HunterDouglas

Annual Report 2017

HunterDouglas

Luxaflex®

LEVOLOR®

HILLARYS

3form®

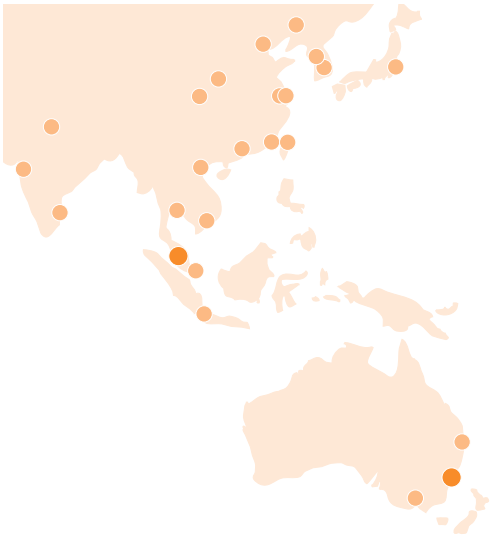
LUXALON®

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
- **Sydney, Australia**
  Australian 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 132 companies with 50 manufacturing and 82 assembly operations and marketing organizations in more than 100 countries.

Hunter Douglas employs about 22,750 people with sales in 2017 of USD 3.2 billion.

Operating Style

Professionally led by entrepreneurial managers who run our business as their own.

Focused on innovation

Decentralized organization structure
- Global network of specialized companies
- Guiding principle 'Maximum accountability with minimum interference'

Strong brands

- HunterDouglas® in North America, Latin America and Asia, and for architectural products worldwide
- Luxaflex® for residential window coverings in Europe and Australia
- Levolor® in North America
- Hillarys® in the United Kingdom

Contents

Financial highlights

Two-year summary

	Notes	USD millions 2017	2016*	Notes	EUR per common share 2017	2016*
Net Sales		**3,226**	2,821			
Earnings before interest, tax, depreciation and amortization (before non-recurring restructuring expenses)		**391**	365	3	**9.91**	9.52
Income from Operations (before non-recurring restructuring expenses)		**289**	279			
Net Profit from Operations (before non-recurring restructuring expenses)		**233**	221	3	**5.92**	5.77
Non-recurring restructuring expenses		**-20**	-16			
Net Profit from Operations (after non-recurring restructuring expenses)		**213**	205	3	**5.41**	5.34
Net Result Investment Portfolio		**6**	1			
Total Net Profit		**219**	206	3	**5.56**	5.36
Extraordinary tax gain			65			
Total Net Profit (after extraordinary tax gain)	1	**219**	271	3	**5.56**	7.07
Operating Cash flow		**181**	197	3	**4.62**	5.14
Investments in tangible fixed assets		**130**	84			
Depreciation property, plant and equipment		**82**	71			
Net Assets Employed	2	**2,421**	1,772			
Shareholders' equity attributable to equity shareholders		**1,384**	1,246	4	**32.92**	33.97
Return on equity		**16.6%**	17.8%			
Dividend				5	**1.85**	1.75
RONAE (Income from operations/net assets employed)		**13.7%**	18.1%			
Employees (at year-end)		**22,744**	20,875			

1 Net Profit attributable to equity shareholders
2 Total assets (excl. Investment Portfolio and deferred income tax assets) 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 2017
* Adjusted, refer to note 7

Chairman's letter

To our shareholders

Ralph Sonnenberg – Executive Chairman
David & Marko Sonnenberg – Co-Presidents & CEOs

2017 was another good year for Hunter Douglas.
Sales increased by 14.4% and profits by 6.3%.
Return on Net Assets Employed (RONAE) before extraordinary charges was 13.7% and on Equity 16.6%.

- **European Operations:** Had record results, benefitting from 5% organic growth and 18% from acquisitions. Window covering sales increased in all core and new products with good growth in the four core markets Benelux, Germany, Scandinavia and the UK.

- **North American Operations:** Had another good year with sales increasing by 12% driven by the full year impact of 2016 acquisitions, while profits also increased though affected by a shift towards lower margin products/channels and increased investments. Integration of the recent acquisition of Levolor required restructuring of several existing operations, melding these under Levolor.

- **Latin American Operations:** Had level sales and lower operational profits in most countries and continued to be affected by depressed economies in most markets. Further structural expense reductions were completed so as to emerge in a stronger position as these economies recover.

- **Asian Operations:** Had lower sales and profits, mainly impacted by lower sales in architectural products partly due to project timing. Window covering products continued to achieve higher sales and profits.

- **Australian Operations:** Had higher sales and lower profits.
  We agreed to increase our 49% interest in New Zealand Window Shades, the market leading fabricator, to full ownership.

Sales: Were USD 3.226 bln, 14.4% higher than in 2016.
Sales volumes (excluding acquisitions and currency effects) were in total 2.7% higher,
5% higher in Europe,
2% higher in North America,
1% lower in Latin America,
3% lower in Asia and
1% higher in Australia.

Earnings before interest, tax, depreciation and amortization – EBITDA (before non-recurring restructuring expenses): were USD 391 mln, 6.8% higher than USD 365 mln in 2016.

Income from Operations (before non-recurring restructuring expenses): was 3.3% higher at USD 289 mln compared with USD 279 mln in 2016, higher in all areas, except Latin America, Asia and Australia.

Non-recurring restructuring expenses: were USD 20 mln compared with USD 16 mln in 2016. These relate mainly to the North American Operations for the integration of Levolor and to the European operations for the acquisition cost of Hillarys.

Net Profit: USD 219 mln (per share EUR 5.56) compared with USD 206 mln in 2016 (per share EUR 5.36).

Acquisitions: Included:
- Blaze: 49% of a fast growing Vietnamese fabricator of window coverings; mainly to markets outside Asia (January).

- Hillarys: The market leading window covering company in the UK with 2017 total year sales of GBP 215 mln with two core businesses: Shop-at-home sales under the Hillarys® brand and the wholesale supply of blinds to dealers of blinds and shutters, under the Arena® and Custom West™ brands (July).

Capital Expenditures: In 2017 were USD 130 mln compared with USD 84 mln in 2016.
Investments were focused on new products and efficiency improvements.
In 2018, capital expenditures will be about USD 140 mln and depreciation USD 90 mln.

Operating Cash flow in 2017 was USD 181 mln compared with USD 197 mln in 2016.

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

Dividend: The Directors propose a Dividend for 2017 of EUR 1.85 per Common share, compared with EUR 1.75 in 2016.

Board: Mr. Adriaan Nühn joined our Board in September.
Mr. Nühn was with Sarah Lee/DE for 18 years and a member of the Management Board for 8 years of which the last 4 years as Chairman.

Outlook: We expect continued growth in Europe, the US and Asia, and improving economic conditions in Latin America.

Hunter Douglas is in a strong position in terms of its brands, 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
Executive Chairman

History

Global time line 1919 – 2017

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

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

1940 - Henry moved to the United States where he founded the Douglas Machinery Company.

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.
The business model was as innovative as the product. Hunter Douglas developed a vast network in the United States and Canada of more than 1,000 independent fabricators, who 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.

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

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

1976 - Hunter Douglas reacquired its former US business.

1980-2000 - Hunter Douglas began offering a complete range of window coverings and continued its global growth, expanding into Asia. The innovative spirit of the company led to the development of revolutionary new products.
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

At the same time, the company began developing a global network of fabrication companies to service dealers with consumer branded programs.

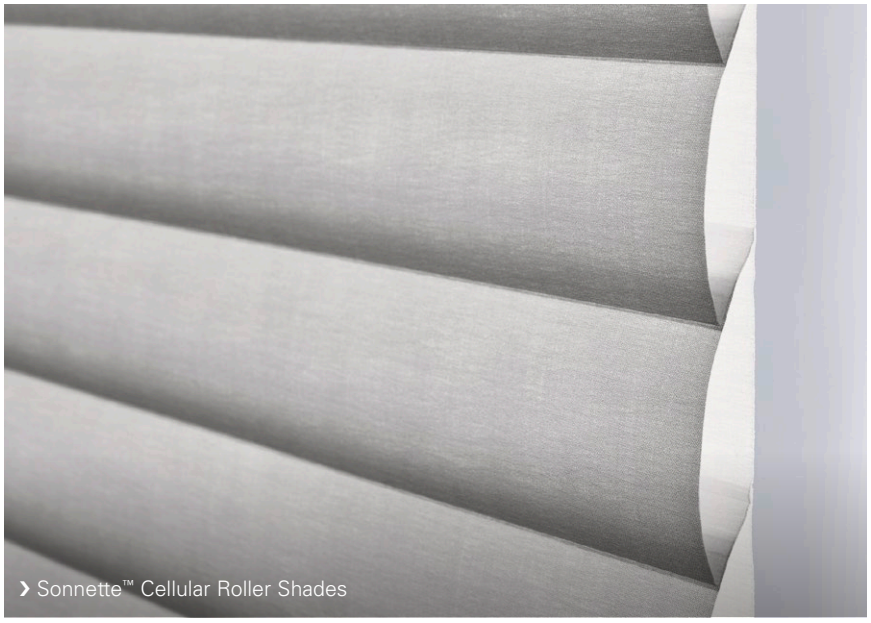
2000-2017
Hunter Douglas expanded further by developing multi-channel distribution capabilities around the world, while continuing to bring breakthrough products to market.

2000 - LiteRise® cordless system
2000 - EOS® hardware system
2003 - Techstyle® Acoustical Ceilings
2007 - Pirouette® Window Shadings
2010 - RB 500 Roller Shade system
2012 - Solera™ Soft Shades
2015 - PowerView® Motorization, Silhouette® Duolite® Shadings
2016 - Redesigned Duette® system
2017 - Sonnette™ Cellular Roller Shades, HeartFelt® ceiling system

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.



› Sonnette™ Cellular Roller Shades

Sonnette™ Cellular Roller Shades

Sonnette™ Cellular Roller Shade is a proprietary new product that artfully combines the dimensional, energy-efficient construction of a cellular shade with the clean lines and simplicity of a roller shade. The innovative curved shape gently diffuses light, providing ambiance and character to the room, while cordless construction makes them safer for homes with young children. Sonnette™ shades are available with SoftTouch™ Motorization, our new battery-powered operating system that sets the shades in motion with a simple touch of the wand control, as well as PowerView® Motorization for scheduled shade operation.

› Silhouette® ClearView™ Shadings

› PowerView® 2.0

PowerView® 2.0

The re-engineered PowerView® Hub introduces advanced functionality to our PowerView® Motorization system. It's the central point of control for the entire home's motorized window treatments - storing settings, activating user-programmed scenes and integrating shade operation with today's most popular smart home systems, including voice-controlled options such as Amazon Alexa and Google Assistant. The updated PowerView® Repeater extends the hub's signal range to carry commands throughout the home.

Silhouette® ClearView™ Shadings

A new option within our Silhouette® shadings collection, ClearView™ feature an exclusive black rear sheer that brings the outdoor scenery into greater focus, allowing those with a scenic setting outside of the window to fully enjoy its beauty, while still providing UV protection and subtle light diffusion inside of the home.

"There is no substitute for the beauty of natural daylight."

Duette® Shades

"Gentle translucency for an endless variety of moods."

Silhouette® ClearView™ Shadings

Our Strengths

Culture

"Business is people" is our core guiding principle. We consider our culture of professional entrepreneurship a key competitive advantage, that drives our organization.

We are a decentralized federation of specialized companies, run by people who manage our companies as their own. This enables fast decision making with organizations that respond quickly to fast changing design trends. Many of our businesses today are still run by their founding entrepreneurs.

We run these businesses with a minimum of staff based on a second core principle of "minimum interference, maximum accountability".

"Business is people"

We believe in strong brands, global product platforms and local management.

We provide our entrepreneurial managers with a network of like-minded companies and colleagues who support their development plans.

We pride ourselves on the long tenure and success of our in-house entrepreneurs, and our ability to invest with a long-term focus.

We excel at rewarding talent with long-term entrepreneurial incentives.

We encourage the application of our key principles in all our companies, with organizational structures that maximize front-line decision-making ability and accountability.

We encourage the rapid advancement of young talent to entrepreneurial roles in our business.

Research and Development

Hunter Douglas was founded on a tradition of bringing breakthrough products to market. Today, we lead the industry in our ability to successfully develop and establish completely new product concepts.

Our unparalleled scale and vertical integration enable us to innovate products end-to-end, from materials to equipment design, from component engineering to automated custom assembly, from industrial design to installation friendly components.

We are pioneers in forming fabrics into unique designs that can trap air for superior insulation, softly diffuse incoming light, and provide privacy while preserving outside views.

We foster a highly collaborative culture among our team of over 300 engineers located in R&D centres around the world where we excel at design for manufacturability and customization.

Our top priorities are achieving the right balance of form and function, managing the quality of light entering the window, combined with the safety and ease of operation of our products.

In 2018 we expect our R & D activities to remain at approximately the same level as in 2017.

Manufacturing & Customization
About 70 years ago Hunter Douglas pioneered the aluminium venetian blind with a unique continuous casting and aluminium fabrication process. Today we apply that willingness and ability to completely innovate the manufacturing process to all aspects of our operations.

We concentrate production of our principal materials in highly specialized global plants, while 82 fabricators located in our key markets ensure quick and efficient delivery of localized product ranges.

Make-to-order manufacturing of premium blinds is a highly complex undertaking. We offer the leading range of operating solutions fitting the very diverse range of window conditions around the world. We also offer a wide range of materials and colors to meet local consumer tastes. We do this around the world, custom made for standard delivery in 5 days.

Our key manufacturing and assembly processes are developed in-house, and we are leaders in the supply of assembly equipment and technology to fabricating customers around the world.

"Think in principles. Focus on the essentials but know your business in every detail"

Global, Multi-Channel Distribution

Another core strength of Hunter Douglas is our ability to service a variety of market opportunities using a portfolio of product designs, brands, and distribution channels most relevant to key consumer segments.

Around the world, consumers share a similar passion for innovative window treatments yet individual consumer style and shopping preferences as well as regional home and window construction details can vary dramatically.

Hunter Douglas satisfies these needs through distinct channel strategies informed by our local market knowledge, adaptation of globalized product designs and marketed through a portfolio of leading consumer brands.

Specialty Retail

The industry's most premium products are marketed under the leading HUNTER DOUGLAS® and LUXAFLEX® brand names, sold through our network of around 10,000 aligned independent specialty dealers around the world. These retailers serve as strategic partners for Hunter Douglas and provide the ultimate in customized, high-end window treatment design services for the most discriminating consumers.

"The only certainty is change. The ability to thrive and flourish depends on flexibility and the willingness to constantly adapt to a changing world"

We also service a wide range of specialty dealers through our network of trade brands, targeting more price oriented consumers.

Shop-at-Home

Many consumers appreciate the convenience of an in-home consultation experience. Hunter Douglas provides shop-at-home designers the products, tools and sales support to build their business and wow their clients.

Independent Fabrication

Hunter Douglas supplies a worldwide network of several thousand independent and 82 company-owned fabricators who sell, assemble, and distribute our products via their own networks of local window covering dealers.

Mass-Merchants

Mass-market outlets like the home center channel allow our company to bring its portfolio of window treatments to a more DIY oriented segment of home décor shoppers. Hunter Douglas accomplishes this through a portfolio of mass-market brands, including the American industry's best-known mainstream window treatment brand, LEVOLOR®.

Ecommerce

Online shopping is a highly relevant path-to-purchase for many consumers. Hunter Douglas connects with those consumers with a portfolio of unique product brands and designs, specifically crafted to the online shopping community and the associated ecommerce resale partners.

Consumer Marketing

As the global market leader, Hunter Douglas aims for the highest level of customer satisfaction throughout the process of selecting, purchasing and living with our products.

Our focus is on building brands with a reputation for great design and outstanding quality. We actively support our consumer brands with industry leading advertising, generally focused on building demand for our new and proprietary products.

We are increasingly focused on supporting our retail partners with direct response marketing capabilities, including digital marketing and online lead generation.

Our diverse marketing programs are delivered through many global channels including;

- Brand awareness through Radio, Television, Video and Magazine Advertizing Campaigns.
- Inspiring websites with interactive tools that show how our products look in a room or a window, helping consumers pre-select products before visiting our retailers' showrooms.
- Demand generation through digital marketing – reaching consumers through search engine marketing and targeted social media programs.
- Innovative tools to support our architectural clients with technical information on light control, motorization and climate control.

Retail Development

Hunter Douglas created the industry's first global Retail Alliance Program.

Approximately 90% of our branded products are sold through our Retail Alliance programs.

We offer a very attractive business model for retailers, with turn key support including sales and marketing programs; advertizing and promotional campaigns; sampling, displays and signage; product education and business-building programs; technical service and store management systems. Our products require minimal retail floor space and offer a very high return per square foot of display.

Creating an attractive retail environment is critical for consumers to experience our products. Many of our products and features are completely new to consumers with unique form, function and control options. We help dealers present these products in inspiring and informative settings.

Our training programs help our retailers skilfully demonstrate our products to consumers and select the best product solutions for each window.

Most of our retail dealers offer shop-at-home consultations to help the consumer make their final product selection in the home, as well as taking final measurements. We support our dealers with specialized tools and technology to aid this process.

Proper installation of our products is key to lifetime performance and customer satisfaction. We have extensive training and specialized tools to assist the thousands of professional Hunter Douglas installers around the world.

Community Engagement

We actively support the communities in which we live, work and do business. Decisions of which causes to support and the form that support takes, are made local by our management teams in each country.

We have a 25-year partnership with Habitat for Humanity, whose goal is to eliminate poverty housing and homelessness from the world, and to make decent shelter a matter of conscience and action. We have donated close to 300,000 window coverings to low-income families, and our employees have invested thousands of hours of their "sweat-equity" helping to build hundreds of these homes.

We participate in disaster relief efforts that provide critical assistance in times of tragedy. With the support of our employees and customers, we make substantial donations to organizations aiding in the recovery and relief of those impacted by disasters.

We donate window coverings to hospitals, research centres and healthcare facilities around the world to help create a more comfortable and comforting environment for patients.

Through our 3form® brand, our Full Circle program supports environmental and economic initiatives including education, skills training and microfinance initiatives that help create sustainable communities who collaborate with 3form® to develop highly regarded handcrafted materials.

Our GreenScreen Sea-Tex™ yarns are made from trash collected by the Waterkeeper Alliance, an international group with 300 chapters in 35 countries. The local Waterkeeper Alliance chapters manage beach clean-up events and almost 100% of the plastic shoreline trash they collect is used to make GreenScreen Sea-Tex™ yarns.

We support young emerging talent through our exclusive 10-year partnership with Archiprix International who run a biennial global competition for the world's best graduation projects in architecture and design. Student finalists travel to a host country to be mentored by leading architects and present their graduation projects. An independent jury of architects and designers evaluate the student projects and recognize the most outstanding work with the Hunter Douglas Award.

Window Coverings

Our strength is our ability to develop and market innovative products, targeted primarily at upscale consumers. Our success is based upon trusted brand names recognized around the world: HunterDouglas®, Luxaflex®, Levolor® and Hillarys®.

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®. Our latest innovation - Sonnette™ Cellular Roller Shades - combine the clean lines of a standard roller shade with the innovative design of our original energy-efficient honeycomb shades.

In addition to our proprietary design innovations, we offer a fully integrated and premium line of traditional window covering styles. These include venetian and vertical blinds, roman, roller, pleated and woven wood shades, wood and alternative wood blinds and custom shutters, exterior venetian blinds, screen products,shutters and awnings.

Our products are designed to offer a range of light control and privacy options with a broad selection of fabrics and materials from sheer to room darkening to opaque. The innovative design of our products can deflect and redirect sunlight precisely. Our specially engineered translucent fabrics diffuse harsh sunlight and draw it deeper into the room – dispersing the light to help illuminate homes naturally and reduce the need for artificial light.

We customize each window covering to the individual consumer's specific needs and typically deliver the manufactured product within a week of ordering.

Our proprietary operating systems make our window treatments easy to use with reliable performance, convenience and improved safety features - as communicated to our customers via our "Designed with Safety in Mind" logo.

Our innovations include the award-winning LiteRise® and SmartCord® lift systems as well as the revolutionary PowerView® Motorization system. PowerView® is an advanced home automation system that allows Hunter Douglas' window treatments to be conveniently operated via a smart phone, tablet or remote control based on personalized settings. The system automatically moves the shades throughout the home to the desired positions at pre-set times. PowerView® also integrates with popular third-party whole-home automation systems.

› Duette® Shades

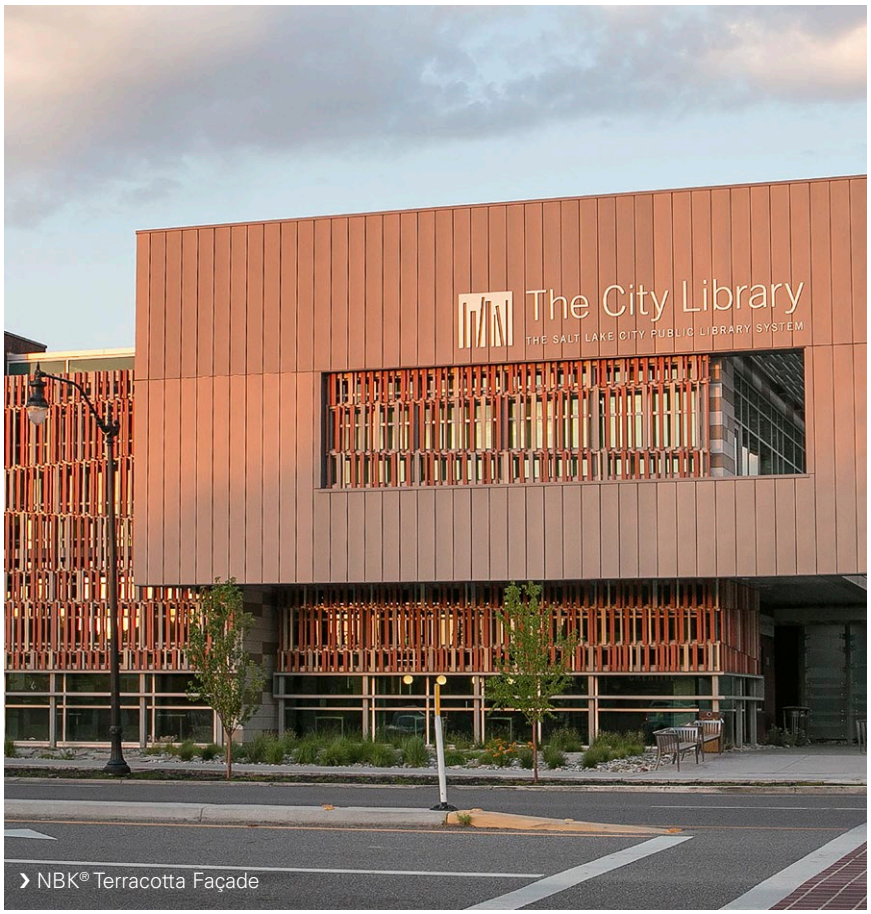
Architectural Products

At Hunter Douglas, we are continuously developing product solutions that improve building performance and indoor environmental quality, while helping to reduce energy consumption. We focus on high-performance architectural materials with proprietary characteristics in design, comfort and sustainability for both interior and exterior applications.

Our strength is our ability to develop customizable product systems with reliable installation and 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.

Sun-Control Solutions
Hunter Douglas is at the forefront of the emerging field of architectural solar-control products, offering an unparalleled breadth of solutions and expertise to manage heat and light inside and outside the windowed wall, reducing the need for artificial lighting, cooling and heating. With world-class engineering, versatility, durability and style, Hunter Douglas is at the forefront of advanced motorization technology for sun control.

Suspended Ceilings
Luxalon® metal and wood 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. Our latest innovation "HeartFelt®" is a Cradle to Cradle modular felt ceiling system with outstanding acoustics and a unique appearance that has sustainability at its core.



› NBK® Terracotta Façade

Translucent Architectural Solutions
3form® is the leading manufacturer of decorative translucent resin and glass. Architects and interior designers can play with color, 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, 3form® designs a range of custom lighting fixtures based on these materials.

Terracotta façades
NBK® brand is a pioneering manufacturer of terracotta façades. NBK® is the market and quality leader in size, flatness, and design options for large terracotta panels. The unique design and performance of NBK® solutions can be seen in some of the world's most visually dynamic buildings.

QuadroClad Façade Systems
Our QuadroClad® ventilated façade system features lightweight skins fused to a honeycomb aluminium core that provides extreme strength and flatness. Engineered to deliver both outstanding performance and aesthetics in even the most severe environmental conditions.

Through our global network of specialized manufacturing facilities, we deliver a broad, consistent range of solutions that can be adapted to local design requirements.

Corporate Governance

Hunter Douglas N.V. has its statutory seat in Curaçao and 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. The Board has four regular meetings per year and additional meetings as required.
Mr. Ralph Sonnenberg is Executive Chairman.

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, financing, budgets, acquisitions, divestments, capital expenditures, currency hedging, results and other 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.

Officers

The Board annually appoints the Officers of the Company ie the Executive Chairman, Co-Presidents & CEOs and the Regional Presidents and 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 of Directors and Officers is reviewed by the Compensation Committee of the Board. The Company also follows the 'best practices'.

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.

Risk Management

For risk management objectives and policies in relation to the financial instruments reference is made to note 26 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;
- Have an efficient decentralized entrepreneurial organization, based on the principle of 'maximum accountability with minimum interference'.

Sensitivity to External Factors

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

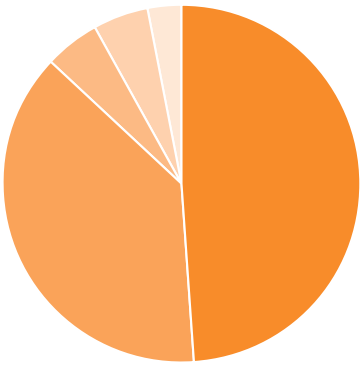
- Overall economic activity and particularly consumer confidence which affects demand for consumer durables. Our decentralized entrepreneurial organization manages these market risks as effectively as possible;
- Prices for raw materials, in particular: aluminium, steel, fabric, synthetics and other 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 Metals Trading business are substantially hedged;
- The Investment Portfolio risks are limited by the wide diversification of the funds. See also note 13;
- 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.

The company has a low risk appetite to the above mentioned factors.

Rotterdam, 6 March 2018

Board of Directors

Worldwide sales



North America 49% (2016: 50%)
Europe 38% (2016: 35%)
Latin America 5% (2016: 6%)
Asia 5% (2016: 6%)
Australia 3% (2016: 3%)

Financial information by region*

USD millions	Europe		North America		Latin America		Asia		Australia		Total	
	2017	**2016**	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**	**2017**	**2016****
Net sales												
Window Coverings	**1,041**	803	**1,433**	1,276	**107**	109	**82**	78	**92**	83	**2,755**	2,349
Architectural Products	**95**	103	**155**	143	**55**	53	**85**	96	**3**	3	**393**	398
Other	**78**	74									**78**	74
Total****	**1,214**	980	**1,588**	1,419	**162**	162	**167**	174	**95**	86	**3,226**	2,821
Net assets employed***	**1,160**	669	**841**	713	**97**	90	**135**	143	**55**	61	**2,288**	1,676
of which												
Non-current assets****	**923**	483	**574**	537	**52**	46	**75**	68	**31**	21	**1,655**	1,155
Additions to tangible fixed assets	**30**	23	**83**	50	**8**	7	**7**	1	**2**	3	**130**	84
Depreciation tangible fixed assets	**31**	27	**37**	29	**5**	5	**7**	8	**2**	2	**82**	71
Employees per year-end*****	**8,066**	6,509	**11,478**	11,459	**1,483**	1,475	**1,390**	1,114	**327**	318	**22,744**	20,875

(*) This table excludes the turnover of 589 (2016: 483) and net assets employed of 133 (2016: 96) of Metals Trading.
(**) Adjusted, refer to note 7
(***) Total assets (excl. Investment Portfolio and deferred income tax assets) minus non-interest-bearing current liabilities.
(****) Net sales in the Netherlands were 150 (2016: 128) and non-current assets 48 (2016: 67).
(*****) Of which 21,326 employed outside the Netherlands.
Relative distribution of employees per business segment per area is in line with net sales per area.

Europe

Record sales and profits.

Aad Kuiper
President & CEO
European Operations

European Operations had record sales and profits in 2017, benefitting from 5% organic growth and 18% from acquisitions.

Window Covering Products

› We saw good growth in Benelux, Germany, Scandinavia and the UK, the four core markets.

› In July we acquired Hillarys, the market leading window covering company in the UK, with 2017 total year sales of GBP 215 million. Founded in 1971, Hillarys has had a long history of growth and success, based on its two core businesses: Shop-at-home sales under the Hillarys® brand, and the wholesale supply to dealers of blinds and shutters under the Arena® and Custom West™ brands.

The Shop-at-home business sells through a network of over 1,000 agents, providing a basic range of products with in-home convenience. Arena provides this range through dealers, similarly providing service excellence.

We have long admired Hillarys' performance and marketing skills, which will strengthen our UK business, as well as benefit our Alliance dealer programs with increased direct response marketing capabilities.

› Our sales of components & programs to independent blindmakers remains a core strength, with continued high performance by our businesses in this sector. Benthin, our Germany based manufacturer of vertical, roller blind and pleated blind systems; Blöcker, our supplier of pleated blind systems and fabrics; and Eclipse, our UK manufacturer and distributor of fabrics and components, all continued to achieve good results.

We increased sales in all core products (venetian blinds, roller blinds and pleated & Duette® shades), led by sales growth in Scandinavia and Benelux. We launched an on-line visualization tool which showcases how over 2,000 fabrics look in a range of window settings. We launched GreenScreen Sea-Tex™ fabrics, made from plastic trash recovered from the ocean, a highlight of our sustainability initiatives. GreenScreen Sea-Tex™ won the Best Innovation award from the German trade publication Eurodecor.

Sales of Duette® shades continued to grow, benefitting from consumer campaigns both in Germany and the UK. Duette® shades garnered the Best Brand award for the second year in a row and Best Online Campaign from Eurodecor.

Amounts in millions	USD 2017	2016
Net sales		
Window Coverings	**1,041**	803
Architectural Products	**95**	103
Other	**78**	74
Total	**1,214**	980
Net assets employed	**1,160**	669
Employees per year-end	**8,066**	6,509

› Reflection Roller Blind Collection

› Roller Blinds

In July, we hosted over 140 fabricators in a major event highlighting our growing capabilities in co-development of textile ranges. We are increasingly able to service our fabricators with tailored collections based on digital printing and quick changeover production techniques.

› Blinds2go, the leading online blinds retailer in the UK, in which we acquired a 60% share in 2016, saw strong sales and profit growth.

› Our Norwegian Shop-at-home businesses, Lunex and Fasadeprodukter, also performed strongly with significant growth in sales and profits.

› Sunflex (UK) and Gardinia (Germany – CEE), which service the mass merchant channel, had lower sales and profits. Gardinia especially, continued to experience difficult market conditions.

Luxaflex® Window Coverings

› Luxaflex®, our main brand in Europe for specialty retail, continued to increase sales in all markets as our leadership in distribution, product innovation and trade support programs continued to attract dealers.

We introduced two key new collections, roller blinds and Silhouette®.

We continued our Europe-wide consumer brand campaign, now in its third year, with a focus on our PowerView® motorization concept. Our Luxaflex® website continued to be a centerpiece of our marketing initiatives, with unique visitors growing with 12%. We also strengthened our retail presence with the rollout of 170 new shop-in-shop concepts, which include interactive screens and large size displays.

Our fabrication plants improved performance, and initiated a range of programs to deliver best-in-class quality and lead times.

Architectural and Project Market

› We were able to increase our sales, but margins remain under pressure. Sales increased in our ceilings business and improved modestly in metal façades.

We continued to experience challenging conditions in this market segment in Europe. We streamlined and consolidated our operations to re-focus on our ceilings and façade businesses. In March, we acquired Prometal, Italy, adding tiles and planks, and baffle ceilings to our range.

We continued to market and develop Heartfelt®, our modular felt ceiling system, which received the Red Dot Award for best product design.

Our NBK® ceramic façades business performed well, driven by higher sales.

Manufacturing

› Our aluminium manufacturing facilities in the Netherlands stabilized performance despite lower volumes.

Artex, our textile development and production center in Aarle-Rixtel, the Netherlands, and Mermet, our French fiberglass sunscreen manufacturer, performed well.

Nedal

› Our Dutch based aluminium extrusion operation had higher sales and profits.

North America

Higher sales and profits.

Ron Kass
President & CEO
North American Operations

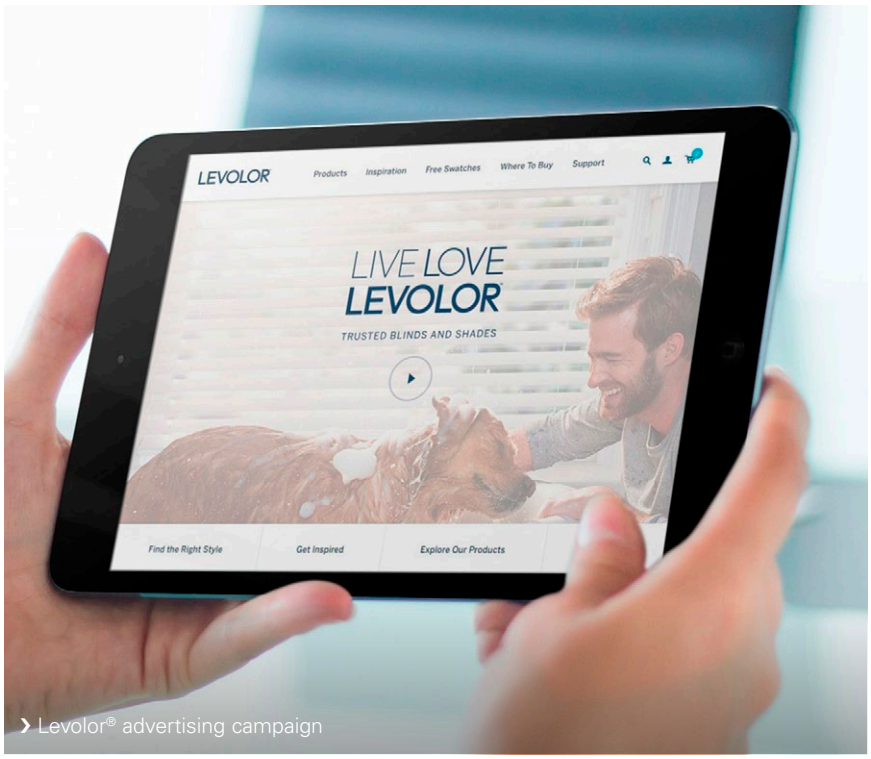
› 2017 was another good year for North America with sales increasing by 12% driven by the full year impact of 2016 acquisitions; while profits also increased though affected by a shift towards lower margin products/channels and increased investments. Integration of our recent purchase of Levolor remained a key focus. The acquisition required restructuring of several of our existing operations melding these under Levolor, while at the same time merging some of the legacy Levolor businesses within existing Hunter Douglas divisions and eliminating others. We also continued to increase our investments in motorization R&D across more of our window coverings divisions.

› The most significant 2017 product launches were the introduction of the new Hunter Douglas branded Sonnette™ Cellular Roller Shades, which combine the benefits of both cellular and roller in a new proprietary design, the launch of the Levolor® Shadings Collection, and the introduction of the PowerView® Motorization new Generation 2.0 Hub, Repeaters and App, which significantly enhance connectivity within the home and to other smart home systems.

› Growth was achieved within our most aligned Hunter Douglas branded Centurion Dealer Program, with sales of these most committed dealers now representing 47% of our total Aligned Dealer sales. Centurion growth helped to fuel the growth of our overall Hunter Douglas Aligned Dealer sales by 6% in 2017.

› Digital marketing activities accelerated across our two primary consumer brands. Hunter Douglas introduced a new consumer website and increased short-form digital video ads, both of which led to a significant increase in web traffic and sales leads. Levolor launched a reimagined marketing campaign under the "Live, Love, Levolor®" banner, which also primarily used targeted digital media.

Amounts in millions	USD 2017	2016
Net sales		
Window Coverings	**1,433**	1,276
Architectural Products	**155**	143
Other		
Total	**1,588**	1,419
Net assets employed	**841**	713
Employees per year-end	**11,478**	11,459



› Levolor® advertising campaign

› Operationally, we heightened the focus in our plants on our First-Time-Right shipping metrics to enhance our dealer and consumer experiences. To accomplish this, we are increasingly applying lean manufacturing techniques that improve the way we operate.

› We continued to devote significant resources to our One HD information technology transformation project, designed to improve our supply chain and provide our divisions with more seamless and efficient ways to manage our businesses.

› Our trade brands continued to see strength from our continued push into superior cordless operating systems, refreshed collections, and enhanced customization from our digital printing capabilities.

› Architectural products delivered strong growth in our contract window coverings division, and more modest growth in our ceilings division.

› We continued to play a role in the communities in which we operate with our long-standing Habitat for Humanity partnership and most recently with Covenant House, an organization devoted to helping homeless teens in major cities across North America.

› Silhouette® Shadings & Luminette® Sheers

Latin America

Level sales and profits.

Renato Rocha
President & CEO
Latin American Operations

Our Latin American operations had flat sales and lower operational profits in most countries, except Mexico, where profits were level and continued to be affected by depressed economies in most of our markets. We completed a structural expense reduction, and expect to emerge in a stronger position as the economies recover.

Our window covering business had flat sales and slightly lower operational profits.
Our business remains focused on servicing an upscale clientele with Hunter Douglas Branded products, through a selective network of exclusive dealers. These dealers maintain upscale showrooms that also cater to the interior design community. Our secondary brands, which are targeted to the upper-middle income market, are growing at a steady pace.

Sales and operational profits were slightly lower in our mass-merchant channel, where we mainly sell stock window coverings under our Reggia® brand, the leading regional brand in that channel. While margins are under pressure, our strength in providing tailored merchandising and local service underpins continued good performance.

Our architectural products business had slightly higher sales but lower operational and total profits. We were affected by project delays in Chile and the depressed economy in Brazil. We continued to invest in new products and local manufacturing to improve our competitive position and better service the regions' leading architects.

Brazil
- Lower sales and profits, affected by a depressed economy.
- Window coverings had higher sales and significantly higher profits.
- Architectural products had significantly lower sales and profits.
- We acquired the assets of an access floor competitor and set up our own fabrication plant near Sao Paulo. We expect to increase our local competitive position in this attractive niche market, creating a packaged sales approach with our ceilings.

Mexico
- Slightly lower sales and level profits.
- Window coverings had slightly lower sales but higher profits.
- Stock window coverings had lower sales and profits.
- Architectural products had significantly higher sales and slightly lower profits.

Chile
- Level sales but significantly lower profits.
- Window coverings had lower sales and profits.
- Architectural products had slightly higher sales but significantly lower profits.

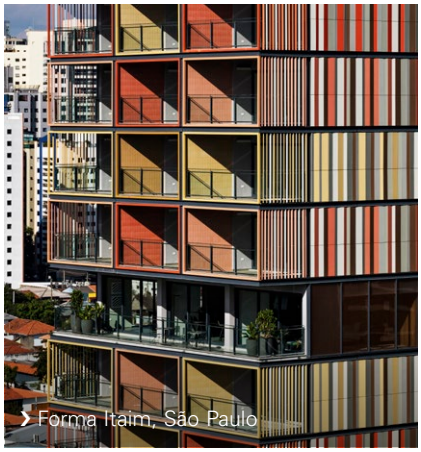
Colombia
- Slightly lower sales and operational profits while total profits were significantly higher.
- We sold our old manufacturing plant in Bogotá.

Argentina
- Slightly higher sales but slightly lower operational profits, mainly due to weakness in our architectural business.

Venezuela
- Significantly lower sales and operational profits.

Panama & Peru
- Panama had higher sales and profits. Peru had slightly lower sales and lower profits.

Amounts in millions	USD 2017	2016
Net sales		
Window Coverings	**107**	109
Architectural Products	**55**	53
Other		
Total	**162**	162
Net assets employed	**97**	90
Employees per year-end	**1,483**	1,475



› Forma Itaim, São Paulo

Asia

Lower sales and profits.

Our Asian operations had lower sales and profits, mainly impacted by lower sales and profits in architectural products, partly due to project timing.

Our window covering products continued to achieve higher sales and profits. We are focused on building a selective aligned dealer base, while specifying our products through design firms. We completed the launch of our new PowerView® motorization system in most countries.

China

› Architectural products had lower sales and profits due to a more competitive project market, with the emergence of many small regional players. We are strengthening our position in the more design-led market for smaller and mid-sized projects.

› Window covering products had higher sales but lower profits. We continued to focus on building a selective network of premium dealers in Tier 1 cities. Our commercial project business continued to perform well with higher sales and profits.

G.C. Neoh
President & CEO
Asian Operations

India

› Architectural products had lower sales and profits after completing a major ceiling project for Cochin Airport last year. The demonetization and introduction of a VAT system caused project delays.

› Window covering products had higher sales and profits.

Japan

› Window covering products had higher sales and profits, as material supplies to home builders increased.

Korea – Taiwan

› Window covering products had higher sales and profits.

Southeast Asia

› Higher sales and profits.

Amounts in millions	USD 2017	2016
Net sales		
Window Coverings	**82**	78
Architectural Products	**85**	96
Other		
Total	**167**	174
Net assets employed	**135**	143
Employees per year-end	**1,390**	1,114

› Shanghai Jiahui International Hospital

Australia

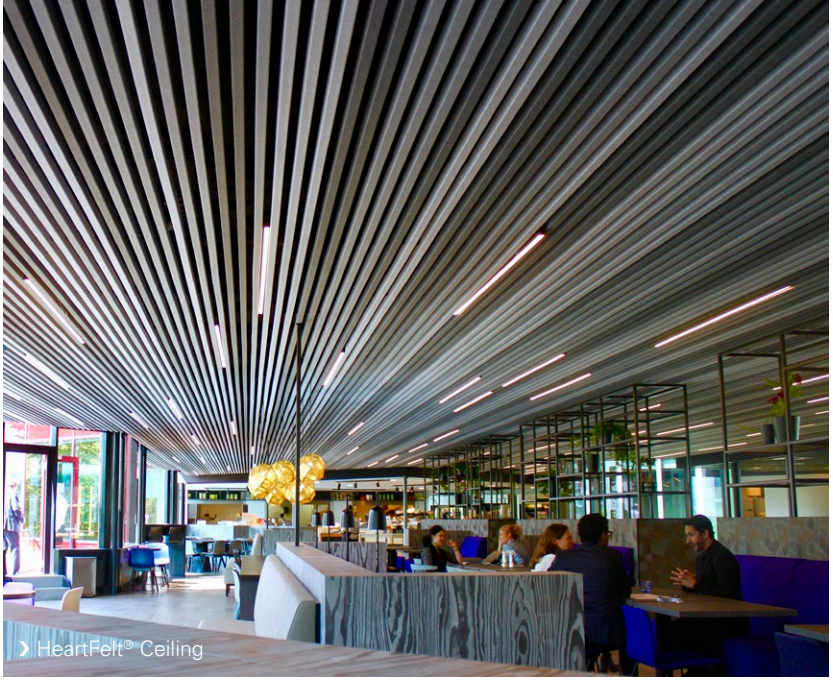
Flat sales and slightly lower profits.

Tony Politis
Managing Director
Australia & New Zealand

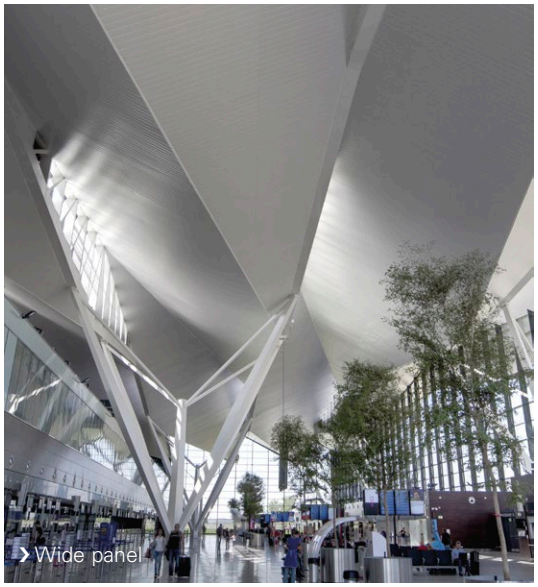
- Sales and profits were higher for our branded window covering business.
- Our component sales business experienced a small decline and some margin pressure.
- Blinds Online, our ecommerce company, had higher sales and profits.
- We agreed to acquire full ownership of New Zealand Window Shades, the market leading fabricator in New Zealand, from our prior 49% stake.
- We experienced continued weakness in architectural and home improvement products.

› Pirouette® Shades

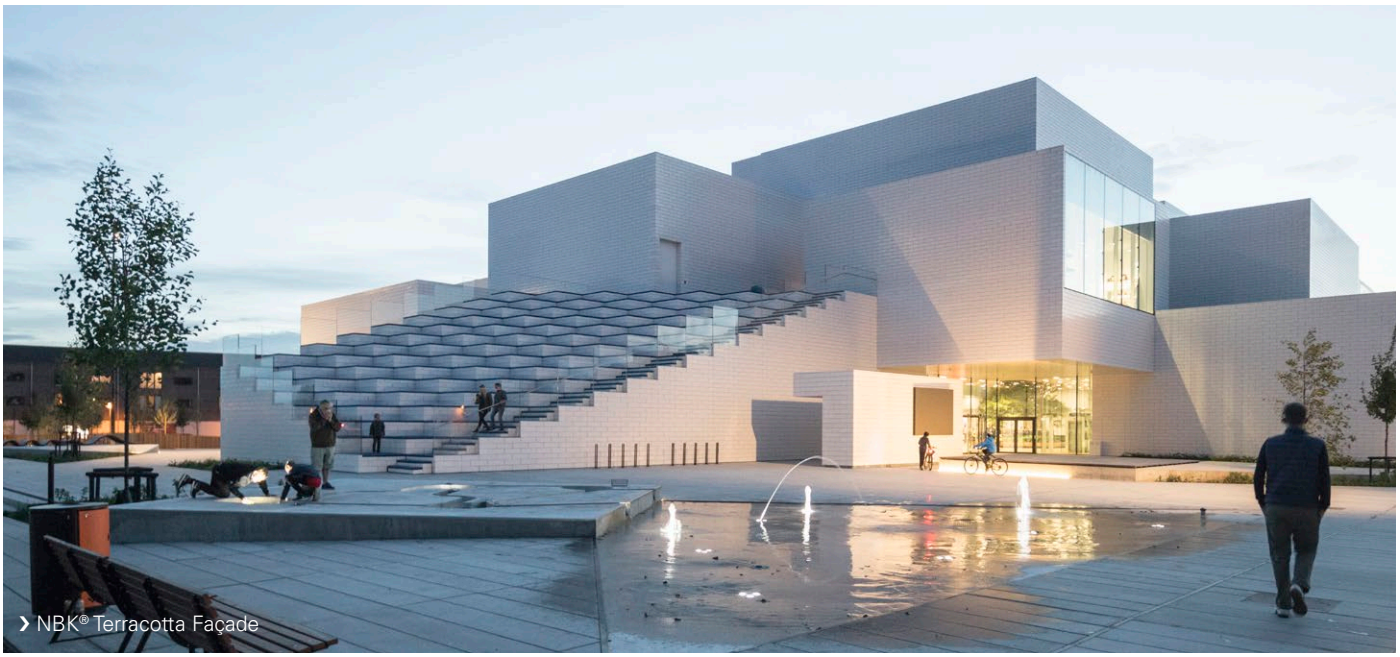
Amounts in millions	USD 2017	2016
Net sales		
Window Coverings	**92**	83
Architectural Products	**3**	3
Other		
Total	**95**	86
Net assets employed	**55**	61
Employees per year-end	**327**	318



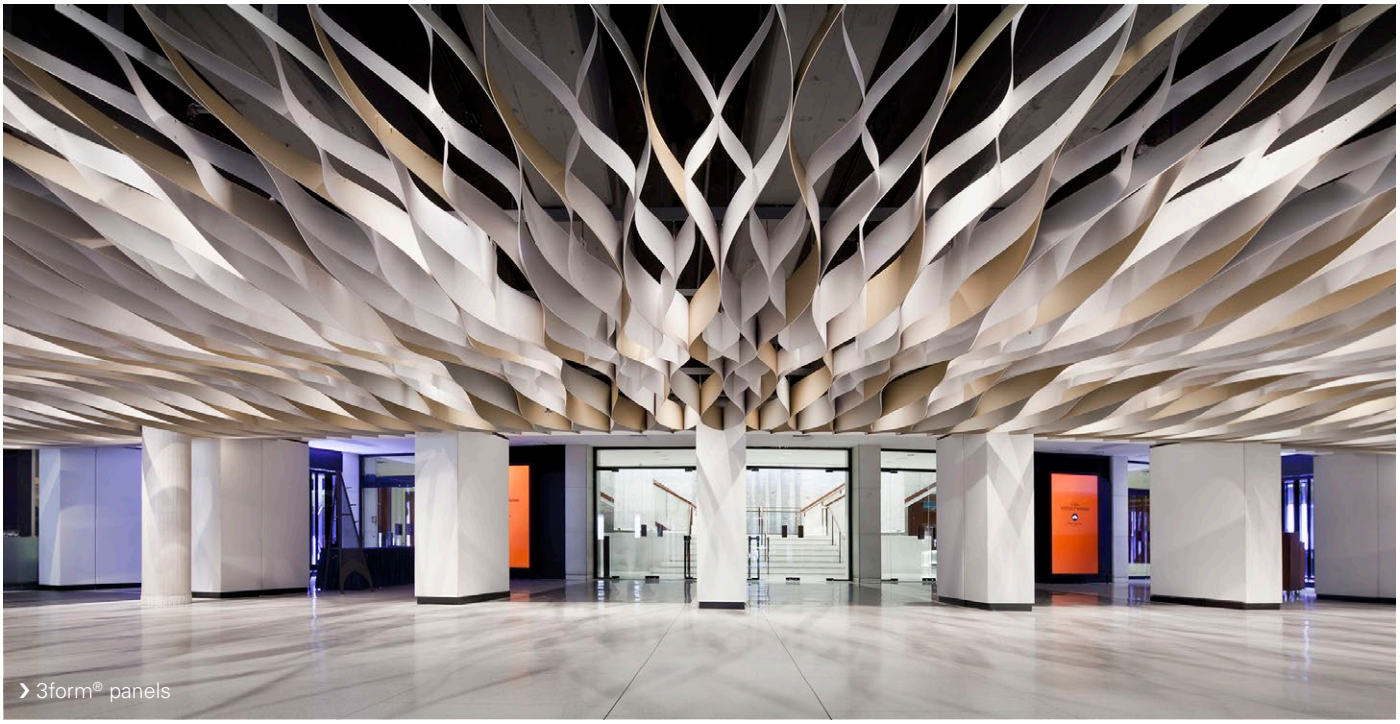
› HeartFelt® Ceiling



› Wide panel



› NBK® Terracotta Façade



› 3form® panels

Consolidated statement of income for the year

Leen Reijtenbagh
Vice President, CFO & Secretary

Chris King
Vice President General Counsel

Amounts in millions	Notes	USD 2017	2016*
Net sales	3	**3,226**	2,821
Cost of sales	4	**-1,934**	-1,692
Gross profit		**1,292**	1,129
Gross profit metals trading	3	**20**	15
Total gross profit		**1,312**	1,144
Selling and marketing expense	3	**-641**	-544
General and administrative expense	3	**-402**	-337
Income from operations (EBIT)		**269**	263
Finance costs	4	**-20**	-12
Finance income	4	**11**	4
Income before taxes		**260**	255
Taxes on income	20	**-38**	17
Net profit for the year		**222**	272
Net profit attributable to non-controlling interest		**3**	1
Net profit attributable to equity shareholders		**219**	271
Extraordinary tax gain			-65
Normalized net profit for the year		**219**	206
Earnings per share attributable to equity shareholders based on net profit for the year	21		
- basic for profit for the year		**6.28**	7.79
- fully diluted for profit for the year		**6.28**	7.79
Earnings per share attributable to equity shareholders based on normalized net profit for the year			
- basic for profit for the year		**6.28**	5.91
- fully diluted for profit for the year		**6.28**	5.91

* Adjusted, refer to note 7

The accounting policies and explanatory notes on pages 33 through 56 form an integral part of the financial statements.

Consolidated statement of comprehensive income for the year

Amounts in millions	USD 2017	2016*
Net profit for the year	**222**	272
Other comprehensive income		
Actuarial losses	**-5**	-22
Currency translation differences**	**7**	-21
Net movement in cash flow hedges**	**3**	4
Effect US tax rate change on DTAs recognized before in OCI	**-13**	
Tax effect on other comprehensive income	**-4**	7
Total comprehensive income for the year, net of tax	**210**	240
Attributable to equity shareholders	**206**	240
Attributable to non-controlling interest	**4**	

* Adjusted, refer to note 7
** These items will be recycled thru statement of income at a future point in time

The accounting policies and explanatory notes on pages 33 through 56 form an integral part of the financial statements.

Consolidated cash flow statement for the year

Amounts in millions	Notes	USD 2017	2016*
Net profit		**222**	272
Adjustments for:			
Depreciation property, plant & equipment	8	**82**	71
Amortization patents & trademarks	7	**20**	15
(Decrease) increase provisions		**-1**	7
Other non-cash items		**9**	-63
Unrealized result investment portfolio		**-8**	-5
Operating cash flow before working capital changes		**324**	297
Changes in working capital:			
- increase trade and other receivables and prepayments		**-154**	-92
- increase inventories		**-45**	-12
- increase trade and other payables		**56**	4
Operating cash flow		**181**	197
Dividend paid	22	**-68**	-59
Net cash from operations		**113**	138
Cash flow from investing activities			
Investments subsidiaries, net of cash acquired	5	**-400**	-319
Investment property, plant and equipment	8	**-130**	-84
Divestment property, plant and equipment	8	**15**	10
Decrease investment portfolio		**180**	
Investment other financial non-current assets		**-5**	-5
Net cash from investing activities		**-340**	-398
Cash flow from financing activities			
Increase interest-bearing loans and borrowings	17	**215**	272
Net cash from financing activities		**215**	272
Net (decrease) increase in cash and cash equivalents		**-12**	12
Change in cash and cash equivalents			
Balance at 1 January		**41**	31
Net (decrease) increase in cash and cash equivalents		**-12**	12
Exchange difference cash and cash equivalents		**3**	-2
Balance at 31 December	14	**32**	41

Income tax paid 46 (2016: 54), interest paid 21 (2016: 11) and interest received 1 (2016: 1) are included in net cash from operations.

* Adjusted, refer to note 7

The accounting policies and explanatory notes on pages 33 through 56 form an integral part of the financial statements.

Consolidated balance sheet as per 31 December

Assets

Amounts in millions	Notes	USD 2017	2016*
Non-current assets			
Intangible fixed assets	7	**1,062**	632
Property, plant and equipment	8	**522**	459
Deferred income tax assets	20	**164**	179
Other financial non-current assets	9	**73**	65
Total non-current assets		**1,821**	1,335
Current assets			
Inventories	10	**727**	631
Trade and other receivables	11	**547**	424
Prepaid income tax		**59**	42
Prepayments	12	**103**	84
Metal derivatives	27	**43**	10
Currency derivatives	27	**8**	
Investment portfolio	13	**34**	206
Cash and short-term deposits	14	**32**	41
Total current assets		**1,553**	1,438
TOTAL ASSETS		**3,374**	2,773

* Adjusted, refer to note 7

The accounting policies and explanatory notes on pages 33 through 56 form an integral part of the financial statements.

Consolidated balance sheet as per 31 December

Shareholders' equity and liabilities

Amounts in millions	Notes	USD 2017	2016*
Equity attributable to equity shareholders			
Issued capital	15	**10**	9
Share premium		**85**	75
Treasury shares		**-29**	-29
Cash flow hedge reserve			-3
Foreign currency translation		**-245**	-251
Retained earnings		**1,563**	1,445
Total equity attributable to equity shareholders of the parent		**1,384**	1,246
Non-controlling interest	16	**24**	10
Total equity		**1,408**	1,256
Non-current liabilities			
Interest-bearing loans and borrowings	17	**801**	633
Preferred shares	17	**10**	9
Provisions	18	**235**	219
Deferred income tax liabilities	20	**9**	
Total non-current liabilities		**1,055**	861
Current liabilities			
Trade and other payables	19	**712**	581
Income tax payable		**26**	26
Restructuring provisions		**5**	5
Metal derivatives	27	**4**	
Currency derivatives	27	**8**	4
Interest-bearing loans and borrowings	17	**156**	40
Total current liabilities		**911**	656
TOTAL LIABILITIES		**1,966**	1,517
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**3,374**	2,773

* Adjusted, refer to note 7

The accounting policies and explanatory notes on pages 33 through 56 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								
	Issued capital	Share premium	Treasury shares	Cash flow hedge reserve	Foreign currency translation	Retained earnings	Total	Non-controlling interest	Total equity
At 1 January 2016	9	77	-29	-7	-232	1,247	1,065	10	1,075
Net profit						271	271	1	272
Other comprehensive income (expense)				4	-19	-16	-31	-1	-32
Total comprehensive income (expense)	0	0	0	4	-19	255	240	0	240
Exchange on share premium		-2				2	0		0
Equity dividends						-59	-59		-59
At 31 December 2016*	9	75	-29	-3	-251	1,445	1,246	10	1,256
Net profit						219	219	3	222
Other comprehensive income (expense)				3	6	-22	-13	1	-12
Total comprehensive income (expense)	0	0	0	3	6	197	206	4	210
Exchange on capital and share premium	1	10				-11	0		0
Non-controlling interest resulting from acquisitions								10	10
Equity dividends						-68	-68		-68
At 31 December 2017	10	85	-29	0	-245	1,563	1,384	24	1,408

* Adjusted, refer to note 7

The accounting policies and explanatory notes on pages 33 through 56 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 2017 were authorized for issue on 6 March 2018. These financial statements will be adopted by the Annual General Meeting of Shareholders on 6 June 2018.

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).

Hunter Douglas N.V. is registered at the Chamber of Commerce number 5778.

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 U.S. 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.

2016 adjustment

As a result of the finalization of the purchase price allocation for Blinds2go and Blinds Online certain balances have been adjusted in line with IFRS 3.45, refer to note 7 for more details.

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. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. 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, Blaze, Vietnam, Hillarys, UK, Aluvert, South Africa 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 Parent 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 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.

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. 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. Investments in unconsolidated associates are recorded at equity value.

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 there is objective evidence that a financial asset is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event') has an impact on the estimated future cash flows of the financial asset that can be reliably estimated.

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 three months. 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.
IAS 23 requires capitalization of borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset.

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 two 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.

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 23 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.

Put-call option agreement
A put/call option is initially recognized as a financial asset or liability at its fair value of the underlying redemption amount, with any subsequent changes in its fair value recognized in profit or loss.

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 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 and hedges of net investments, 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. Third parties participating in the investment portfolio are presented separately under trade and other payables. The individual investments held by the various investment funds are valued at fair value by the funds, with movements in fair value recorded through profit and loss. The net asset values reported by the fund managers are adjusted (discounted) by management as 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 2017
The Group adopted the amendments to IAS 7 - Statement of Cash Flows, which requires companies to provide information about changes in their financing liabilities. The amendments are aimed at improving disclosures so that users of financial statements are better able to understand the changes in a company's debt, including changes from cash flows and non-cash changes. There was no effect from the adoption of these amendments. There are no other standards applicable as from 2017 which are likely to materially impact the Company's financial statements.

IFRS accounting standards effective as from 2018
In July 2014 the IASB issued IFRS 9 - Financial Instruments. The improvements introduced by the new standard includes a logical approach for classification and measurement of financial instruments driven by cash flow characteristics and the business model in which an asset is held, a single "expected loss" impairment model for financial assets and a substantially reformed approach for hedge accounting. The standard is effective, retrospectively with limited exceptions, for annual periods beginning on or after January 1, 2018 with earlier application permitted. The Group expects that there will be no material impact on the Group's consolidated financial statements upon initial adoption of the standard.

In May 2014, the IASB issued IFRS 15 - Revenue from Contracts with Customers. The standard requires a company to recognize revenue upon transfer of control of goods or services to a customer at an amount that reflects the consideration it expects to receive. The impact on metals trading is still under investigation by the Group.

The standard and amendments are effective for annual periods beginning on or after January 1, 2018, with earlier adoption permitted. The Group is currently quantifying the impact of adoption and determining the implementation approach. However based on currently available information, the Group does not expect a material impact on its Consolidated Financial Statements from the adoption of this standard and related amendments.

IFRS 16 is effective from January 1, 2019 with early adoption allowed only if IFRS 15 - Revenue from Contracts with Customers is also applied. The Group is currently evaluating the method of implementation and impact of adoption on its Consolidated Financial Statements. Refer to note 23 for expected balance sheet impact of recording the former operational leases as financial lease as required by IFRS 16. Based on currently available information, the Group does expect a material impact on its Consolidated Financial Statements from the adoption of this standard and related amendments, however, the Group is currently evaluating the impact so no exact quantification can currently be made.

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 for the years ended 31 December 2017 and 2016.

Amounts in millions	Window Coverings		Architectural Products		Metals Trading		Investment Portfolio		Total	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016*
Revenue										
Sales to external customers	**2,751**	2,371	**475**	450					**3,226**	2,821
Segment revenue	**2,751**	2,371	**475**	450					**3,226**	2,821
Total gross profit	**1,111**	961	**181**	168	**20**	15			**1,312**	1,144
Selling and marketing expense	**-547**	-458	**-94**	-86					**-641**	-544
General and administrative expense	**-351**	-295	**-44**	-36	**-7**	-6			**-402**	-337
Income from operations	**213**	208	**43**	46	**13**	9			**269**	263
Finance costs	**-15**	-8	**-2**	-2	**-3**	-2			**-20**	-12
Finance income	**5**	3					**6**	1	**11**	4
Income before taxes	**203**	203	**41**	44	**10**	7	**6**	1	**260**	255
Taxes on income	**-28**	28	**-7**	-9	**-3**	-2			**-38**	17
Net profit	**175**	231	**34**	35	**7**	5	**6**	1	**222**	272
Net profit attributable to non-controlling interest	**3**	3		1					**3**	4
Net profit attributable to equity shareholders	**172**	228	**34**	34	**7**	5	**6**	1	**219**	268
Assets and liabilities										
Segment assets	**2,706**	2,002	**396**	382	**218**	167	**34**	206	**3,354**	2,757
Investment in an associate	**19**	15	**1**	1					**20**	16
Total assets	**2,725**	2,017	**397**	383	**218**	167	**34**	206	**3,374**	2,773
Segment liabilities	**1,590**	1,192	**274**	253	**102**	72			**1,966**	1,517
Total liabilities	**1,590**	1,192	**274**	253	**102**	72			**1,966**	1,517
Net assets employed	**2,020**	1,425	**268**	251	**133**	96			**2,421**	1,772
Other segment information										
Additions property, plant and equipment	**113**	70	**17**	14					**130**	84
Depreciation property, plant and equipment	**59**	51	**23**	20					**82**	71
Intangibles	**1,019**	538	**43**	42					**1,062**	580
Amortization patents and trademarks	**16**	11	**4**	4					**20**	15
Non-recurring restructuring expenses	**17**	16	**3**						**20**	16

* Adjusted, refer to note 7

The financial information by region is reported separately on page 19.

4. Revenues and expenses

Amounts in millions	2017	2016
Finance costs		
Bank loans and overdraft	**-7**	-7
Other loans (including non-cumulative redeemable preference shares)	**-13**	-5
Total finance costs	**-20**	-12
Finance income		
Bank interest receivable		1
Net result investment portfolio	**6**	1
Other financial income	**5**	2
Total finance income	**11**	4
Non-recurring restructuring expenses are included in the consolidated income statement as follows:		
Cost of sales	**5**	5
Selling and marketing expense	**4**	2
General and administrative expense	**11**	9
	20	16

Non-recurring expenses mainly relate to Window Coverings and consist mainly of acquisition costs and reduction of employees caused by changes of the business per company

Depreciation, amortization and costs of inventories included in consolidated income statement		
Included in cost of sales:		
Depreciation of property, plant and equipment	**55**	48
Employee benefits expense	**455**	420
Costs of inventories recognized as an expense	**1,424**	1,224
	1,934	1,692
Included in selling and marketing expense:		
Depreciation of property, plant and equipment	**6**	5
Employee benefits expense	**287**	244
Included in general and administrative expense:		
Depreciation of property, plant and equipment	**21**	18
Employee benefits expense	**228**	206
Minimum lease payments recognized as an operating lease expense	**11**	10
Amortization other intangibles	**20**	15
Employee benefits expense		
Wages and salaries	**760**	691
Social security costs	**161**	142
Pension costs	**49**	37
	970	870

Research costs

Research costs consist of 48 (2016: 39) charged directly to general and administrative expense in the income statement.

5. Business combination

In 2017 Hunter Douglas acquired the following businesses:
- 49% of Blaze, a fast growing Vietnamese fabricator of window coverings since January with 2017 sales of USD 15 million and employs 292 people. Although the Group has only 49%, the Group has control over Blaze and consolidates Blaze in according with IFRS 3.
- 98.2% of Hillarys, the market leading window covering company in the UK with two core businesses: Shop-at-home under the Hillarys® brand and the wholesale supply of blinds to dealers of blinds and shutters, under the Arena® and Custom West™ brands since July with 2017 sales of GBP 215 million and employs 1,529 people.

In 2016 Hunter Douglas acquired the following business:
- 88% of Aluvert, a leading South African window covering fabricator since March with 2016 sales of USD 14 million and employs 456 people.
- 100% of Lunex, a Norwegian direct selling window covering business since March with 2016 sales of USD 22 million and employs 72 people.
- 60% of Blinds2go, a leading online blinds retailer in the UK since June with 2016 sales of USD 70 million and employs 60 people.
- 100% of Levolor/Kirsch, a leading North American supplier of window coverings and drapery hardware to home centers since June with 2016 sales of USD 262 million and employs 2,600 people.
- 60% of Blinds Online, a leading online blinds retailer in Australia since July with 2016 sales of USD 8 million by Blinds2go and employs 14 people.
- 100% of Julius Koch, a US manufacturer of cords and tapes for window coverings since October with 2016 sales of USD 8 million and employs 75 people.
- 100% of EFI, a leading US glass fabricator of high-end glass wall partitions and sliding systems since November with 2016 sales of USD 12 million by 3form and employs 75 people.

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

Recognized on acquisitions	2017			2016*				
Amounts in millions	Hillarys	All other	Total	Blinds2go	Levolor	Blinds Online	All other	Total
Inventories	**22**	**2**	**24**		31		7	38
Trade and other receivables	**19**	**1**	**20**	1	5		5	11
Cash and short-term deposits	**18**	**2**	**20**	8	3		3	14
Trade and other payables	**-51**	**-1**	**-52**	-8	-36		-12	-56
Property, plant and equipment	**11**	**1**	**12**		23		7	30
Intangible fixed assets	**42**		**42**		139		14	153
Short-term loans		**-1**	**-1**					
Long-term loans							-2	-2
Deferred income tax provision	**-8**		**-8**					
Other long-term provision				-63				-63
Non-controlling interest	**-8**	**-2**	**-10**				-1	-1
Fair value of net assets	**45**	**2**	**47**	-62	165	0	21	124
Goodwill arising on acquisitions	**361**	**12**	**373**	114	64	13	18	209
Total consideration	**406**	**14**	**420**	52	229	13	39	333
Cash outflow on acquisitions:								
Cash paid	**-406**	**-14**	**-420**	-52	-229	-13	-39	-333
Net cash acquired with acquisitions	**18**	**2**	**20**	8	3		3	14
	-388	**-12**	**-400**	-44	-226	-13	-36	-319

* Adjusted, refer to note 7

Goodwill arising on acquisition mainly relates to the increase in market share as well as the assembled workforce.

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 covering 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 9.7% (2016 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	
	2017	**2016**	**2017**	**2016**	**2017**	**2016**
At 1 January	**470**	277	**162**	25	**632**	302
Acquisitions	**373**	209	**42**	153	**415**	362
Amortization			**-20**	-15	**-20**	-15
Exchange	**20**	-16	**15**	-1	**35**	-17
At 31 December	**863**	470	**199**	162	**1,062**	632
At 1 January						
Cost	**470**	277	**238**	86	**708**	363
Accumulated amortization			**-76**	-61	**-76**	-61
Net carrying amount	**470**	277	**162**	25	**632**	302
At 31 December						
Cost	**863**	470	**295**	238	**1,158**	708
Accumulated amortization			**-96**	-76	**-96**	-76
Net carrying amount	**863**	470	**199**	162	**1,062**	632

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 2016 acquisitions the fair value amounts were provisional. These have been finalized in 2017 with changes to the provisional amounts. We note that as part of the 2016 finalization of the purchase price allocation of Blinds2go and Blinds Online a put call option is valued which has led to an increase in goodwill of 52 and recognition of a long term liability of 62. Minority interest is adjusted to nil as Hunter Douglas is assumed to have present ownership as a result of the put call option on the 40% shares held by Blind2go and Blinds Online management.
For the 2017 acquisitions the fair value amount is provisional. This will be finalized in 2018.

The carrying amount of goodwill of 824 (2016: 418) exists mainly of goodwill paid for the following 4 (2016: 3) cash-generating units:

- The pleated blind systems distribution in Europe (WCP segment) is mainly handled by Benthin and Blöcker in Germany and Thomas Sanderson in the UK. For those companies, acquired in the past, the Company has per balance sheet date an amount of 52 (2016: 48) for goodwill.

- As the US window covering business is very much integrated, we see this business as one cash-generating unit. For the in 2016 acquired businesses in this segment, the Company has per balance sheet date an amount of 205 (2016: 205) for goodwill.

- The online retailer business. For those companies acquired in 2016, the Company has per balance sheet date an amount of 129 (2016: 127) for goodwill.

- The acquired Hillarys business has per balance sheet date an amount of 361 for goodwill.

8. Property, plant and equipment

Amounts in millions	Land & Buildings		Machinery & Equipment		Other fixed assets		Total	
	2017	2016	2017	2016	2017	2016	2017	2016
At 1 January	**231**	250	**200**	163	**28**	22	**459**	435
Additions	**14**	9	**113**	66	**3**	9	**130**	84
Acquisitions	**2**	1	**10**	29			**12**	30
Disposals	**-15**	-9	**-2**	-1	**-4**		**-21**	-10
Depreciation charge for the year	**-17**	-16	**-63**	-53	**-2**	-2	**-82**	-71
Exchange	**11**	-4	**12**	-4	**1**	-1	**24**	-9
At 31 December, net of accumulated depreciation	**226**	231	**270**	200	**26**	28	**522**	459
At 1 January								
Cost	**468**	480	**1,040**	932	**62**	56	**1,570**	1,468
Accumulated depreciation	**-237**	-230	**-840**	-769	**-34**	-34	**-1,111**	-1,033
Net carrying amount	**231**	250	**200**	163	**28**	22	**459**	435
At 31 December								
Cost	**493**	468	**1,210**	1,040	**63**	62	**1,766**	1,570
Accumulated depreciation	**-267**	-237	**-940**	-840	**-37**	-34	**-1,244**	-1,111
Net carrying amount	**226**	231	**270**	200	**26**	28	**522**	459

Included in Property, plant and equipment at 31 December 2017 is an amount of 81 (2016: 42) relating to expenditure in construction.

9. Other financial non-current assets

Amounts in millions	Receivables from key management employees	Other long-term receivables	Investments in associates	Other	Total
At 1 January	1	41	16	7	**65**
Additions		4	11		**15**
Deductions			-7		**-7**
At 31 December	1	45	20	7	**73**

10. Inventories

Amounts in millions	2017	2016
Raw materials (at cost)	**465**	394
Work-in-progress (at cost)	**62**	50
Finished goods:		
- At cost	**335**	314
- Provision	**-135**	-127
	727	631

11. Trade and other receivables (current)

Amounts in millions	2017	2016
Trade receivables	**505**	403
Financial institutions	**24**	16
Other receivables	**13**	
Short-term advances	**5**	5
	547	424

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

As at 31 December 2017, trade receivables at nominal value of 24 (2016: 23) were impaired and fully provided for and relate to the past due trade receivables.

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

Amounts in millions	2017	2016
At 1 January	**23**	25
Additions	**11**	11
Utilized	**-11**	-12
Exchange	**1**	-1
At 31 December	**24**	23

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

	Not due		Past due		
Amounts in millions	< 30 days	30-60 days	60-90 days	90-120 days	> 120 days
2017	**381**	**76**	**21**	**10**	**17**
2016	309	57	18	7	12

The company has 457 (2016: 366) of not yet due trade receivables for which no credit risk is anticipated based on historical losses.

Financial institutions

Amounts in millions	2017	2016
Deposits	**15**	13
Redeemed investments	**9**	1
Other		2
	24	16

12. Prepayments

Amounts in millions	2017	2016
Prepaid expenses	**80**	74
Prepaid taxes (no income tax)	**8**	6
Other	**15**	4
	103	84

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

The fair value of the investment portfolio at year-end 2017 was 34 (2016: 206) and has been further reduced after year-end to 12. All funds are redeemed. The result of the investment portfolio in 2017 was 8 (2016: 5) (before imputed interest and expenses).

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 2017 the fair value of cash and cash equivalents is 32 (2016: 41).

At 31 December 2017, the Group had available 589 (2016: 317) 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	2017	2016
Cash at bank and in hand	**31**	40
Short-term deposits	**1**	1
	32	41

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 2017	2016
	€ 0.24 each	€ 0.24 each
Issued and fully paid-in		
At 1 January	**35,432**	35,432
At 31 December	**35,432**	35,432
Treasury shares		
At 1 January	**646**	646
At 31 December	**642**	646

The Sonnenberg Family owns at year-end 2017 28,764,039 (2016: 28,764,039) common shares of Hunter Douglas N.V. representing 81.18% (2016: 81.18%) of the common shares of the Company.

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/positive, the retained earnings cannot be distributed for this amount.

Retained earnings: this reserve is freely distributable.

There are no external capital requirements.

16. Non-controlling interest

Amounts in millions	2017	2016
Blaze	**5**	
Gardinia	**9**	9
Hillarys	**8**	
Other	**2**	1
	24	10

17. Interest-bearing loans and borrowings

Amounts in millions	Currency	Interest rate	Maturity date	2017	2016
Current					
Bank overdraft		Various *	N/A	**55**	22
Short-term bank loans		Various *	N/A	**101**	18
				156	40
Non-current					
Bank of America	USD	Various *	2019	**25**	25
Bayerische Landesbank	EUR	Various *	2019	**120**	105
Commerzbank	EUR	Various *	2019		106
RABO	EUR	Various *	2020		53
RBS	EUR	Various *	2020	**120**	
ABN AMRO	EUR	Various *	2020	**120**	106
Agricultural Bank of China	EUR	Various *	2021	**36**	
Bayerische Landesbank	EUR	Various *	2021	**30**	26
CIC	EUR	Various *	2021	**96**	84
Bank of America	USD	Various *	2021	**75**	75
Agricultural Bank of China	EUR	Various *	2021	**60**	53
Svenska Handelsbanken	EUR	Various *	2022	**119**	
				801	633
Preferred shares					
Preferred shares	EUR	Various *	N/A	**10**	9

* Mostly at Interbank rates plus a margin

Average life of long-term loans is 2.99 years (2016: 3.25 years); all loans are at variable rates of interest. The balance consists mainly of Euro 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.
The increase in total interest-bearing loans and borrowings of 284 is caused by exchange differences of 71 and higher borrowings of 215 as per consolidated cash flow statement for the year.

18. Provisions

Amounts in millions	Pensions (note 23)	Other Employee Benefits	Other*	Total
At 1 January*	98	42	79	**219**
Additions from income statement	5	6	8	**19**
Actuarial losses	5			**5**
Transfer		16		**16**
Utilized	-18	-8	-8	**-34**
Exchange	2		8	**10**
At 31 December	92	56	87	**235**
Non-current 2017	92	56	87	**235**
Non-current 2016	98	42	79	**219**

* Adjusted, refer to note 7

19. Trade and other payables (current)

Amounts in millions	2017	2016
Trade payables	**243**	195
Accrued wages, social charges and other compensation	**188**	170
Other payables and accrued expenses	**180**	132
Commissions, discounts and allowances	**46**	36
Other	**55**	48
	712	581

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.

20. Income tax

Major components of income tax expense for the years ended 31 December 2017 and 2016 are:

Amounts in millions	2017	2016
Consolidated income statement		
Current income tax		
Current income tax charge	**40**	48
Adjustments in respect of current income tax of previous years		-5
Deferred income tax		
Relating to origination and reversal of temporary differences and recognition of tax losses	**-2**	-60
	38	-17

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 2017 and 2016 is as follows:

Amounts in millions	2017	2016
Accounting profit before income tax	**260**	255
At Dutch statutory income tax rate of 25% (2016: 25%)	**65**	64
Deferred tax (not) valued in prior years	**-14**	-69
Adjustments in respect of current income tax of previous years		-5
Impact different tax rates per country	**-8**	-6
Impact foreign exchange Dutch fiscal unity	**1**	-1
Effect US tax rate change on DTAs	**-6**	
At effective income tax rate of 14.6% (2016: -6.7%)	**38**	-17
Income tax expense reported in consolidated income statement	**38**	-17

20. Income tax (continued)

Amounts in millions	Consolidated Balance Sheet		Consolidated Income Statement		Via O.C.I.	
	2017	2016	2017	2016	2017	2016
Deferred income tax assets						
Losses available for offset against future taxable income	**36**	47	**-11**	-14		
Temporary valuation differences	**128**	132	**13**	73	**-17**	7
	164	179				
Deferred income tax liabilities						
Temporary valuation differences on IP from Hillarys acquisition	**9**			1		
	9	0				
Deferred income tax income (expense)			**2**	60	**-17**	7

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 133 (2016: 116), of which 21 expires within 5 years, that are available for offset against future taxable profits of the companies in which the losses arose.

21. 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	2017	2016
Net profit attributable to equity shareholders	**219**	271

Numbers x 1,000	2017	2016
Weighted average number of ordinary shares for basic earnings per share	**34,790**	34,786
Effect of dilution:		
Adjusted weighted average number of ordinary shares for diluted earnings per share	**34,790**	34,786

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.

22. Dividends paid and proposed

Amounts in millions	2017	2016
Declared and paid during the year:		
Equity dividends on ordinary shares:		
Final dividend for 2016: EUR 1.75 (2015: EUR 1.50)	**68**	59
	68	59
Proposed for approval at AGM (not recognized as a liability as at 31 December):		
Equity dividends on ordinary shares:		
Final dividend for 2017: EUR 1.85 (2016: EUR 1.75)	**77**	64
	77	64

23. Employee benefits

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 United Kingdom and North America are covered by defined benefit plans. The defined benefit plan in North America is based on average wage earned, in the United Kingdom the defined benefit plan is 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 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. 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			
	US		UK	
	2017	2016	2017	2016
Discount rate	**3.70**	4.20	**2.40**	2.60
Future salary increase	**NA**	NA	**3.20**	3.20
Inflation assumption	**NA**	NA	**3.20**	3.20

Sensitivity analysis: If the discount rate in the US increases (decreases) with 0.25% the pension provision will decrease (increase) with around 10, for the other plans changes are not expected to have a material effect on equity or profit-and-loss.

23. Employee benefits (continued)

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

Amounts in millions	US Pension plan				
	2017	2016	2015	2014	2013
Defined benefit obligations	**-295**	-291	-305	-322	-249
Fair value of plan assets	**219**	211	227	204	202
Funded status	**-76**	-80	-78	-118	-47
Net liability in balance sheet	**-76**	-80	-78	-118	-47

Amounts in millions	UK Pension plan				
	2017	2016	2015	2014	2013
Defined benefit obligations	**-71**	-66	-62	-68	-63
Fair value of plan assets	**55**	48	52	54	50
Funded status	**-16**	-18	-10	-14	-13
Net liability in balance sheet	**-16**	-18	-10	-14	-13

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

Amounts in millions	Pension plans			
	US		UK	
	2017	2016	2017	2016
Current service cost	**1**	1	**1**	1
Gain on settlement				
Interest cost on benefit obligation	**12**	14	**1**	2
Interest return on plan assets	**-9**	-10	**-1**	-2
Net benefit expense	**4**	5	**1**	1
Actual return on plan assets	**23**	5	**3**	7

23. Employee benefits (continued)

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

Amounts in millions	Pension plans			
	US		UK	
	2017	2016	2017	2016
Opening defined benefit obligations	**291**	305	**66**	62
Current service cost and received employee contributions	**1**	1	**1**	1
Interest cost on benefit obligation	**12**	13	**2**	2
Benefits paid	**-12**	-11	**-2**	-2
Actuarial loss (gain)	**22**	5	**-2**	14
Settlement	**-19**	-22		
Exchange differences on plans			**6**	-11
Closing defined benefit obligations	**295**	291	**71**	66

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

Amounts in millions	Pension plans			
	US		UK	
	2017	2016	2017	2016
Opening fair value of plan assets	**211**	227	**48**	52
Interest return on plan assets	**9**	10	**1**	2
Contributions	**17**	14	**1**	1
Benefits paid	**-12**	-11	**-2**	-2
Actuarial gain (loss)	**13**	-7	**2**	4
Settlement	**-19**	-22		
Exchange differences			**5**	-9
Closing fair value of plan assets	**219**	211	**55**	48
Of which:				
Bonds	**43**	23	**12**	11
Equities	**130**	121	**43**	37
Other	**46**	67		
The actual return on plan assets amounts	**12.0%**	3.1%	**6.9%**	15.4%

For the next years we expect the contributions to remain at the same level as in 2017.

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 1 to its defined benefit plans in 2018. Contribution by employer will not materially differ from previous years.

Defined contribution plans
The expense of the defined contribution plans for 2017 amounts to 44 (2016: 32).

24. 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	2017	2016
Within one year	**34**	23
After one year but not more than five years	**96**	57

Capital commitments
At 31 December 2017, the Group has commitments for capital expenditures of 34 (2016: 9).

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 2017:

- 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.

25. Related party disclosure

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

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

Amounts in millions	2017	2016
Short-term employee benefits	**19**	16
Total compensation paid to key management employees	**19**	16

As per year-end loans and advances amounted to associates 20 (2016: 20) and key management employees amounted to 1 (2016: 1), bearing market interest.

26. Capital management and 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 cash flow hedges expired 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 qualify under the normal purchase, sale or usage requirements and are therefore not accounted for as derivatives.

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
2017			
Euro	**50**	**4**	
US dollar	**50**	**1**	
2016			
Euro	50	3	1
US dollar	50		

26. Capital management and 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
2017	**5%**	**0**	**31**
	-5%	**0**	**-31**
2016	5%	0	43
	-5%	0	-43

27. Financial instruments

Derivative financial instruments

Amounts in millions	Face amount	Fair value
Currency forward		
Buy	35	-1
Sell	-31	1
	4	**0**
Currency options		
Buy - call	235	-2
Buy - put	-77	-1
Sell - call	-305	2
Sell - put	277	1
	130	**0**

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	56,587	22	
Futures	-54,948	21	-4
		43	-4

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.

27. 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	
	2017	2016	2017	2016
Financial assets				
Non-current				
Other financial assets - loans and receivables	**45**	41	**45**	41
Current				
Trade receivables - loans and receivables	**505**	403	**505**	403
Financial institutions and brokers - fair value through P&L	**24**	16	**24**	16
Metal derivatives - held for trading (level 1)	**43**	10	**43**	10
Currency derivatives - held for trading	**8**		**8**	
Investment portfolio - fair value through P&L (level 3)	**34**	206	**34**	206
Cash and short-term deposits - loans and receivables	**31**	40	**31**	40
Short-term advances - loans and receivables	**1**	1	**1**	1
	646	676	**646**	676
Financial liabilities				
Non-current - loans and receivables				
Preferred shares - floating rate*	**10**	9	**10**	9
Other borrowings - floating rate*	**801**	633	**801**	633
	811	642	**811**	642
Current				
Trade payables - loans and receivables	**243**	195	**243**	195
Interest derivatives - held for trading (level 2)		3		3
Currency derivatives - held for trading	**8**	1	**8**	1
Bank overdraft - floating rate* - loans and receivables	**55**	22	**55**	22
Short-term bank loans - floating rate* - loans and receivables	**101**	18	**101**	18
	407	239	**407**	239

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

27. 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	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Trade payables	**243**	195											**243**	195
Other payables	**500**	417											**500**	417
Currency derivatives	**8**	4											**8**	4
Metal derivatives	**4**												**4**	
Floating rate														
Bank loans	**156**	40	**145**		**240**	395	**297**		**119**	238			**957**	673
Preferred shares											**10**	9	**10**	9
Interest	**13**	10	**10**	8	**7**	6	**4**	3	**1**	2			**35**	29
	924	666	**155**	8	**247**	401	**301**	3	**120**	240	**10**	9	**1,757**	1,327

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	2017 Fair value measurement at the end of the reporting period using:				2016 Fair value measurement at the end of the reporting period using:			
	Level 1	Level 2	Level 3	**Total**	Level 1	Level 2	Level 3	**Total**
Description								
Financial assets at fair value through profit and loss								
Trading securities			**34**	**34**			206	206
Trading derivatives	**29**	**22**		**51**	10			10
Total	**29**	**22**	**34**	**85**	10	0	206	216

27. Financial instruments (continued)

Liabilities measured at fair value

Amounts in millions	2017 Fair value measurement at the end of the reporting period using:			2016 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	**8**		**8**		4	4
Total	**8**	**0**	**8**	0	4	4

Assets measured at fair value based on Level 3

Amounts in millions	2017 Fair value measurement at the end of the reporting period		2016 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	**206**	**206**	201	201
Total gain in profit or loss	**8**	**8**	5	5
Redemption	**-180**	**-180**		
Closing balance	**34**	**34**	206	206

28. Events after balance sheet date

There are no material subsequent events after balance sheet date.

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

Amounts in millions	Notes	2017	2016**
		USD	
ASSETS			
Non-current assets			
Financial fixed assets			
- Investments in subsidiaries	2	**2,172**	1,892
- Advances to subsidiaries	3	**364**	351
- Other	4	**101**	89
Total non-current assets		**2,637**	2,332
Current assets			
Accounts receivable		**47**	54
Accounts receivable - affiliated companies		**584**	146
Cash and short-term deposits			
Total current assets		**631**	200
TOTAL ASSETS		**3,268**	2,532
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity			
Issued capital	5	**10**	9
Share premium		**85**	75
Treasury shares		**-29**	-29
Cash flow hedge			-3
Foreign currency translation		**-245**	-251
Retained earnings		**1,344**	1,174
Net result for the year		**219**	271
Total shareholders' equity		**1,384**	1,246
Provisions			
Provision for pensions		**4**	4
Total provisions		**4**	4
Non-current liabilities			
Long-term loans - other	6	**811**	642
Long-term loans - affiliated companies		**295**	273
Total non-current liabilities		**1,106**	915
Current liabilities			
Short-term borrowings		**119**	26
Accounts payable - other		**14**	11
Accounts payable - affiliated companies		**641**	330
Total current liabilities		**774**	367
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**3,268**	2,532
STATEMENT OF INCOME			
Income from subsidiaries and affiliates after taxation		**238**	198
Other (expense) income, net		**-19**	73
Net profit		**219**	271

* Before appropriation of net profit ** Adjusted, refer to note 7

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	2017	2016*
Beginning of the year	**1,892**	1,638
Change during the year		
Share in results, net	**238**	198
Actuarial losses	**-5**	-22
Received dividends	**-14**	-85
Increase, net	**1**	
Acquisition		10
Contribution		186
US tax rate change via OCI	**-13**	
Exchange differences	**73**	-33
Net change	**280**	254
End of year	**2,172**	1,892

* Adjusted, refer to note 7

3. Financial fixed assets - advances to subsidiaries

Amounts in millions	2017	2016
Beginning of the year	**351**	377
Change during the year		
Additions	**68**	113
Deductions	**-55**	-139
Net change	**13**	-26
End of year	**364**	351

4. Financial fixed assets - other non-current assets

Amounts in millions	2017	2016
Beginning of the year	**89**	13
Change during the year		
Additions	**14**	77
Deductions	**-12**	
Exchange	**10**	-1
Net change	**12**	76
End of year	**101**	89

Other non-current assets mainly relate to Dutch deferred income tax assets.

5. Shareholders' equity

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

6. Long-term loans - other

Amounts in millions	2017	2016
Unsecured loans maturing in various installments through 2022	**801**	633

Average life of long-term loans is 2.99 years (2016: 3.25 years); all loans are at variable rates of interest. Maturities until 2022 are 2019: 145, 2020: 240, 2021: 297 and 2022: 119.

Amounts in millions	2017	2016
Preferred shares	**10**	9

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

7. 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.

8. Employee benefits

Compensation* paid to directors was: R. Sonnenberg nil (2016: nil), J.T. Sherwin 1,386 (2016: 716) as compensation and all other directors total 101 (2016: 110) as directors fee. No pension contributions were paid.

* Amounts in thousands

9. Remuneration of the auditor

	2017	2016
Audit of financial statements	**2.4**	2.4
Non-audit services	**0.5**	0.4
	2.9	2.8

10. Employees

The number of employees at year-end amounts 18 (2016: 18), all employed in the Netherlands.

Rotterdam, 6 March 2018

Board of Directors

1. Independent auditor's report

To: the shareholders of Hunter Douglas N.V.

Report on the audit of the financial statements 2017 included in the annual report

Our opinion
We have audited the financial statements 2017 of Hunter Douglas N.V. (the Company), Curaçao. The financial statements include the consolidated financial statements and the Company financial statements (collectively referred to as the financial statements).

In our opinion:
- The accompanying consolidated financial statements give a true and fair view of the financial position of Hunter Douglas N.V. as at 31 December 2017 and of its result and its cash flows for 2017 in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code
- The accompanying Company financial statements give a true and fair view of the financial position of Hunter Douglas N.V. as at 31 December 2017 and of its result for 2017 in accordance with Part 9 of Book 2 of the Dutch Civil Code

The consolidated financial statements comprise:
- The consolidated balance sheet as per 31 December 2017
- The following statements for 2017: consolidated statement of income, consolidated statement of comprehensive income, consolidated cash flow statement and consolidated statement of changes in equity
- The notes comprising a summary of the significant accounting policies and other explanatory information

The Company financial statements comprise:
- The balance sheet as per 31 December 2017
- The statement of income for 2017
- The notes comprising a summary of the accounting policies and other explanatory information

Basis for our opinion
We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the "Our responsibilities for the audit of the financial statements" section of our report.

We are independent of Hunter Douglas N.V. in accordance with the Wet toezicht accountantsorganisaties (Wta, Audit firms supervision act), the Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore we have complied with the Verordening gedrags- en beroepsregels accountants (VGBA, Dutch Code of Ethics).

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

Materiality

Materiality
USD 20 million (2016: USD 16 million)

Benchmark applied
Approximately 7% of profit before tax

Explanation
Based on perspectives and expectations of the users of the financial statements in the context of our understanding of the entity and the environment in which it operates we determined the materiality for the financial statements as a whole at USD 20 million. Materiality is based on profit before tax, as Hunter Douglas N.V. is profitable and therefore we consider an earnings based measure to be an appropriate basis to determine our materiality.

We have also taken misstatements into account and/or possible misstatements that in our opinion are material for the users of the financial statements for qualitative reasons.

We agreed with the audit committee that misstatements in excess of USD 1.0 million, which are identified during the audit, would be reported to them, as well as smaller misstatements that in our view must be reported on qualitative grounds.

Scope of the group audit
Hunter Douglas N.V. is the parent of a Group of entities. The financial information of this Group is included in the consolidated financial statements of Hunter Douglas N.V. The Company is organized along four reportable segments.

Our Group audit mainly focused on significant Group entities. Group entities are considered significant components either because of their individual financial significance or because they are likely to include significant risks of material misstatement due to their specific nature or circumstances. All such significant Group entities (comprising 31 entities) were included in the scope of our Group audit.

Accordingly, we identified six Hunter Douglas N.V.'s Group entities, which, in our view, required an audit of their complete financial information, either due to their overall size or their risk characteristics. Specific scope audit procedures on certain balances and transactions were performed on nineteen entities. Other procedures are performed on the remaining entities.

In establishing the overall approach to the audit, we determined the type of work that is needed to be done by us, as Group auditors, or by component auditors from Ernst & Young Global member firms and operating under our instructions.

- The Group consolidation, financial statements and disclosures and the audit of the following key audit matters, valuation of goodwill, taxes on income – valuation of deferred tax assets and business combinations – the acquisition of Hillarys are audited directly by the Group engagement team in addition to the other procedures the Group team is responsible for.
- The Group engagement team further performs other audit procedures for the Dutch subsidiaries, Hunter Douglas Europe, Luxaflex Nederland and Nedal.
- The Group engagement team visited at least one local management (US) and the auditors of the components which are significant based on size and their related risk: Hunter Douglas Metals LLC (US), Hunter Douglas North America (US), Hillarys (UK) and Blinds2go (UK). For each of these locations we reviewed the audit files of the component auditor and determined the sufficiency and appropriateness of the work performed.
- All component audit teams included in the Group scope received detailed instructions from the Group engagement team including key risk areas and significant accounts and the Group engagement team reviewed their deliverables.

In total these procedures represent 74% of the Group's total assets, 71% of profit before tax and 74% of revenue.

Location percentage of coverage:

- Full scope
- Specific scope
- Other procedures

Coverage based on total assets

Coverage based on profit before tax

Coverage based on revenue

By performing the procedures mentioned above at Group entities, together with additional procedures at group level, we have been able to obtain sufficient and appropriate audit evidence about the Group's financial information to provide an opinion about the consolidated financial statements.

Our key audit matters
Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements. We have communicated the key audit matters to the audit committee. The key audit matters are not a comprehensive reflection of all matters discussed. These matters were addressed in the context of our audit of the financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters. The key audit matters in 2017 are consistent with those reported in the prior year, except the business combinations - acquisition of Levolor in 2016 was replaced by the business combinations – acquisition of Hillarys in 2017.

Revenue Recognition

Risk
The Company has a total revenue of USD 3,226 million in 2017.

The Company recognizes net sales when the significant risks and rewards of ownership of the goods have passed to the buyer and can be reliably measured and to the extent that it is probable that the economic benefits will flow to the Group.

Net sales represent the fair value, generally equal to the invoiced value of manufactured products delivered to customers net of freight, returns, allowances and sales tax.

Considering the nature of the business and size of net sales, we have determined that this area, especially revenue recognition with regard to cut-off, constitutes a significant risk.

The disclosures for revenue recognition and sales commitments are included in the financial statements in note 3.

Our audit approach
We designed our audit procedures to be responsive to this risk.
- We obtained an understanding of the processes related to revenue recognition and evaluated the design and, when efficient and effective, tested the controls in this area relevant to our audit.
- We performed a combination of internal control and substantive audit procedures to address the significant risk relating to revenue recognition.
- Our focus included examining contracts with significant customers, performing extensive sales cut-off procedures and performing analytics over key revenues streams and comparisons with prior periods.
- Finally, we reviewed the adequacy of the disclosures made by the Company in this area.

Key observations
Based on the audit procedures performed, we did not identify any material misstatements in the revenue reported and conclude that the disclosures in the financial statements are adequate.

Valuation of goodwill

Risk
At 31 December 2017 the total carrying value of goodwill amounted to USD 876 million.

Goodwill is allocated to (groups of) Cash Generating Units (CGU) within the window covering or architectural products segment, which represent the lowest level within the Group at which goodwill is monitored for internal management purposes in accordance with IAS 36.

Impairment tests are performed by Group management annually, or more frequently if impairment indicators are present, by comparing the carrying amount and the recoverable amount of the CGU to which non-current assets are allocated. The recoverable amount is the higher of the CGU's fair value less costs of disposal and its value in use. In assessing the recoverable amount, the pre-tax estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the CGU.

The assumptions used in the impairment test represent management's best estimate for the period under consideration.

Considering the level of uncertainty in the assumptions used in estimating the recoverable amount we have determined that this area constitutes a significant risk.

The Company disclosed the nature and value of the assumptions used in the impairment analyses in note 6.

Our audit approach
We designed our audit procedures to be responsive to this risk.
- We obtained an understanding of the impairment assessment processes and evaluated the design of controls in this area relevant to our audit.
- We validated that the CGUs identified continue to be appropriate in the current year and tested the allocation of assets and liabilities to each CGU.
- Our focus included evaluating and testing key assumptions used in the valuation, challenging projected future income and earnings, performing sensitivity analyses, and testing the allocation of the assets, liabilities, revenues and expenses.
- The forecasted earnings are an important input for the assessment of the recoverability. We have reconciled these forecasts for the CGUs to the Group's 2018 approved budgets. Considering the nature of the business the 2018 budget is the most accurate forecast for future earnings and this is extrapolated to future years.

- We also assessed the forecasting quality by comparing forecasts as included in prior years impairment test to the actual results.
- We have involved EY valuation experts to support us in these procedures.
- Finally, we reviewed the adequacy of the disclosures made by the Company in this area.

Key observations
Based on our work performed, we agreed with the Company's conclusion that no impairment of goodwill is required in the current year and that the disclosures in the financial statements are adequate.

Taxes on income - valuation of deferred tax assets

Risk
At 31 December 2017, the Group had deferred tax assets on deductible temporary differences of which USD 128 million. At the same date the Group also had deferred tax assets on tax losses carried forwards of which USD 36 million were recognized and USD 133 million were not recognized. The analysis of the recognition and recoverability of the deferred tax assets was significant to our audit because the amounts are material, the assessment process is complex and judgmental and is based on assumptions that are affected by expected future market or economic conditions, especially as it relates to future performance.

The disclosures in relation to income taxes are included in note 19.

Our audit approach
We designed our audit procedures to be responsive to this risk.
- We obtained an understanding of the income taxes process, and evaluated the design of controls in this area relevant to our audit.
- We performed substantive audit procedures on the recognition of deferred tax balances based on different local tax regulations, and on the analysis of the recoverability of the deferred tax assets.
- We have evaluated the Company's assumptions and estimates in relation to the likelihood of generating sufficient future taxable income based on most recent budgets and plans, prepared by management by using the same criteria described for testing the impairment of assets and goodwill, principally by performing sensitivity analyses, back testing, and evaluating and testing the key assumptions used to determine the amounts recognized.
- We have involved EY tax specialists to support us in these procedures.
- Finally, we reviewed the adequacy of the disclosures made by the Company in this area.

Key observations
Based on the procedures performed, we concluded that the deferred tax asset balances at year-end are materially correct and adequately disclosed in the financial statements.

Business combinations – Hillarys acquisition

Risk
As per 17 July 2017, Hunter Douglas acquired Hillarys, a UK retailer of blinds, curtains and carpets from Ares Capital Corporation for a purchase price of GBP 300 million.
This acquisition has led to an addition to goodwill of USD 361 million and to intangible assets of USD 42 million.
Since this acquisition is the largest acquisition in the history of Hunter Douglas, we have identified purchase price allocation as a significant risk.
All the disclosures for the business combination are included in note 5.

Our audit approach
We have designed our audit procedures to be responsive to this risk:
- We obtained an understanding of the transaction and the purchase price allocation processes and evaluated the design of controls in this area relevant to our audit.
- We challenged and verified the existence and valuation of all material assets and liabilities acquired, including intangible assets.
- We reviewed the agreements for any additional (contingent) liabilities (or assets) that should be accounted for or disclosed separately.
- Finally, we reviewed the adequacy of the disclosures made by the Company in this area.

Key observations
Based on our audit procedures performed, we concluded that all material assets and liabilities, including goodwill and other intangibles identified are fairly stated and adequately disclosed in the financial statements.

Report on other information included in the annual report
In addition to the financial statements and our auditor's report thereon, the annual report contains other information that consists of:
- The directors' report
- Other information pursuant to Part 9 of Book 2 of the Dutch Civil Code

Based on the following procedures performed, we conclude that the other information:
- Is consistent with the financial statements and does not contain material misstatements
- Contains the information as required by Part 9 of Book 2 of the Dutch Civil Code

We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements. By performing these procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of the procedures performed is less than the scope of those performed in our audit of the financial statements.

Management is responsible for the preparation of the other information, including the directors' report in accordance with Part 9 of Book 2 of the Dutch Civil Code and other information pursuant to Part 9 of Book 2 of the Dutch Civil Code.

Report on other legal and regulatory requirements

Engagement
We were engaged by the audit committee as auditor of Hunter Douglas N.V. as of the audit for the year 2004 and have operated as statutory auditor ever since that date.

Description of responsibilities for the financial statements

Responsibilities of management and the audit committee for the financial statements
Management is responsible for the preparation and fair presentation of the financial statements in accordance with EU-IFRS and Part 9 of Book 2 of the Dutch Civil Code. Furthermore, management is responsible for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, management is responsible for assessing the Company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, management should prepare the financial statements using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so. Management should disclose events and circumstances that may cast significant doubt on the Company's ability to continue as a going concern in the financial statements.

The audit committee is responsible for overseeing the Company's financial reporting process.

Our responsibilities for the audit of the financial statements
Our objective is to plan and perform the audit assignment in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not have detected all material errors and fraud.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

We have exercised professional judgment and have maintained professional skepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit included e.g.:

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management
- Concluding on the appropriateness of management's use of the going concern basis of accounting, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a Company to cease to continue as a going concern
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures
- Evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation

Because we are ultimately responsible for the opinion, we are also responsible for directing, supervising and performing the Group audit. In this respect we have determined the nature and extent of the audit procedures to be carried out for Group entities. Decisive were the size and/or the risk profile of the Group entities or operations. On this basis, we selected Group entities for which an audit or review had to be carried out on the complete set of financial information or specific items.

We communicate with the audit committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identify during our audit

We provide the audit committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the audit committee, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, not communicating the matter is in the public interest.

Rotterdam, 6 March 2018

Ernst & Young Accountants LLP

Signed by P.W.J. Laan

2. 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 1.85 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.

3. Shareholders' meetings

The shareholders' meetings will be held on 6 June 2018 at Dokweg 19, Maduro Plaza, 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.

4. Dividends

Cash dividends will be distributed on all shares. Dividends declared pursuant to the preceding paragraphs will be distributed on 14 June 2018.

5. Audit and Compensation Committees

The members for both committees are:

A. Nühn
A. Ruys
F. Wagener

Five-year summary

Millions, except per share data	Notes	2017	2016*	2015	2014	2013
				USD		
Net sales		**3,226**	2,821	2,552	2,695	2,636
Earnings before interest, tax, depreciation and amortization (before non-recurring restructuring expenses)		**391**	365	317	282	261
Income from Operations (before non-recurring restructuring expenses)		**289**	279	237	193	170
Net Profit from Operations (before non-recurring restructuring expenses)		**233**	221	175	146	118
Non-recurring restructuring expenses		**-20**	-16	-14	-23	-12
Net Profit from Operations (after non-recurring restructuring expenses)		**213**	205	161	123	106
Net Result Investment Portfolio		**6**	1	-5	2	1
Total Net Profit		**219**	206	156	125	107
Extraordinary tax gain			65			
Total Net Profit (after extraordinary tax gain)		**219**	271	156	125	107
Operating cash flow		**181**	197	210	152	220
Investments in tangible fixed assets		**130**	84	60	73	69
Depreciation of tangible fixed assets		**82**	71	74	82	83
Net Assets Employed		**2,421**	1,772	1,315	1,453	1,510
Shareholders' equity		**1,384**	1,246	1,065	1,050	1,124
Per common share						
- Total Net Result (before extraordinary tax gain)	1	**6.28**	5.91	4.49	3.59	3.08
- Operating cash flow	1	**5.22**	5.67	6.03	4.37	6.32
- Shareholders' equity	2	**39.80**	35.84	30.60	30.19	32.30
- Dividend in EUR (proposed for 2017)		**1.85**	1.75	1.50	1.35	1.25
Average annual exchange rate EUR/USD		**1.13**	1.10	1.11	1.33	1.33
Year-end exchange rate EUR/USD		**1.20**	1.05	1.09	1.21	1.38
Average number of outstanding common shares (thousands)	3	**34,790**	34,786	34,786	34,786	34,785
Year-end number of outstanding common shares (thousands)	3	**34,790**	34,786	34,786	34,786	34,786

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.

* Adjusted, refer to note 7

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
Luxaflex Scandinavia, Aarhus, 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

Ireland
T.M. Blinds, Newcastle

Israel
Holis, Afula

Italy
Architectural Prometal, Vincenza
Hunter Douglas Italia, Milan

Netherlands
Hunter Douglas, Rotterdam
Hunter Douglas Europe, Rotterdam, Leek, Oudenbosch
Buismetaal III, 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, Gjövik, Oslo
HD Solskjerming, Molde
Lunex, Kløfta
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

Russia
Hunter Douglas, Moscow

Serbia
Hunter Douglas, Belgrade

South Africa
Aluvert, Johannesburg (88.26%)
Luxaflex South Africa, Johannesburg
Hunter Douglas Architectural South Africa, Johannesburg

Spain
Hunter Douglas España, Llagostera, Madrid

Sweden
Hunter Douglas Scandinavia, Alingsås, Hillerstorp
Hunter Douglas Assembly Automation, Stenungsund
Nibrol, Angered
Luxaflex Scandinavia, Helsingborg, Anderstorp, Falköping

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

Turkey
Hunter Douglas, Istanbul

United Arab Emirates
Hunter Douglas Middle East, Dubai

United Kingdom
AMO Blinds, Liversedge, Hartlepool
Apollo Blinds, Glasgow
Blinds2go, Nottingham (60.2%)
Eclipse, Glasgow
Faber Blinds, Northampton
Hillarys, Nottingham (98.2%)
Hunter Douglas, Sunninghill,
Luxaflex Stockport, Birmingham
Stevens, Brechin
Sunflex, Cannock
Thomas Sanderson Blinds, Waterlooville
Turnils, Glasgow

North America
www.hunterdouglas.com

Canada
Hunter Douglas Canada, Brampton (ON),
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 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: Cumberland (MD), Salt Lake City (UT), West Sacramento (CA)
3form, Salt Lake City (UT)
E.F.I., Kernersville (NC)
Architectural Window Shades/Nysan Specialty Shades, El Monte (CA)
Carole Fabrics, Augusta (GA)
Century Blinds, Corona (CA)
Comfortex Window Fashions, Maplewood (NY)
Contract Window Coverings, Poway (CA)
Custom Brands Group, Cerritos (CA)
Eclipse Shutters, Suwanee (GA)
Flexo Solutions, Appleton (WI)
HD Hospitality, Las Vegas (NV)
Kirsch Drapery Hardware, Buford (GA)
Levolor, Atlanta (GA)
LightArt, Seattle (WA)
Luxalon Metal Ceilings, Norcross (GA)
Mermet, Cowpens (SC)
Nibrol/Julius Koch USA, Lancaster (SC)
Techstyle Ceilings, Denver (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

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, Suzhou, Xian, Chengdu,
Shenzhen,
Hunter Douglas Window Covering
Products, Shanghai, Beijing, Shenzhen
Turnils/Mermet, Shanghai

Hong Kong
Hunter Douglas China/Hong Kong

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

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,
Phnom Penh (Cambodia)
Blaze, Hanoi (49%)

Australia
www.hunterdouglas.com.au

Hunter Douglas Components, Sydney
Hunter Douglas Blindmaker, Sydney,
Brisbane
Hunter Douglas Architectural Products,
Sydney
Turnils, Sydney
Blinds Online, Melbourne (60.2%)

Hunter Douglas N.V.

Directors

R. Sonnenberg
Executive Chairman
Hunter Douglas N.V.

A. Nühn
Former Chairman Sara Lee/DE

A. Ruys
Chairman Heineken N.V. (retired)
(since January 2017)

J.T. Sherwin
Executive Vice President
Hunter Douglas N.V. (retired)

F.N. Wagener
Chairman Bourse Luxembourg

Officers

R. Sonnenberg
Executive Chairman

D.H. Sonnenberg
Co-President & CEO

M.H. Sonnenberg
Co-President & CEO

R.R. Kass
President & CEO
North American Operations

C. King
Vice President General Counsel

A. Kuiper
President & CEO European Operations

G.C. Neoh
President & CEO Asian Operations

T. Politis
Managing Director Hunter Douglas
Australia & New Zealand

L. Reijtenbagh
Vice President, CFO & Secretary

R. Rocha
President & CEO Latin American
Operations

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› Frankfurt (HUD)

Preferred shares:
› Amsterdam (HUNDP)

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Fax: +41-41-419 27 28

R. Sonnenberg
Executive Chairman

C. King
Vice President, General Counsel &
Secretary

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L. Reijtenbagh
Vice President, CFO & Secretary
Phone: +31-10-486 95 82

Depositaries and dividend disbursement agents
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› ING BANK: Amsterdam, Rotterdam - The Netherlands

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Back cover › Duette® Shades