8	59.8	0.1	59.9
Other comprehensive income (expense)	-0.1	-0.9	-0.9	4.1	-28.3	1.0	-25.1	-0.4	-25.5
Total comprehensive income (expense)	-0.1	-0.9	-0.9	4.1	-28.3	60.8	34.7	-0.3	34.4
Equity dividends						-58.2	-58.2		-58.2
At 30 June 2013 (unaudited)	11.1	92.3	-28.0	-17.4	-53.2	1,046.6	1,051.4	16.2	1,067.6

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 2014 were authorized for issue in accordance with a resolution of the Directors on 12 August 2014.

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 2013.

IFRS accounting standards effective as from 2014

There are no new standards applicable as from 2014 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. 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.

In comparison with last year, the operating segments "window covering products" and "architectural products" are now shown as separate reportable segments, after the reduction of activities in the investment portfolio. Last year's reportable segment "investment portfolio" is now mainly included in "window covering products".

Business segments

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

First half year 2014	<u>Window Coverings</u>	<u>Architectural Products</u>	<u>Metals Trading</u>	<u>Total</u>
Revenue				
Sales to external customers	1,088.9	235.0		1,323.9
Total revenue	1,088.9	235.0		1,323.9
Results				
Segment profit before tax	67.2	6.4	3.5	77.1
First half year 2013				
	<u>Window Coverings</u>	<u>Investment Portfolio</u>	<u>Metals Trading</u>	<u>Total</u>
Revenue				
Sales to external customers	1,050.9	232.0		1,282.9
Total revenue	1,050.9	232.0		1,282.9
Results				
Segment profit before tax	47.4	14.0	6.8	68.2
Assets and liabilities				
Segment assets	1,670.1	457.8	148.7	2,276.6
Investment in an associate	2.6	0.2		2.8
Total assets at 30 June 2014	1,672.7	458.0	148.7	2,279.4
Segment liabilities	864.1	223.7	50.3	1,138.1
Total liabilities at 30 June 2014	864.1	223.7	50.3	1,138.1
Segment assets	1,579.6	480.3	148.3	2,208.2
Investment in an associate	4.0	0.5		4.5
Total assets at 31 December 2013	1,583.6	480.8	148.3	2,212.7
Segment liabilities	800.2	210.7	61.3	1,072.2
Total liabilities at 31 December 2013	800.2	210.7	61.3	1,072.2

4. Business combination

There were no acquisitions during the first half year of 2014.

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

An impairment analysis has been performed per the end of 2013. 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 2014 is 21.1 (30 June 2013: 36.7).

At 30 June 2014 the Group had available 351 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>2014</u>	<u>2013</u>
Cash at bank and in hand	19.2	33.1
Short-term deposits	<u>1.9</u>	<u>3.6</u>
	<u>21.1</u>	<u>36.7</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>2014</u>	<u>2013</u>
Declared and paid during the year:		
Equity dividends on ordinary shares:		
Final dividend for 2013: EUR 1.25 (2012: EUR 1.25)	<u>59.0</u>	<u>58.2</u>
	<u>59.0</u>	<u>58.2</u>

8. Capital commitments and other commitments

Capital commitments

At 30 June 2014, the Group has commitments for capital expenditures of 16 (31 December 2013: 11).

Rotterdam, 12 August 2014

Board of Directors