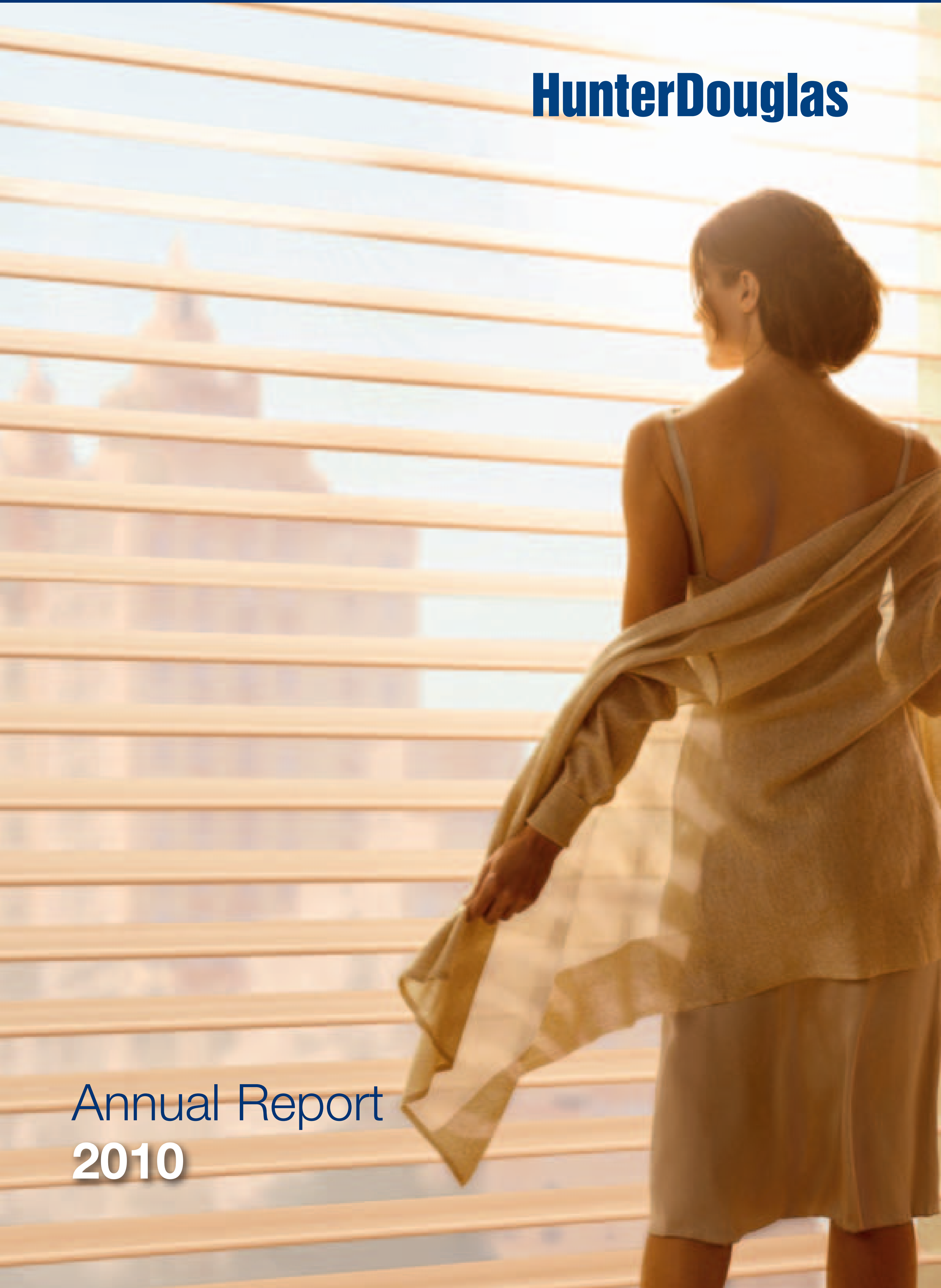
HunterDouglas



# Annual Report
# 2010

HunterDouglas®

Luxaflex®

DUETTE®

SILHOUETTE®

LUMINETTE®

VIGNETTE®

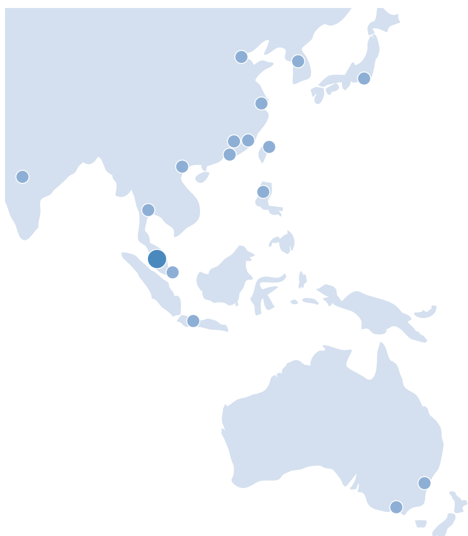
PIROUETTE®

3form®

LUXALON®

NBK | Ceramic
ARCHITECTURAL TERRACOTTA

Nedal®



## Operational Headquarters

- **Rotterdam, The Netherlands**
  World Headquarters and
  European Operations

- **Lucerne, Switzerland**
  Management Office

- **Upper Saddle River, NJ, USA**
  North American Operations

- **São Paulo, Brazil**
  Latin American Operations

- **Kuala Lumpur, Malaysia**
  Asian Operations

# HunterDouglas

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

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

The Group is comprised of 167 companies with 68 manufacturing and 99 assembly operations and marketing organizations in more than 100 countries.

Hunter Douglas employs about 17,000 people and had sales in 2010 of USD 2.4 billion.

## Operating Style

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

Dynamic and performance oriented

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

Innovative proprietary products

Creative marketing and promotional programs

Strong brands:
**HunterDouglas®** in North America and Asia, and for Architectural Products worldwide
**Luxaflex®** for residential window coverings in the rest of the world

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# Financial highlights

## Two-year summary

| | Notes | USD millions 2010 | USD millions 2009 | Notes | EUR per common share 2010 | EUR per common share 2009 |
|---|---|---|---|---|---|---|
| **Net Sales** | | **2,445** | 2,376 | | | |
| **Earnings before interest, tax, depreciation and amortization (before non-recurring restructuring expenses)** | | **257** | 213 | 3 | **5.45** | 4.30 |
| Income from Operations (before non-recurring restructuring expenses) | | **167** | 120 | | | |
| **Net Profit from Operations (before non-recurring restructuring expenses)** | | **159** | 114 | 3 | **3.37** | 2.31 |
| Non-recurring restructuring expenses | | **-17** | -27 | | | |
| **Net Profit from Operations (after non-recurring restructuring expenses)** | | **142** | 87 | 3 | **3.01** | 1.76 |
| Net Result Investment Portfolio | | **11** | 3 | | | |
| **Total Net Result** | 1 | **153** | 90 | 3 | **3.24** | 1.82 |
| Operating Cash flow | | **159** | 234 | 3 | **3.36** | 4.59 |
| Investments in tangible fixed assets | | **71** | 63 | | | |
| Depreciation property, plant and equipment | | **85** | 88 | | | |
| **Net Assets Employed** | 2 | **1,710** | 1,654 | | | |
| **Shareholders' equity** | | **1,159** | 1,372 | 4 | **24.51** | 26.90 |
| **Return on equity** | | **12.1%** | 6.8% | | | |
| Dividend | | | | 5 | **1.25** | 1.00 |
| Extra dividend | | | | 5 | | 7.00 |
| **RONAE:** (Return before interest/net assets employed) | | **10.3%** | 7.1% | | | |
| Employees (at year-end) | | **17,127** | 16,818 | | | |

1 Net Result attributable to equity shareholders
2 Total assets (excl. Investment Portfolio) minus non-interest-bearing current liabilities
3 Based on the average number of shares outstanding during the affected year
4 Based on the number of shares outstanding at year-end, adjusted for treasury shares
5 Proposed for 2010

# Chairman's letter

## To our shareholders

Hunter Douglas has started to benefit from the extensive restructuring measures implemented during the previous two years to bring our European and US operations' expenses and capacity in line with current levels of sales.

**Sales:** were USD 2.445 billion; 2.9% higher than in 2009.

Sales volumes (excluding acquisitions and currency effects) were 4% lower in Europe, 3% higher in North America, 8% higher in Latin America, 2% lower in Asia and 9% lower in Australia.

**Earnings before interest, tax, depreciation and amortization – EBITDA (before non-recurring restructuring expenses)** were USD 256.9 million, 20.8% higher than USD 212.7 million in 2009.

**Income from Operations (before non-recurring restructuring expenses):** 39.0% higher to USD 166.8 million compared with USD 120.0 million in 2009; higher in all areas except Latin America and Asia.

**Net Profit from Operations (before non-recurring restructuring expenses):** 38.6% higher to USD 158.6 million compared with USD 114.4 million in 2009.

**Non-recurring restructuring expenses 2010** were USD 17.0 million compared with USD 27.2 million in 2009. The 2010 non-recurring restructuring expenses relate to the European, North American and Asian operations.

**Net profit from Operations (after non-recurring restructuring expenses):** 62.4% higher to USD 141.6 million compared with USD 87.2 million in 2009.

**Net Result Investment Portfolio:** USD 11.2 million (after deduction of imputed interest and expenses) compared with USD 2.9 million in 2009.

**Total Net Result:** USD 152.8 million (per share EUR 3.24), 69.6% higher than USD 90.1 million in 2009 (per share EUR 1.82).

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

**Acquisitions** included:

- Benthin: a leading Germany based developer and supplier of window covering hardware systems.
- Faber: a well known Danish fabricator of window coverings.
- A Polish assembly facility.
- Hamstra: a leading Dutch developer and manufacturer of made-to-measure insect screens.
- Warren Stevens: a Minnesota USA based fabricator of our products.
- Phonex: an Argentina based manufacturer of metal ceilings.

**Capital Expenditures** in 2010 were USD 71 million, while depreciation was USD 85 million.
Investments were dedicated to growing our existing businesses, efficiency improvements and new products. In 2011 capital expenditures will be about USD 125 million and depreciation USD 87 million.

We are building new plants in:

- Xian, China: to serve the Western China market.
- Suzhou, China: for the manufacture of terracotta architectural panels.
- Chennai, India: for architectural products.

**Net Result Investment Portfolio:**
The Portfolio's return in U.S. Dollar (before imputed interest and expenses) was 13.7% compared with 5.4% in 2009. The Portfolio had a fair value at year end 2010 of USD 143 million compared with USD 144 million at year end 2009. We plan to increase our Investment Portfolio to about USD 200 million. Management of these assets is delegated to a widely diversified range of independent managers.

**Operating Cash flow** in 2010 was USD 159 million compared with USD 234 million in 2009.

**Dividend:** The Directors propose a Regular Dividend for 2010 of EUR 1.25 per Common share, compared with EUR 1.00 for 2009.

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

**Outlook:** Our outlook continues to be cautious for Europe and North America where we expect the business environment to remain challenging until housing markets and consumer confidence recover. We expect continued strong growth in our Asian and Latin American operations.

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

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

Ralph Sonnenberg
Chairman & Chief Executive Officer

# History

## Global time line 1919 - 2010

**1919-1946**

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

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

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

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

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

**1946-1960**

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

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

**1960-1980**

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

In 1969 the Hunter Douglas Group went public, and its shares were listed on the Montreal and Amsterdam Stock Exchanges.
In 1971, Hunter Douglas' Group headquarters were moved to Rotterdam, the Netherlands, and Hunter Douglas N.V., became the worldwide Group parent Company.

In 1976, Hunter Douglas reacquired its former U.S. business.

**1980-2000**

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

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

**2000-2010**

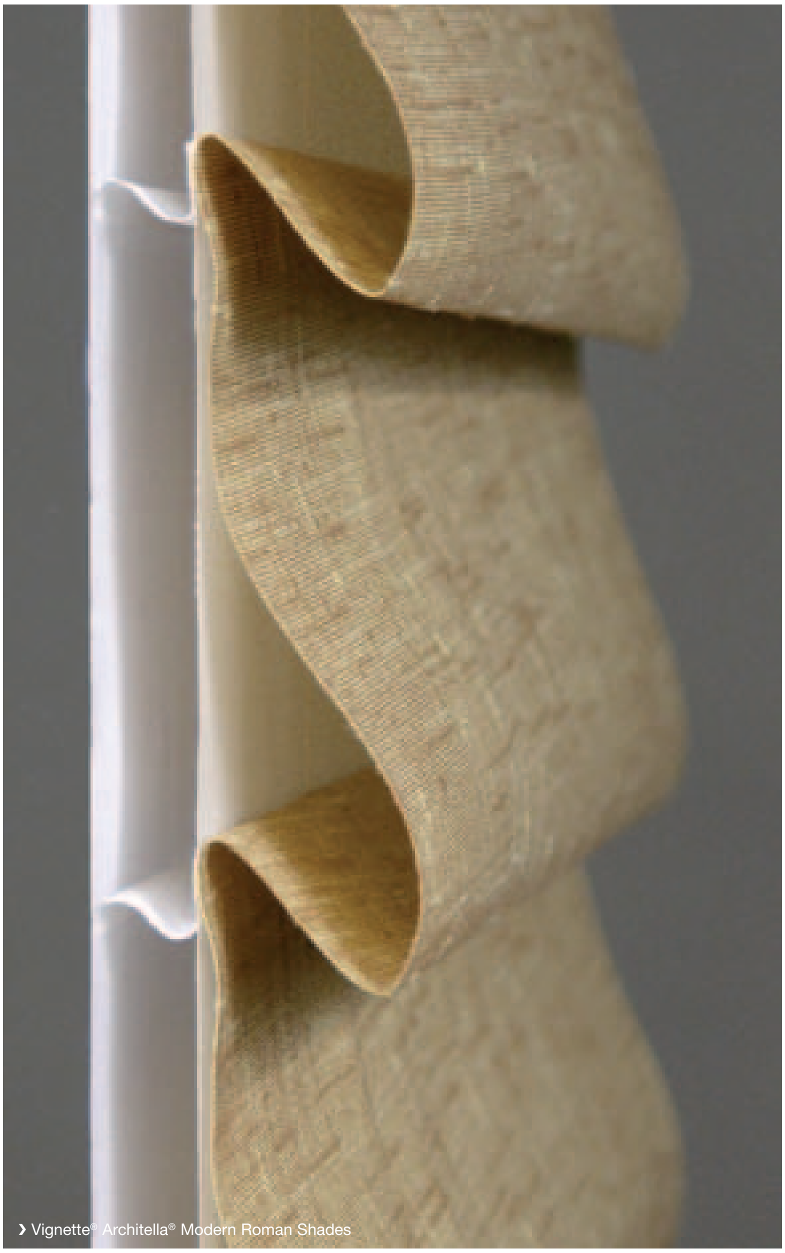
2000 - LiteRise® cordless system was launched in the U.S. and EOS® hardware operating system for blinds and shades was introduced in Europe
2003 - Techstyle® Acoustical Ceilings
2004 - Facette® Shades, XL Panel and the Alustra® Collection
2005 - Duette® TruRise® lifting system
2006 - Duette® Architella® Shades, Skyline™ Window Panels and Reveal™ with MagnaView™ Blinds
2007 - Pirouette® Window Shadings and Platinum™ Technology Motorization
2008 - Nano Roller Blinds
2009 - Luminette® Modern Draperies, Nantucket™ Sunscreen Privacy Shadings and Design Studio™ Roman Shades
2010 - Vignette® Architella® Modern Roman Shades, RB 500 Roller Shade 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.

› RB 500 Roller Shade System



› Vignette® Architella® Modern Roman Shades

### RB 500 Roller Shade System

Introducing RB 500, the muscle behind elegance at the window. Featuring a sleek architectural design with smooth operation and unrivaled inner strength, the RB 500 roller shade operating system spans even the largest windows. Well-designed large shades make a dramatic statement, defining and controlling heat, light, and views. Highly durable hardware and operating systems deliver smooth and reliable operation.

### Vignette® Architella® Modern Roman Shades

New Vignette® Tiered™ Architella® Modern Roman Shades feature a new, proprietary design that elevates energy efficiency at the window to a higher level. Fabric air pockets behind each fabric fold trap air and double the degree of insulation compared to traditional Vignette® Tiered Shades. This product also delivers the highest sound absorption rating of any Hunter Douglas product.

*"Gentle translucency for an endless variety of moods."*

Silhouette® Window Shadings

*“We make ‘green’ beautiful with stylish solutions for saving energy.”*

**Duette® Honeycomb Shades**

# Window Coverings

## Hunter Douglas is the world market leader in window coverings.

› Our strength is our ability to develop and market innovative, high quality, proprietary products, targeted primarily at upscale consumers.

› Our success is based upon trusted brand names recognized around the world: HunterDouglas®, Luxaflex®, Duette®, Silhouette® and Vignette®.

› Our proprietary fabric shades are consistently recognized for excellence in design, styling, features, quality and breadth of selection: Duette® Honeycomb Shades, Silhouette® and Pirouette® Window Shadings, Luminette® Privacy Sheers, Vignette® Modern Roman Shades and Facette® Shades.

› In addition to our proprietary design innovations, we offer a fully integrated and premium line of standard window covering styles. These include Venetian and Vertical Blinds, Roman, Roller, Pleated and Woven Wood Shades, Wood and Alternative Wood Blinds and Custom Shutters. And Exterior Venetian Blinds, Screen Products, Shutters and Awnings.

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

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

› Silhouette® Window Shadings

### Platinum™ Solar Energy Sensor and Accessories

Our new Platinum™ Solar Energy Sensor detects solar energy entering a home through a window and raises or lowers our window coverings to better insulate the space. In 'Winter' mode, the sensor raises the covering when appropriate to allow solar energy into the room for warmth. In 'Summer' mode, window coverings are lowered to block solar heat from entering, while keeping the cooler air inside. Other new accessories include our one-of-a-kind Platinum™ Technology RF Adapter that senses AC power at a standard outlet and emits a radio frequency signal to open or close the window coverings. The Platinum™ Technology LCD Timer can be set to automatically raise, lower, traverse or tilt window coverings at customer-controlled times.

### GreenScreen®

GreenScreen® is the first line of PVC-free solar shading fabrics that was designed exclusively for internal and external roller shades and solar control systems. It is the only PVC-free contract fabric on the market that offers a high level of sustainability while maintaining fire retardant characteristics. The shades consist of a PVC-free construction of polyurethane and a specially designed, pre-stretched polyester core. As an example GreenScreen® EarthCare is a fabric made from lactic acid, originated from sugarcane and maize starch. For the production of the material, wind energy is used, causing less greenhouse gasses. At the end of its lifecycle the product is industrially compostable and indeed almost carbon neutral.

# Architectural Products

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

› We focus on high-performance architectural materials with proprietary characteristics in design, comfort, and sustainability.

› Our strength is our ability to develop customizable product systems, which assure reliable installation and enable design flexibility with minimal custom engineering.

› Our success is based on giving architects a high degree of technical and design assistance in applying our products. We collaborate with architects and owners to realize their design objectives while also meeting functional needs such as light control, energy efficiency, and acoustics.

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

### Sun-Control Solutions

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

### Ventilated Façade Systems

Our QuadroClad® ventilated façade system features a versatile substructure and attractive metal, glass, and resin panels in a wide range of sizes and shapes.
In 2007 the Group acquired NBK, a pioneering manufacturer of terracotta façades. NBK is today the market and quality leader in size, flatness, and design options for large terracotta panels.

### Suspended Ceilings

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

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

### 3form® Translucent Materials

In 2007, Hunter Douglas acquired 3form®, the leading manufacturer of translucent panels. 3form® Resin Panels encapsulate a wide variety of materials, giving architects and interior designers the flexibility to create a wide range of designs and applications, including back-lit feature walls, translucent surfaces and space dividers, as well as sliding doors.

› QuadroClad® Metal Façade - The Cultural & Performance Theater, World Expo, Shanghai

› NBK Ceramic TERRART® Special, Central Saint Giles, London

# Our Company

## Research & Development

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

› We have specialized R & D Centres in the United States, the Netherlands, Germany, China and South Korea where products are currently under development for introduction in 2011, 2012 and beyond.

› Around the world, our subsidiaries adapt products to respond to local market needs.

› We are continually seeking, testing and developing new ideas and concepts that will enable Hunter Douglas to serve and grow our markets in future years.

› Top priorities are the comfort and safety of the end users, the functionality and durability of our products and the evolving fashion and style needs of the marketplace.

› We strive to simplify assembly, improve production processes, eliminate waste and reduce maintenance.

› In 2011 we expect our R & D activities to remain at similar levels as in 2010.

## Manufacturing

More than 60 years ago, Hunter Douglas pioneered a unique, continuous casting and integrated manufacturing process for aluminium, to produce painted aluminium strip, and from that the basic materials for many of our products. That innovative thinking has been applied to all aspects of our operation.

› We have applied the lessons learned in manufacturing metal products to our fabric shades and have set the industry standard for forming fabrics into innovative designs that trap air in cellular pockets for superior insulation, softly diffuse harsh incoming light, provide privacy while preserving outside views and help protect furnishings from damaging UV rays.

› Our proprietary innovations include the energy-efficient cells used in Duette® and Vignette® Architella® Shades; translucent sheer fabrics used in shades, sheers and shading systems; and the process for bonding diverse fabrics to yield products like Silhouette® and Pirouette® Window Shadings, Vignette® Modern Roman Shades and Luminette® Privacy Sheers.

› We concentrate production of our principal products in a few efficient manufacturing locations around the world.

› Process re-engineering and automation is a critical concept in a custom business, allowing us to better manage inventory and our other assets, lower costs, and serve our customers more quickly and efficiently.

## Worldwide distribution system

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

› We rely upon a worldwide network of several thousand independent and 99 company-owned fabricators to sell, assemble and distribute our products in local markets.

› We closely support fabricators to ensure they consistently offer the best quality and service.

› We provide sophisticated sampling, merchandising and training programs to enable our fabricators to establish strong dealer networks.

› We provide support to over 100,000 retail dealers - the second tier in our distribution network. They rely upon us for sales and marketing programs; advertising and promotional campaigns; sampling, displays and signage; product education and business-building programs; technical service and assistance in computer-supported administrative areas.

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

› Strong and enduring relationships have been forged between Hunter Douglas, our fabricators and our dealers. We consider them to be our strategic partners and the principal sales and marketing arms for our products.

## Marketing

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

› Brand awareness is built through many channels: print, broadcast and online advertising campaigns; a comprehensive consumer website; retail merchandising and displays; relationship building with the trade and consumer press, as well as interior designers and architects; newspaper and magazine articles and editorials; sponsorship of special events and worthy charitable causes at the local, national and international levels.

› Our messages are based upon extensive research into consumer needs, motivations and regional differences, enabling us to better understand what consumers most desire from our products and what dealers need to support and sell them.

› Once in a retail store, the consumer will find a wealth of materials that help simplify the purchase decision: brochures, design books, sampling of the full range of colours and options, and displays that show how actual products look and function.

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

Our internet sites enable us to:

› Give consumers the information and interactive design tools they need to help narrow their product selections and make appropriate buying decisions when visiting our dealers' showrooms.

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


Luxaflex

## Education, Corporate Citizenship and Employment

### Education

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

› We hold consumer seminars to help prospective buyers understand the importance of window coverings for home fashions and for light control and energy efficiency.

› We provide training seminars and hands-on workshops for retailers, designers and installers - including CD-Roms, videotapes, and web-based instructions - throughout the world.

› We have created the industry's first and only formal Retail Alliance Program, offering our very best dealers a choice of tiered partnership options that reward their brand loyalty with lucrative business-building benefits, including financial incentives and exclusive products and programs.

› Through our exclusive partnership with Archiprix International, we build relationships with the next generation of architects as they begin their careers after college. With our support, Archiprix organizes a biennial international competition for the best graduation projects in architecture. Finalists travel to a host city with hundreds of architects from around the world, where an independent jury evaluates the student entries and recognizes the most outstanding work with the Hunter Douglas award.

› Our 'Windows of Opportunity' seminar on the use of window fashions in interior design reaches more than 2,500 design school students and designers in major United States' markets each year.

› At the Fashions Institute of Technology in New York and other leading design schools, we provide design students with industry overviews and a business perspective through teaching opportunities.

› At the renowned Pratt School of Architecture, we have sponsored design studio projects that challenge students to envision new and novel ways to integrate our products and materials into architectural structures.

### Corporate Citizenship

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

› We provide window coverings to hospitals, research centres and healthcare facilities around the world.

› We support educational opportunities for the families of our staff and less privileged members of our communities.

› In the United States and Canada, we sponsor Habitat for Humanity, donating custom window coverings for the homes they have built for low-income families since 1993. Our employees have also contributed thousands of hours in sweat equity assisting with the building of these homes at the local level.

› We stimulate students' awareness of our products and encourage their creativity through competitions in which they are judged upon the innovative application of our products in their design projects.

› Hunter Green™ and Keen on Green are important company-wide environmental initiatives being undertaken by our Hunter Douglas branded companies to reduce energy consumption, water usage and our overall carbon-footprint. It also includes an ongoing consumer marketing effort to increase awareness of our corporate commitment to the cause as well as the superior energy-saving benefits of our products.

### Employment

Employment levels increased from 16,818 to 17,127. This is not expected to materially change in 2011.

## Strategy

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

# Corporate Governance

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

## Corporate structure

### Board of Directors

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

### Independence

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

### Functions

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

### Audit and Compensation Committees

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

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

### Chairman, President & CEO

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

### Officers

The Board annually appoints the Officers of the Company – the President, the Co-Presidents, four regionally responsible Vice Presidents, two Staff Vice Presidents and a Corporate Secretary. The Vice Presidents and Corporate Secretary report to the President.

### 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 Vice Presidents, has clearly defined Authority Limits.

### Whistleblower Policy

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

## Compensation

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

### Stock options

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

### Stock

It is not the Company's Policy to provide stock at no cost.

### Loans

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

## Investor Relations

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

## Financial Risk Management Objectives and Policies

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

## Objectives

The Company's objectives are to:

› Expand its Window Coverings and Architectural Products businesses at a growth rate exceeding that of the market while continuing to be the best Company in the industry;

› Develop and introduce innovative new products;

› Seek acquisitions that add to the Company's organic growth by expanding product lines or distribution and that meet its return targets;

› Continue with an efficient decentralized entrepreneurial organization, based on the principle of 'maximum accountability with minimum interference'.

## Sensitivity to External Factors

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

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

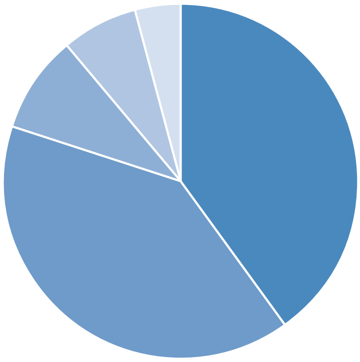
› Prices for raw materials, in particular: aluminium, steel, fabric, synthetics and other oil based products;

› Exchange rates: The majority of the Company's sales and profits are in U.S. dollars. U.S. dollar rates against the Euro and other currencies can therefore affect the Company's results. Hunter Douglas' policy is to generally hedge transactional exposures, to selectively hedge translation of earnings, and generally not to hedge balance sheet exposures.

Rotterdam, 15 March 2011

Board of Directors

# Worldwide sales



Europe, Middle East and Africa 40% (2009: 42%)
North America 40% (2009: 38%)
Latin America 9% (2009: 8%)
Asia 7% (2009: 8%)
Australia 4% (2009: 4%)

## Segment information*

| USD x million | Europe | | North America | | Latin America | | Asia | | Australia | | Total | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2010 | 2009 | 2010 | 2009 | 2010 | 2009 | 2010 | 2009 | 2010 | 2009 | 2010 | 2009 |
| **Net sales** | | | | | | | | | | | | |
| Window Coverings | **824** | 809 | **868** | 826 | **170** | 146 | **77** | 64 | **97** | 92 | **2,036** | 1,937 |
| Architectural Products | **86** | 119 | **87** | 86 | **49** | 43 | **105** | 117 | **6** | 5 | **333** | 370 |
| Other | **76** | 69 | | | | | | | | | **76** | 69 |
| Total*** | **986** | 997 | **955** | 912 | **219** | 189 | **182** | 181 | **103** | 97 | **2,445** | 2,376 |
| Net assets employed** | **987** | 951 | **368** | 401 | **95** | 86 | **124** | 122 | **58** | 54 | **1,632** | 1,614 |
| of which | | | | | | | | | | | | |
| Non-current assets*** | **419** | 383 | **382** | 400 | **51** | 39 | **87** | 80 | **26** | 27 | **965** | 929 |
| Additions to tangible fixed assets | **35** | 27 | **15** | 14 | **7** | 11 | **11** | 9 | **3** | 2 | **71** | 63 |
| Depreciation tangible fixed assets | **41** | 45 | **29** | 30 | **5** | 4 | **7** | 7 | **3** | 2 | **85** | 88 |
| Employees per year-end | **7,046** | 6,984 | **6,303** | 6,205 | **1,686** | 1,506 | **1,687** | 1,712 | **405** | 411 | **17,127** | 16,818 |

(*) This table excludes the turnover of 447 (2009: 318) and net assets employed of 78 (2009: 40) of Metals Trading.
(**) Total assets (excl. Investment Portfolio) minus non-interest-bearing current liabilities.
(***) Net sales in the Netherlands were 189 (2009: 199) and non-current assets 115 (2009: 98).

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

# Europe

## Our European Operations had higher sales and profits.

Aad Kuiper
President & CEO
European Operations

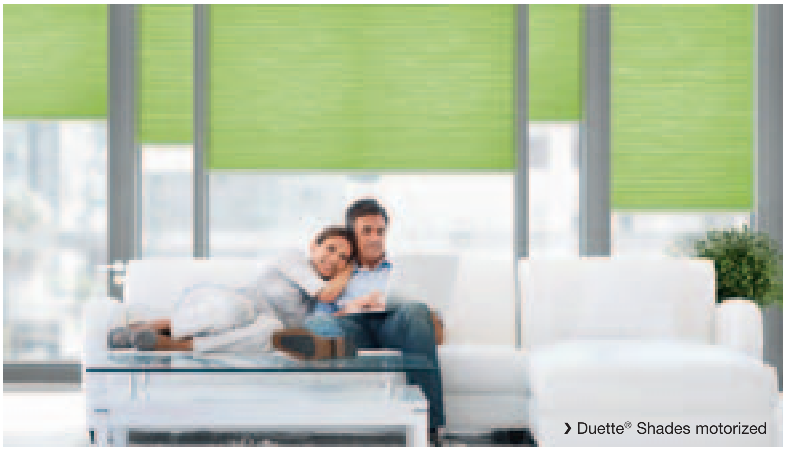
### Hunter Douglas Europe

Hunter Douglas Europe continued to improve results despite an uncertain economic climate. Consumer demand remained weak in the UK, Ireland, Spain and Portugal. Our Commercial business faced a continued decline in business during the first half of the year, but order portfolios stabilized in the last quarter. Our European organization further improved overall efficiency bringing capacity and expense levels in line with sales.

### Window Covering Products

- Our Company-Owned Blindmakers had higher sales but lower profits, with continued good performance in the Netherlands, Belgium and Scandinavia. This was offset by weak results in Ireland, Spain, Portugal, France and South Africa.
- Component sales to independent blindmakers remained level but with significant growth in Germany.
- Blöcker, our market-leading supplier of pleated blind systems and fabrics continued to perform well.
- Gardinia, the leading distributor of packaged window coverings in Germany and Central Eastern Europe, in which Hunter Douglas has a substantial interest, had good results despite reduced demand and currency devaluations in Eastern Europe.
- In February we acquired Hamstra, the leading Dutch developer and manufacturer of made-to-measure insect screens, which will enable us to significantly bolster our Luxaflex® brand position in this attractive niche market segment.
- In May, in one transaction, we acquired
  - Benthin, a leading Germany based developer and supplier of hardware systems to the European window coverings industry. We expect the acquisition of Benthin to meaningfully improve the operating efficiency and sales effectiveness of our European component sales business.
  - Faber, a well-known fabricator in Denmark with a long heritage. We intend to expand Faber into a stronger second player in that market, where we established Luxaflex® as the market leader.
  - A low-cost assembly operation in Poland. We intend to expand this facility to complement our main low-cost assembly facility in Kadan, Czechia, which is operating close to maximum capacity.
- Plissé and Duette® sales continued to grow strongly. Tests by the independent German Fraunhofer Institute confirmed Duette® Shades to be the most energy-efficient interior window covering

| Amounts in millions | EUR 2010 | EUR 2009 |
|---|---|---|
| **Net sales** | | |
| Window coverings | **620** | 579 |
| Architectural products | **65** | 85 |
| Other | **57** | 50 |
| Total | **742** | 714 |
| Net assets employed | **738** | 660 |
| Employees per year-end | **7,046** | 6,984 |



› Duette® Shades motorized

product in the market. Increasing interest in energy efficiency is giving Duette® traction as a mainstream product, and has enabled us to aggressively expand our marketing to further fuel growth.

- Hunter Douglas Europe's Wholesale business, which markets components to independent fabricators, launched several new product collections, notably Top Down/Bottom Up Venetian blinds, as well as Roman Shades in Germany; Nano Roller Blinds in Italy, several new Plissé/Duette® collections in Central and Eastern Europe, and LiteRise® in Scandinavia.
- Sunway launched new multi-product collection books in three countries.

### Luxaflex® Window Coverings

- Our main brand in Europe continued to gain market share through continued product innovation, expansion of the retail network, continued growth in our dealer loyalty programs, and strong marketing programs.
- We introduced new collections for both Roman Shades and Paneltracks.
- Facette® Shades showed strong sales growth with an updated collection.
- www.Luxaflex.com increased visitor traffic by 30% with dynamic online marketing and new features, including an Energy Saving Calculator, which enables the consumer to work out energy savings using Luxaflex® Window Styling products.

› Custom made 600 mm Interior Blinds

### Architectural and Project Market

- Our commercial business had a slow start to the year in part due to extreme weather conditions, but experienced strong recovery in the second half. The Middle East continued to perform well.
- In the fourth quarter we led a worldwide launch of the Dynamic Sun Control system, an innovative tilt and raise exterior sunlouvre.
- Another global roll-out was the EOS® 500 commercial roller blind system, an important new product, which was launched in most of the main European markets.
- Techstyle® acoustical ceilings sales grew significantly.
- The importance of sustainability in realizing project orders is increasing.
  - The Hunter Douglas Sustainable Comfort product concept, which integrates a number of our architectural products to better manage energy costs was realized in a number of high profile projects.
  - One of those projects, the TNT Head Office in the Netherlands, became one of the first in Europe to gain LEED platinum certification.
  - Our central ceiling production plant in the Netherlands achieved ISO 14001 certification as part of the sustainability program.

### Operations/Manufacturing

- Our main operation in the Netherlands had significantly higher results benefiting from a lower cost base and increased sales.
- Artex, our textile development and production center based in Aarle-Rixtel, the Netherlands, improved its strong performance and strengthened its role in providing the European area with innovative technical textiles for window coverings.
- Significant quality and delivery improvements were achieved through 'Lean manufacturing' at our main assembly operations.

### Turnils Europe

- Turnils' venetian blind coilstock painting activities in Sweden were integrated into our main operations in the Netherlands, to reduce costs, and at the same time provided the Turnils commercial organization access to an expanded product offering.
- The Nordic Light retail fabricator program continued to grow successfully in Scandinavia.
- The Intu® hardware system with easy mounting of venetian, plissé and roller blinds into tilt and turn windows continued to gain market acceptance.
- New roller and vertical blind fabrics collections were launched.
- The awning program was extended with the Cabrera XL cassette awning.
- The AMA facility for awnings finishing was consolidated into Turnils' main awning operations.

### Nedal

Our Dutch based aluminium extrusion operation achieved higher sales and profits.

# North America

## North American sales and profit were higher.

U.S. sales were up slightly, while profits improved substantially in 2010 as we began to benefit from the broad restructuring programs implemented during the previous two years.

Sales in our Canadian operations were up for the year; however, strong increases through the first half gave way to declines in the final quarter as the economy and housing market softened. Profits improved significantly, primarily due to the strong Canadian dollar.

Our overall outlook for North America for 2011 is cautious as we expect the business environment to remain quite challenging until the housing markets and consumer confidence recover more fully.

› Received 30 of 51 industry awards at the annual Window Covering Manufacturing Association (WCMA) presentations where the best new products and programs available in North America were recognized. This was the 15th consecutive year that Hunter Douglas captured the majority of awards given.

| Amounts in millions | USD 2010 | 2009 |
|---|---|---|
| **Net sales** | | |
| Window coverings | **868** | 826 |
| Architectural products | **87** | 86 |
| Other | | |
| Total | **955** | 912 |
| Net assets employed | **368** | 401 |
| Employees per year-end | **6,303** | 6,205 |

Marvin B. Hopkins
President & CEO
North American Operations

› Celebrated the 25th Anniversary of Duette® honeycomb shades, one of the most successful window covering products in North America. Duette® sales are still increasing as a result of ongoing innovations such as Duette® Architella®, as well as the Duette® UltraGlide®, LiteRise® and PowerRise® operating systems.

› Vignette® Modern Roman Shades

- Qualified our energy-efficient Duette® Architella® shade for the 2010 U.S. Federal Tax Credit program which rewards home owners for installing energy saving products in their homes. To support this program, we launched a national print and TV advertising campaign as well as promotions through our dealers and on our website – all of which helped lead to strong growth for this unique product.

- Introduced four new sample book collections, including Applause® honeycomb shades, Nantucket™ window shadings and NewStyle™ hybrid shutters. We also added new products and improvements to 15 different existing product collections and placed over 100,000 new product sample books with our retail dealers throughout the U.S. and Canada.

- Introduced a new brand advertising campaign - The Art of Window Dressing™ - designed to spotlight the distinctive combination of form and function that is the hallmark of Hunter Douglas products. This concept is currently being integrated across other marketing programs.

- Achieved a 29% increase over 2009 in the number of visits to hunterdouglas.com, our award winning consumer website. We added a new tool to this website which allows consumers to upload photographs of their rooms and decorate them with any of our 4,300 window covering fabrics and colours.

- Added 104 Centurion Club™ and Exclusive At Home™ dealers for a total of 993. These are our most loyal dealers who are committed to purchase 100% of their window covering products from Hunter Douglas.

- Added 51 dealers to our elite Hunter Douglas Gallery® distribution base. These are larger volume dealers who allocate a minimum of 500 square feet of retail floor space to our Gallery display units.

- Completed installation of the SAP ECC module, which will improve customer service, new product launch logistics and fabrication flexibility. Also, introduced a Customer Relationship Management (CRM) module, providing our sales organizations with enhanced capabilities to manage their territories and customers.

- Generated strong cash flow while increasing sales per employee, inventory turnover and gross margin percent. At the same time, we reduced operating expenses and receivables to sales ratio.

- Launched the RB 500 commercial roller shade system through our Contract Division. This new system includes a number of proprietary features that make it especially smooth to operate and easy to install.

- Introduced a program at 3form® called Ready to Go which will make it easier to create partitions, doors and interior features using 3form's innovative materials. New products launched included Gecko, a glass-covering textile and Ditto, a modular, cross-shaped resin product.

- Acquired certain key assets of Warren Steven Window Fashions, a Minnesota-based fabricator of Hunter Douglas products and merged their sales, marketing and customer service organizations into the Hunter Douglas Fabrication Division.

› Duette® Architella® Honeycomb Shades

- Provided college scholarships to all eligible children of Hunter Douglas employees and funded a college scholarship program for minority students.

- Donated custom window coverings for all new Habitat for Humanity homes built in the U.S. and Canada. Also, contributed $ 550,000 to Haiti earthquake relief organizations by matching donations from employees and customers.

As a result of the many changes and improvements in our North American operations and despite the continuing uncertainties with the economy and the consumer, we are confident our North American Operations are well positioned to successfully meet the challenges of the future.

# Latin America

## Higher sales but lower profits.

Our Latin American operations had record sales but lower profits.

Area profits were mainly affected by lower profits in Mexico and our policy to only recognize remitted profits in Venezuela.

Our Window Covering business had record sales but slightly lower profits and continues to progress well, driven by a core network of well merchandised dealers, exclusive to Hunter Douglas, and focused on serving an upscale clientele. In addition we have launched second brands tailored to the fast developing middle class segment.

Our Stock Window Covering Products business reached record sales and slightly lower profits. This business continues to deliver excellent returns on invested capital.

Our Architectural Products business matched the record 2008 sales, but had lower profits. Profits were mainly affected by the one-off integration costs of Phonex, our newly acquired architectural products business in Argentina, and a sharp drop-off in our business in Venezuela.

### Brazil

› We achieved record sales and profits; benefiting from a continued strong economy.

| Amounts in millions | USD 2010 | 2009 |
|---|---|---|
| **Net sales** | | |
| Window coverings | **170** | 146 |
| Architectural products | **49** | 43 |
| Other | | |
| Total | **219** | 189 |
| Net assets employed | **95** | 86 |
| Employees per year-end | **1,686** | 1,506 |

Renato Rocha
President & CEO
Latin American Operations

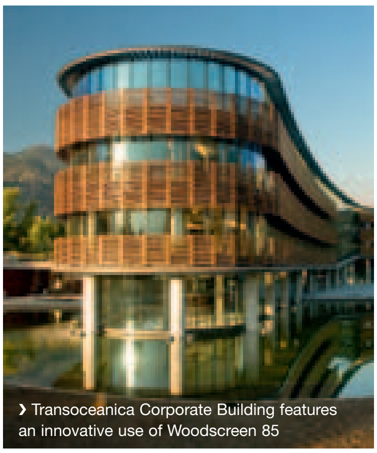
› Our long standing General Manager retired at the year-end and was succeeded by the head of our successful Architectural Products business.

### Mexico

› Sales were slightly lower, but we experienced a significant drop in profits due to lower margins in a more competitive environment and very challenging economic conditions.
› We acquired two WCP licensees, which will be operationally integrated.

### Chile

› Sales were significantly higher with slightly higher profits. All business lines performed well, benefiting from a strong economy.
› Our company and staff actively participated in the rebuilding efforts after the earthquake, including on a humanitarian level.



› Transoceanica Corporate Building features an innovative use of Woodscreen 85

### Colombia

› Sales were slightly higher with significantly higher profits.
› Our Stock Products business performed very well, achieving record sales and profits.

### Argentina

› Sales reached record levels, while profits were significantly lower, mainly due to the one-off restructuring of Phonex and its integration into our Latin American operations.
› Our core WCP business in Argentina performed well, achieving record sales and profits.

### Venezuela

› Sales and profits were lower, but no profits were recognized in line with our policy to only recognize remitted profits.
› Our businesses were significantly constrained by the ongoing difficulty in obtaining U.S. dollars to finance imports.

### Peru

› Sales were significantly higher in this near break-even start-up operation.

### Panama

› This start-up operation, now in its second year, continued to perform well and attained break-even.

# Asia

## Higher sales but lower profits.

G.C. Neoh
President & CEO
Asian Operations

Our Asian Operation had modestly higher sales but lower profits. However, excluding two exceptionally large architectural projects completed in 2009 in China and India and non-recurring restructuring expenses incurred to consolidate our six architectural product factories in China into three, our sales and profits were significantly higher.

The Window Covering business had significantly higher sales and profits, driven by aggressive marketing programs and expansion of our distribution network.

We are building new manufacturing facilities in:
› Suzhou, China: for the production of terracotta architectural panels to be completed in July 2011.
› Xian, China: for the production of our Architectural Products for supply to Western China to be completed in July 2011.
› Chennai, India: for the production of our Architectural Products to be completed in 2012.

We are optimistic about the continued strong growth of our Asian businesses.

| Amounts in millions | USD 2010 | USD 2009 |
|---|---|---|
| **Net sales** | | |
| Window coverings | **77** | 64 |
| Architectural products | **105** | 117 |
| Other | | |
| Total | **182** | 181 |
| Net assets employed | **124** | 122 |
| Employees per year-end | **1,687** | 1,712 |

› Hunter Douglas Gallery™

**China**
› Architectural Product business had lower sales and profits, following two exceptional mega projects completed in the previous year.
› Window Covering business had strong sales but lower profits due to higher investment in brand building.

**India**
› Architectural Products had lower sales and profits, following an exceptional mega project completed in the previous year.
› Window Covering business had strong sales and profit growth.
› Established a blind assembly operation in Delhi to cater for the fast growing Northern India market.

**Vietnam**
› Strong growth in sales and profits, primarily in Architectural Products.

**Japan & Taiwan**
› Higher sales and profits, primarily in Window Covering Products.

**Hong Kong, Malaysia, Korea, Indonesia, Philippines, Thailand**
› Higher sales and profits.

**Singapore**
› Higher profits with lower sales.

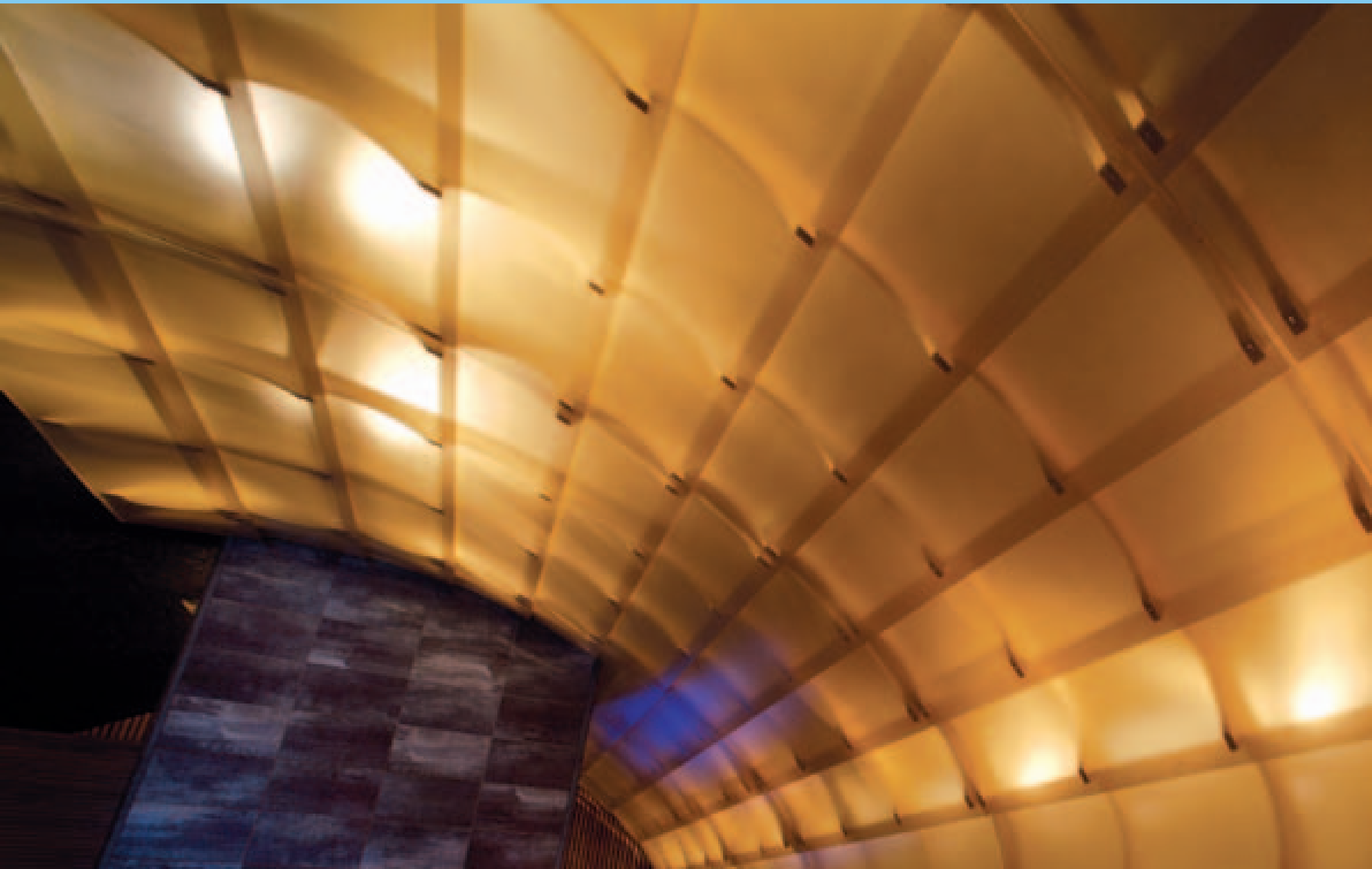
*"There is no substitute for the beauty of natural daylight."*

Pirouette® Window Shadings

1

2

3



4

6

5

1| QuadroClad® metal façade, Hangzhou International Exhibition Center, China

2| Luxalon® tube ceilings, Wuhan Train station

3| NBK ceramic rods, Museum Brandhorst, Munich

4| QuadroClad® Red Texture Panel, China Pavilion at Shanghai Expo, China

5| Techstyle® curved panels

6| 3form® Varia

# Consolidated statement of income for the year

Leen Reijtenbagh
Vice President & CFO

Chris King
Vice President General Counsel

| Amounts in millions | Notes | USD 2010 | 2009 |
|---|---|---|---|
| **Net sales** | 3 | **2,445** | 2,376 |
| Cost of sales | 4 | **-1,492** | -1,499 |
| **Gross profit** | | **953** | 877 |
| Gross profit metals trading | 3 | **20** | 18 |
| **Total gross profit** | | **973** | 895 |
| Selling and marketing expense | 3 | **-491** | -473 |
| General and administrative expense | 3 | **-332** | -329 |
| **Income from operations (EBIT)** | | **150** | 93 |
| Finance costs | 4 | **-16** | -17 |
| Finance income | 4 | **22** | 17 |
| **Income before taxes** | | **156** | 93 |
| Taxes on income | 19 | **-2** | -2 |
| **Net profit for the year** | | **154** | 91 |
| Net profit attributable to non-controlling interest | | **1** | 1 |
| **Net profit attributable to equity shareholders** | | **153** | 90 |
| **Earnings per share attributable to equity shareholders** | 20 | | |
| - basic for profit for the year | | **4.31** | 2.54 |
| - fully diluted for profit for the year | | **4.31** | 2.54 |

# Consolidated statement of comprehensive income for the year

| Amounts in millions | USD 2010 | 2009 |
|---|---|---|
| **Net profit for the year** | **154** | 91 |
| **Other comprehensive income** | | |
| Currency translation differences | **-33** | 64 |
| Net movement in cash flow hedges | **-5** | -7 |
| Tax effect on other comprehensive income | **16** | 2 |
| **Total comprehensive income for the year, net of tax** | **132** | 150 |
| Attributable to equity shareholders | **132** | 150 |
| Attributable to non-controlling interest | | |

*The accounting policies and explanatory notes on pages 37 through 63 form an integral part of the financial statements.*

# Consolidated cash flow statement for the year

| Amounts in millions | Notes | USD 2010 | 2009 |
|---|---|---|---|
| **Net profit attributable to equity shareholders** | | 153 | 90 |
| **Adjustments for:** | | | |
| Depreciation property, plant & equipment | 8 | 85 | 88 |
| Amortization patents & trademarks | 7 | 5 | 5 |
| Decrease provisions | | -2 | -39 |
| Non-cash tax items | | -25 | |
| Other non-cash items | | -15 | |
| Unrealized result investment portfolio | | -18 | -11 |
| Operating cash flow before working capital changes | | 183 | 133 |
| **Changes in working capital:** | | | |
| - decrease trade and other receivables and prepayments | | 19 | 68 |
| - (increase) decrease inventories | | -16 | 97 |
| - decrease trade and other payables | | -27 | -64 |
| **Operating cash flow** | | 159 | 234 |
| Dividend paid | 21 | -345 | -50 |
| **Net cash from operations** | | -186 | 184 |
| | | | |
| **Cash flow from investing activities** | | | |
| Investments subsidiaries, net of cash acquired | 5 | -43 | |
| Investment intangible fixed assets | | | -1 |
| Investment property, plant and equipment | 8 | -71 | -63 |
| Divestment property, plant and equipment | | 26 | 23 |
| Decrease investment portfolio | | 9 | 256 |
| Decrease other financial non-current assets | | 6 | 12 |
| Increase other financial non-current assets | | -12 | -10 |
| **Net cash from investing activities** | | -85 | 217 |
| | | | |
| **Cash flow from financing activities** | | | |
| Increase (decrease) interest-bearing loans and borrowings | | 263 | -369 |
| **Net cash from financing activities** | | 263 | -369 |
| | | | |
| **Net (decrease) increase in cash and cash equivalents** | | -8 | 32 |
| | | | |
| **Change in cash and cash equivalents** | | | |
| Balance at 1 January | | 69 | 36 |
| Net (decrease) increase in cash and cash equivalents | | -8 | 32 |
| Exchange difference cash and cash equivalents | | | 1 |
| Balance at 31 December | 14 | 61 | 69 |

Income tax paid 11 (2009: 7), interest paid 14 (2009: 19) and interest received 1 (2009: 9) are included in net cash from operations.
*The accounting policies and explanatory notes on pages 37 through 63 form an integral part of the financial statements.*

# Consolidated balance sheet as per 31 December

## Assets

| Amounts in millions | Notes | USD 2010 | USD 2009 |
|---|---|---|---|
| **Non-current assets** | | | |
| Intangible fixed assets | 7 | **302** | 295 |
| Property, plant and equipment | 8 | **579** | 600 |
| Deferred income tax asset | 19 | **55** | 2 |
| Other financial non-current assets | 9 | **29** | 32 |
| **Other non-current assets** | | **965** | 929 |
| | | | |
| **Current assets** | | | |
| Inventories | 10 | **627** | 601 |
| Trade and other receivables | 11 | **430** | 426 |
| Prepaid income tax | | **35** | 48 |
| Prepayments | 12 | **141** | 129 |
| Currency derivatives | 26 | **9** | 11 |
| Metal derivatives | 26 | **23** | 26 |
| Investment portfolio | 13 | **143** | 144 |
| Cash and short-term deposits | 14 | **61** | 69 |
| **Total current assets** | | **1,469** | 1,454 |
| | | | |
| **TOTAL ASSETS** | | **2,434** | 2,383 |

*The accounting policies and explanatory notes on pages 37 through 63 form an integral part of the financial statements.*

# Consolidated balance sheet as per 31 December

## Shareholders' equity and liabilities

| Amounts in millions | Notes | USD 2010 | 2009 |
|---|---|---|---|
| **Equity attributable to equity shareholders** | | | |
| Issued capital | 15 | 11 | 12 |
| Share premium | | 95 | 102 |
| Treasury shares | | -4 | -4 |
| Cash flow hedge reserve | | -9 | -5 |
| Foreign currency translation | | -13 | 4 |
| Retained earnings | | 1,079 | 1,263 |
| **Total equity attributable to equity shareholders of the parent** | | 1,159 | 1,372 |
| Non-controlling interest | | 4 | 4 |
| **Total equity** | | 1,163 | 1,376 |
| | | | |
| **Non-current liabilities** | | | |
| Interest-bearing loans and borrowings | 16 | 494 | 229 |
| Preferred shares | 16 | 11 | 12 |
| Provisions | 17 | 33 | 30 |
| Deferred income tax liabilities | 19 | 23 | 21 |
| **Total non-current liabilities** | | 561 | 292 |
| | | | |
| **Current liabilities** | | | |
| Trade and other payables | 18 | 532 | 543 |
| Income tax payable | | 22 | 10 |
| Restructuring provisions | | 6 | 11 |
| Currency derivatives | 26 | 13 | 11 |
| Metal derivatives | 26 | 8 | 10 |
| Interest-bearing loans and borrowings | 16 | 129 | 130 |
| **Total current liabilities** | | 710 | 715 |
| | | | |
| **TOTAL LIABILITIES** | | 1,271 | 1,007 |
| | | | |
| **TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES** | | 2,434 | 2,383 |

*The accounting policies and explanatory notes on pages 37 through 63 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 | Cashflow hedge reserve | Foreign currency translation | Retained earnings | Total | Non-controlling interest | Total equity |
| **At 1 January 2009** | 12 | 99 | -4 | | -58 | 1,223 | 1,272 | 4 | 1,276 |
| Net profit | | | | | | 90 | 90 | 1 | 91 |
| Other comprehensive income (expense) | | 3 | | -5 | 62 | | 60 | -1 | 59 |
| Total comprehensive income (expense) | 0 | 3 | 0 | -5 | 62 | 90 | 150 | 0 | 150 |
| Equity dividends | | | | | | -50 | -50 | | -50 |
| **At 31 December 2009** | 12 | 102 | -4 | -5 | 4 | 1,263 | 1,372 | 4 | 1,376 |
| Net profit | | | | | | 153 | 153 | 1 | 154 |
| Other comprehensive income (expense) | -1 | -7 | | -4 | -17 | 8 | -21 | -1 | -22 |
| Total comprehensive income (expense) | -1 | -7 | 0 | -4 | -17 | 161 | 132 | 0 | 132 |
| Equity dividends | | | | | | -345 | -345 | | -345 |
| **At 31 December 2010** | 11 | 95 | -4 | -9 | -13 | 1,079 | 1,159 | 4 | 1,163 |

*The accounting policies and explanatory notes on pages 37 through 63 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 2010 were authorized for issue on 15 March 2011. These financial statements will be adopted by the Annual General Meeting of Shareholders on 14 June 2011.

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

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

### 2. Summary of significant accounting policies

#### Basis of presentation

The consolidated financial statements have been prepared on a historical cost basis, except for the investment portfolio and derivative financial instruments which have been measured at fair value. The consolidated financial statements are presented in 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.

#### 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 inter-Company 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.
Joint ventures have been included in the consolidated financial statements using the proportionate consolidation method.

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 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 U.S. dollars, which is the Company's presentation currency. The U.S. dollar is the Company's 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 (U.S. dollar) at the rate of exchange on the balance sheet date and their income statements are translated at the weighted average exchange rates for the year. The exchange differences arising on the translation are taken directly to a separate component of equity. On disposal of a foreign entity, the deferred cumulative amount recognized in other comprehensive income relating to that particular foreign operation is recognized in the income statement.

#### Intangible fixed assets

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

#### Business Combinations and Goodwill

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

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

## Notes to consolidated financial statements

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

### Significant accounting judgement and estimates

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

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

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

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

### Property, plant and equipment

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

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

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

### Other financial non-current assets

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

### Inventories

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

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

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

### Trade and other receivables

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

### Cash and cash equivalents

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

### Interest-bearing loans and borrowings

All loans and borrowings are initially recognized at cost, being the fair value of the consideration received net of issue costs associated with the borrowing. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any issue costs, and any discount or premium on settlement. Gains and losses are recognized in net profit or loss when the liabilities are derecognized, as well as through the amortization process.
The revised IAS 23 requires capitalization of borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset. Borrowing costs are capitalized on qualifying assets with a commencement date on or after 1 January 2009. During the 12 months to 31 December 2010, no borrowing costs have been capitalized on qualifying assets included in construction in progress.

### Provisions

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

### Pensions and other post-employment benefits

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

The cost of providing benefits under the plans is determined separately for each plan using the projected unit credit actuarial valuation method. Actuarial gains and losses are recognized as income or expense when the net cumulative unrecognized actuarial gains and losses for each individual plan at the end of the previous reporting year exceed 10% of the higher of the defined benefit obligation and the fair value of plan assets at that date. These gains or losses are recognized over the expected average remaining working lives of the employees participating in the plans.

The past service cost is recognized as an expense on a straight-line basis over the average period until the benefits become vested. If the benefits are already vested immediately following the introduction of, or changes to a pension plan, past service cost is recognized immediately.
The defined benefit liability is the aggregate of the present value of the defined benefit obligation and actuarial gains and losses not recognized and the fair value of plan assets. If such aggregate is negative, the asset is measured at the lower of such aggregate or the aggregate of cumulative unrecognized net actuarial losses and past service cost and 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.
If the asset is measured at the aggregate of cumulative unrecognized net actuarial losses and past service cost and the present value of any economic benefits available in the form of refunds from the plan or reduction in the future contributions to the plan, net actuarial losses of the current period and past service cost of the current period are recognized immediately to the extent that they exceed any reduction in the present value of those economic benefits. If there is no change or an increase in the present value of the economic benefits, the entire net actuarial losses of the current period and past service cost of the current period are recognized immediately. Similarly, net actuarial gains of the current period after the deduction of past service cost of the current period exceeding any increase in the present value of the economic benefits stated above are recognized immediately if the asset is measured at the aggregate of cumulative unrecognized net actuarial losses and past service cost and 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. If there is no change or a decrease in the present value of the economic benefits, the entire net actuarial gains of the current period after the deduction of past service cost of the current period are recognized immediately.

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

### Share-based payments/option plans

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

### Treasury shares

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

### Leases

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

### Net sales

Net sales are recognized to the extent that it is probable that the economic benefits will flow to the Group and the net sales can be reliably measured. Net sales represent the invoiced value of manufactured products delivered to customers net of freight, returns, allowances and sales tax. Net sales are recognized when the significant risks and rewards of ownership of the goods have passed to the buyer and can be reliably measured. Cost of sales are recorded in the same period as sales are recognized. Other revenues and expenses are recorded in the period in which they originate.

### Metals trading

Metals trading is presented on a net basis as these activities classify as broker/trader activities. Metals trading sales are excluded from net sales. Gross profit on metals trading represents the margin earned on bulk metals 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.

# Notes to consolidated financial statements

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, 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. 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 newly adopted in 2010**
- IFRS 3 (revised) introduces significant changes in the accounting for business combinations occurring after becoming effective. Changes affect the valuation of non-controlling interest, the accounting for transaction costs, the initial recognition and subsequent measurement of a contingent consideration and business combinations achieved in stages. These changes will impact the amount of goodwill recognized, the reported results in the period that an acquisition occurs and future reported results. The application of the standard does not impact the comparative numbers.

- The amendments to IFRS 2 (Group and cash-settled share-based payment arrangements) do not have a financial effect on the Company for 2010.

**IFRS accounting standards effective as from 2011**
There are no standards applicable for the Company which are effective as from 2011. The following standards have been issued, but are not effective yet:
- IFRS 9 Financial instruments (classification and measurement) will be effective and applied as from 2013.

# Notes to consolidated financial statements

### 3. Segment information

The Company has determined its reportable segments based on its internal reporting practices and on how the Company's management evaluates the performance of operations and allocates resources. The segments are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. The window coverings segment relates to sales and manufacturing of window coverings and architectural products for commercial and residential use. 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. The metal trading segment represents trading in metals mainly in contracts on bulk metals. 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 2010 and 2009.

| Amounts in millions | Window Coverings and Architectural Products | | Investment Portfolio | | Metals Trading | | Reclassification | | Total | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2010 | 2009 | 2010 | 2009 | 2010 | 2009 | 2010 | 2009 | 2010 | 2009 |
| **Revenue** | | | | | | | | | | |
| Sales to external customers | 2,445 | 2,376 | | | | | | | 2,445 | 2,376 |
| **Segment revenue** | 2,445 | 2,376 | | | | | | | 2,445 | 2,376 |
| **Total gross profit** | 953 | 877 | | | 20 | 18 | | | 973 | 895 |
| Selling and marketing expense | -490 | -473 | | | -1 | | | | -491 | -473 |
| General and administrative expense | -327 | -324 | -1 | -2 | -5 | -5 | 1 | 2 | -332 | -329 |
| **Income from operations** | 136 | 80 | -1 | -2 | 14 | 13 | 1 | 2 | 150 | 93 |
| Finance costs | -14 | -15 | -4 | -6 | -2 | -2 | 4 | 6 | -16 | -17 |
| Finance income | 11 | 14 | | | | | 11 | 3 | 22 | 17 |
| Gross result investment portfolio | | | 18 | 11 | | | -16 | -11 | 2 | |
| Third party interest in investment portfolio | | | -2 | | | | | | -2 | |
| **Income before taxes** | 133 | 79 | 11 | 3 | 12 | 11 | | | 156 | 93 |
| Taxes on income | 2 | 2 | | | -4 | -4 | | | -2 | -2 |
| **Net profit** | 135 | 81 | 11 | 3 | 8 | 7 | | | 154 | 91 |
| Net profit attributable to non-controlling interest | 1 | 1 | | | | | | | 1 | 1 |
| **Net profit attributable to equity shareholders** | 134 | 80 | 11 | 3 | 8 | 7 | | | 153 | 90 |
| **Assets and liabilities** | | | | | | | | | | |
| Segment assets | 2,130 | 2,099 | 143 | 144 | 156 | 138 | | | 2,429 | 2,381 |
| Investment in an associate | 5 | 2 | | | | | | | 5 | 2 |
| **Total assets** | 2,135 | 2,101 | 143 | 144 | 156 | 138 | | | 2,434 | 2,383 |
| Segment liabilities | 1,050 | 765 | 143 | 144 | 78 | 98 | | | 1,271 | 1,007 |
| **Total liabilities** | 1,050 | 765 | 143 | 144 | 78 | 98 | | | 1,271 | 1,007 |
| **Net assets employed** | 1,632 | 1,614 | | | 78 | 40 | | | 1,710 | 1,654 |
| **Other segment information** | | | | | | | | | | |
| **Capital expenditure:** | | | | | | | | | | |
| Property, plant and equipment | 71 | 63 | | | | | | | 71 | 63 |
| Depreciation | 85 | 88 | | | | | | | 85 | 88 |

*The geographical segment information is reported separately on page 21.*

# Notes to consolidated financial statements

## 4. Revenues and expenses

| Amounts in millions | 2010 | 2009 |
|---|---|---|
| **Finance costs** | | |
| Bank loans and overdraft | **-9** | -9 |
| Other loans (including non-cumulative redeemable preference shares) | **-7** | -8 |
| **Total finance costs** | **-16** | -17 |
| | | |
| **Finance income** | | |
| Bank interest receivable | **8** | 9 |
| Net result investment portfolio | **11** | 3 |
| Non-operational exchange result | **2** | 4 |
| Other financial income | **1** | 1 |
| **Total finance income** | **22** | 17 |
| | | |
| **Non-recurring restructuring expenses are included in the consolidated income statement as follows:** | | |
| Cost of sales | **14** | 22 |
| Selling and marketing expense | **1** | 2 |
| General and administrative expense | **2** | 3 |
| | **17** | 27 |
| | | |
| **Depreciation, amortization and costs of inventories included in consolidated income statement** | | |
| **Included in cost of sales:** | | |
| Depreciation of property, plant and equipment | **62** | 62 |
| Costs of inventories recognized as an expense | **1,430** | 1,437 |
| | **1,492** | 1,499 |
| | | |
| **Included in general and administrative expenses:** | | |
| Minimum lease payments recognized as an operating lease expense | **8** | 10 |
| Amortization other intangibles | **5** | 5 |
| | | |
| **Employee benefits expense** | | |
| Wages and salaries | **652** | 627 |
| Social security costs | **118** | 117 |
| Pension costs | **40** | 39 |
| Expense of share-based payments | **1** | 8 |
| | **811** | 791 |

**Research costs**

Research costs consists of 31 (2009: 28) charged directly to general and administrative expense in the income statement.

# Notes to consolidated financial statements

## 5. Business combination

**In 2010 Hunter Douglas acquired the following companies:**
- 100% of Hamstra, a Dutch manufacturer of insect screens since January. Hamstra, with sales of EUR 11 million, is the leading developer and manufacturer of insect screens in the Netherlands. The Company, which is based in Almere, employs around 50 employees.
- 100% of Faber-Benthin, a European manufacturer of window covering products since May. The Company manufactures both made-to-measure window covering products, under the Faber Brand, as well as components and machinery for the assembly of window covering products, under the Benthin brand. Faber-Benthin operates plants in Bremerhaven (Germany), Ryslinge (Denmark), Chludowo (near Poznan, Poland), St. Soupplets (France) and Northampton (U.K.). Faber-Benthin has sales of around EUR 60 million and has 500 employees.

We also acquired:
- Warren Stevens: a Minnesota USA based fabricator of our products.
- Phonex: an Argentina based manufacturer of metal ceilings.

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

| | Recognized on acquisitions 2010 |
|---|---|
| Property, plant and equipment | 15 |
| Patents and trademarks | 10 |
| Inventories | 17 |
| Trade and other receivables | 20 |
| Cash and short-term deposits | 2 |
| Trade and other payables | -12 |
| Short-term interest-bearing loans and borrowings | -3 |
| Fair value of net assets | 49 |
| (Negative) goodwill arising on acquisitions | -4 |
| **Total consideration** | 45 |
| | |
| **Cash outflow on acquisitions:** | |
| Cash paid | -45 |
| Net cash acquired with acquisitions | 2 |
| | -43 |

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

The (negative) goodwill of 4 includes 10 negative goodwill result recognized in the consolidated statement of income.

# Notes to consolidated financial statements

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

The carrying amount of goodwill is allocated to the cash-generating units within the window coverings segment.
The recoverable amount of the units is based on value-in-use calculations. Those calculations use cash flow projections based on the budget for the coming year extrapolated with no growth to determine the termination value. A pre-tax Weighted Average Cost of Capital (WACC) of 10% (2009: 10%) 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 conservative assumptions used, no reasonably possible change in any of the above key assumptions would cause the carrying value of the unit to materially exceed its recoverable amount.

### 7. Intangible fixed assets

| Amounts in millions | Goodwill | | Patents & Trademarks | | Total | |
|---|---|---|---|---|---|---|
| | 2010 | 2009 | 2010 | 2009 | 2010 | 2009 |
| **At 1 January** | **241** | 230 | **54** | 59 | **295** | 289 |
| Acquisitions | **6** | | **10** | | **16** | |
| Amortization | | | **-5** | -5 | **-5** | -5 |
| Exchange | **-4** | 11 | | | **-4** | 11 |
| **At 31 December** | **243** | 241 | **59** | 54 | **302** | 295 |
| | | | | | | |
| **At 1 January** | | | | | | |
| Cost | **241** | 230 | **75** | 75 | **316** | 305 |
| Accumulated amortization | | | **-21** | -16 | **-21** | -16 |
| **Net carrying amount** | **241** | 230 | **54** | 59 | **295** | 289 |
| | | | | | | |
| **At 31 December** | | | | | | |
| Cost | **243** | 241 | **85** | 75 | **328** | 316 |
| Accumulated amortization | | | **-26** | -21 | **-26** | -21 |
| **Net carrying amount** | **243** | 241 | **59** | 54 | **302** | 295 |

Goodwill is not amortized but is subject to annual impairment testing (see note 6). Patents and trademarks are amortized between 5 and 10 years.

# Notes to consolidated financial statements

## 8. Property, plant and equipment

| Amounts in millions | Land & Buildings | | Machinery & Equipment | | Other fixed assets | | Total | |
|---|---|---|---|---|---|---|---|---|
| | 2010 | 2009 | 2010 | 2009 | 2010 | 2009 | 2010 | 2009 |
| **At 1 January, net of accumulated depreciation** | **339** | 347 | **235** | 249 | **26** | 28 | **600** | 624 |
| Additions | **12** | 17 | **57** | 43 | **2** | 3 | **71** | 63 |
| Disposals | **-11** | -20 | **-8** | -2 | **-2** | -1 | **-21** | -23 |
| Acquisitions | **11** | | **3** | | **1** | | **15** | |
| Depreciation charge for the year | **-16** | -18 | **-66** | -66 | **-3** | -4 | **-85** | -88 |
| Exchange | **-3** | 13 | **2** | 11 | | | **-1** | 24 |
| **At 31 December, net of accumulated depreciation** | **332** | 339 | **223** | 235 | **24** | 26 | **579** | 600 |
| **At 1 January** | | | | | | | | |
| Cost | **536** | 532 | **1,037** | 1,002 | **78** | 81 | **1,651** | 1,615 |
| Accumulated depreciation | **-197** | -185 | **-802** | -753 | **-52** | -53 | **-1,051** | -991 |
| **Net carrying amount** | **339** | 347 | **235** | 249 | **26** | 28 | **600** | 624 |
| **At 31 December** | | | | | | | | |
| Cost | **541** | 536 | **1,059** | 1,037 | **67** | 78 | **1,667** | 1,651 |
| Accumulated depreciation | **-209** | -197 | **-836** | -802 | **-43** | -52 | **-1,088** | -1,051 |
| **Net carrying amount** | **332** | 339 | **223** | 235 | **24** | 26 | **579** | 600 |

Included in Property, plant and equipment at 31 December 2010 is an amount of 19 (2009: 16) relating to expenditure in construction.

## 9. Other financial non-current assets

| Amounts in millions | 2010 | 2009 |
|---|---|---|
| Receivables from key management employees | **2** | 2 |
| Other long-term receivables | **21** | 26 |
| Other | **6** | 4 |
| | **29** | 32 |

## 10. Inventories

| Amounts in millions | 2010 | 2009 |
|---|---|---|
| Raw materials (at cost) | **420** | 396 |
| Work-in-progress (at cost) | **49** | 46 |
| Finished goods: | | |
| - At cost | **290** | 280 |
| - Provision | **-132** | -121 |
| | **627** | 601 |

# Notes to consolidated financial statements

## 11. Trade and other receivables (current)

| Amounts in millions | 2010 | 2009 |
|---|---|---|
| Trade receivables | **385** | 391 |
| Financial institutions | **38** | 26 |
| Short-term advances | **7** | 9 |
| | **430** | 426 |

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

As at 31 December 2010, trade receivables at nominal value of 36 (2009: 38) were impaired and fully provided for. Movements in the provision for impairment of trade receivables were as follows:

| Amounts in millions | 2010 | 2009 |
|---|---|---|
| At 1 January | **38** | 37 |
| Additions | **16** | 22 |
| Deductions | **-18** | -21 |
| At 31 December | **36** | 38 |

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 |
| 2010 | **248** | **83** | **24** | **15** | **15** |
| 2009 | 242 | 85 | 26 | 19 | 19 |

## 12. Prepayments

| Amounts in millions | 2010 | 2009 |
|---|---|---|
| Prepaid expenses | **126** | 109 |
| Prepaid taxes (no income tax) | **10** | 13 |
| Other | **5** | 7 |
| | **141** | 129 |

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.

# Notes to consolidated financial statements

### 13. Investment portfolio

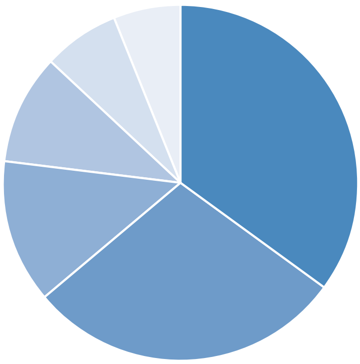
Hunter Douglas has had an investment portfolio since mid-1991. Management of the investments is delegated after screening to a widely diversified range of independent managers. Hunter Douglas does not control or influence the managers' investments. The Net Asset Value (NAV) of the investments is determined and advised each month by the funds' administrators. Hunter Douglas monitors each manager's results on a monthly basis. Hunter Douglas limits the portfolio's risk by initially generally investing less than 0.5% of the total portfolio in each fund. At year-end 2010, Hunter Douglas had investments in 47 (2009: 55) funds in a wide range of asset classes, industries, geographies and with differing risk profiles. The broad diversification of the portfolio reduces the risk per manager and mitigates the risk of fluctuations in markets and interest and exchange rates. The fair value of the investment portfolio at year-end 2010 was 143 million.

The investment portfolio has earned the gross percentage returns and had year-end book values as indicated in the table below:

| Amounts in millions | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 |
|---|---|---|---|---|---|---|---|---|
| Investment portfolio at year-end | 564 | 590 | 680 | 771 | 849 | 265 | 144 | **143** |
| Percent gross return (in USD) before attributed interest and expenses | 21.3% | 16.1% | 8.8% | 16.9% | 14.4% | -24.3% | 5.4% | **13.7%** |

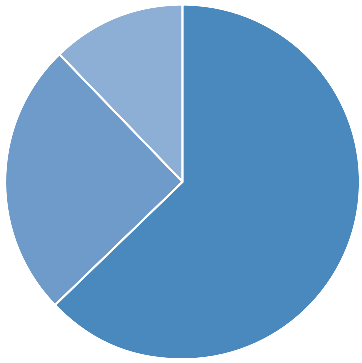
The breakdown of the investment portfolio per year-end 2010 by asset class and geography as well as its liquidity is shown below:

**% Funds by Sector**
(last year)



**Fixed Income** 35% (30%)
**Equity L/S** 29% (31%)
**Quants + CTA's** 13% (17%)
**Arbitrage** 10% (11%)
**Macro** 7% (6%)
**Commodities** 6% (5%)

**% Funds Geographic Allocation**
(last year)



**International** 63% (60%)
**Emerging Markets** 25% (11%)
**North America** 12% (29%)

At year-end the Investment Portfolio of USD 143 million (2009: 144 million) had 47 managers (2009; 55), of which USD 12 million (2009: 10 million) with 13 managers (2009: 20) was suspended or gated. Of the remaining USD 131 million (2009: 134 million), 29 managers (2009: 29) with liquidity of 90 days or less represented 92% (2009: 90.4%) and 5 managers (2009: 6) with liquidity over 180 days represented 8% (2009: 9.6%).

### 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 one year depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates. The fair value of cash and cash equivalents is 61 (2009: 69).

At 31 December 2010, the Group had available 283 (2009: 643) 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 | 2010 | 2009 |
|---|---|---|
| Cash at bank and in hand | **28** | 25 |
| Short-term deposits | **33** | 44 |
| | **61** | 69 |

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.

### 15. Issued capital and reserves

| | Ordinary shares | |
|---|---|---|
| Numbers x 1,000 | 2010 | 2009 |
| | € 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 | **66** | 66 |
| At 31 December | **66** | 66 |

Mr. R. Sonnenberg, indirectly or through trusts, owned or controlled at year-end 2010 28,764,039 (2009: 28,764,039) common shares of Hunter Douglas N.V. representing 81.18% (2009: 81.18%) of the common shares of the Company.

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

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

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

Retained earnings: this reserve is freely distributable.

There are no external capital requirements.

# Notes to consolidated financial statements

## 16. Interest-bearing loans and borrowings

| Amounts in millions | Currency | Interest rate | Maturity date | 2010 | 2009 |
|---|---|---|---|---|---|
| **Current** | | | | | |
| Bank overdraft | | Various * | N/A | **36** | 38 |
| Short-term bank loans | | Various * | N/A | **48** | 38 |
| Current portion of long-term debt | EUR | Various * | N/A | **45** | 24 |
| Current portion of long-term debt | USD | 4.97 | N/A | | 30 |
| | | | | **129** | 130 |
| **Non-current** | | | | | |
| US notes | USD | 5.01 | 28-5-2013 | **100** | 100 |
| RBS Bank | JPY | Various * | 2013 | **4** | 5 |
| RBS Bank | USD | Various * | 2013 | **33** | |
| RBS Bank | EUR | Various * | 2013 | **100** | |
| ING Bank | EUR | Various * | 2012 | **100** | |
| ING Bank | EUR | Various * | 2013 ** | **67** | 120 |
| ABN AMRO Bank | EUR | Various * | 2012 | **87** | |
| Long-term loans (fixed) | USD | Various * | Various | **3** | 4 |
| | | | | **494** | 229 |
| **Preferred shares** | | | | | |
| Preferred shares | EUR | Various * | N/A | **11** | 12 |

* *Mostly at Interbank rates plus a margin*
** *Maturing in equal quarterly installments from July 2010 through March 2013*

Average life of long-term loans is 2.03 years (2009: 2.85 years); 20.82% are at fixed rates of interest. Total weighted average of the effective interest of the fixed non-current loans is 5.01% in the year. The balance consists mainly of multi-currency lines of credit at Interbank interest rates with varying spreads. Almost all loans are unsecured.

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

# Notes to consolidated financial statements

### 17. Provisions

| Amounts in millions | Pensions | Other Employee Benefits | Social Plan | Other | Total |
|---|---|---|---|---|---|
| | (note 22) | | | | |
| **At 1 January 2010** | 6 | 15 | 5 | 4 | **30** |
| Additions from income statement | 1 | 1 | 8 | | **10** |
| Utilized | | | -5 | -2 | **-7** |
| Exchange | -1 | | 1 | | |
| **At 31 December 2010** | 6 | 16 | 9 | 2 | **33** |
| Non-current 2010 | 6 | 16 | 9 | 2 | **33** |
| Non-current 2009 | 6 | 15 | 5 | 4 | **30** |

### 18. Trade and other payables (current)

| Amounts in millions | 2010 | 2009 |
|---|---|---|
| Trade payables | **170** | 161 |
| Accrued wages, social charges and other compensation | **191** | 184 |
| Other payables and accrued expenses | **100** | 113 |
| Third party participating in the investment portfolio (mainly related parties) | | 9 |
| Commissions, discounts and allowances | **35** | 37 |
| Other | **36** | 39 |
| | **532** | 543 |

Terms and conditions of the above financial liabilities:
Trade payables are non-interest-bearing and are normally settled on 45-day terms.
Other payables are non-interest-bearing and have an average term of 6 months.

# Notes to consolidated financial statements

### 19. Income tax

Major components of income tax expense for the years ended 31 December 2010 and 2009 are:

| Amounts in millions | 2010 | 2009 |
|---|---|---|
| **Consolidated income statement** | | |
| **Current income tax** | | |
| Current income tax charge | 9 | 3 |
| Adjustments in respect of current income tax of previous years | 8 | |
| **Deferred income tax** | | |
| Relating to origination and reversal of temporary differences | -15 | -1 |
| **Income tax expense reported in consolidated income statement** | 2 | 2 |

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 2010 and 2009 is as follows:

| Amounts in millions | 2010 | 2009 |
|---|---|---|
| Accounting profit before income tax | 155 | 92 |
| At Dutch statutory income tax rate of 25.5% (2009: 25.5%) | 40 | 23 |
| Adjustments in respect of current income tax of previous years | | |
| Tax loss carry forward not valued in prior years | -25 | |
| Impact different tax rates per country | -13 | -21 |
| **At effective income tax rate of 1.3% (2009: 1.8%)** | 2 | 2 |
| Income tax expense reported in consolidated income statement | 2 | 2 |

# Notes to consolidated financial statements

Deferred income tax at 31 December relates to the following:

| Amounts in millions | Consolidated Balance Sheet | | Consolidated Income Statement | | Via Equity | |
|---|---|---|---|---|---|---|
| | 2010 | 2009 | 2010 | 2009 | 2010 | 2009 |
| **Deferred income tax assets** | | | | | | |
| Losses available for offset against future taxable income | 55 | 11 | 15 | | 11 | |
| | 55 | 11 | | | | |
| **Deferred income tax liabilities** | | | | | | |
| Revaluation of inventories | | | | 2 | | |
| Revaluation of foreign currency loan | 3 | 9 | 1 | | 5 | -9 |
| Fair value adjustment on acquisition | 10 | 10 | | | | |
| Other | 10 | 2 | -1 | -1 | | |
| | 23 | 21 | | | | |
| Deferred income tax income (expense) | | | 15 | 1 | 16 | -9 |
| Deferred income tax net | 32 | -10 | | | | |
| reported in the balance sheet as follows: | | | | | | |
| - Other current assets | | 2 | | | | |
| - Other non-current assets | 55 | 2 | | | | |
| - Other current liabilities | | 7 | | | | |
| - Deferred income tax liabilities | -23 | -21 | | | | |
| | 32 | -10 | | | | |

The Group has unused tax losses of 48 (2009: 67), of which 48 expires within 5 years, that are available for offset against future taxable profits of the companies in which the losses arose.

### 20. Earnings per share

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

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

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

| Amounts in millions | 2010 | 2009 |
|---|---|---|
| Net profit attributable to equity shareholders | 153 | 90 |

| Numbers x 1,000 | 2010 | 2009 |
|---|---|---|
| Weighted average number of ordinary shares for basic earnings per share | 35,432 | 35,432 |
| **Effect of dilution:** | | |
| Adjusted weighted average number of ordinary shares for diluted earnings per share | 35,432 | 35,432 |

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.

### 21. Dividends paid and proposed

| Amounts in millions | 2010 | 2009 |
|---|---|---|
| **Declared and paid during the year:** | | |
| Equity dividends on ordinary shares: | | |
| Final dividend for 2009: EUR 1.00 (2008: EUR 1.00) | 43 | 50 |
| Final extra dividend for 2009: EUR 7.00 (2008: EUR nil) | 302 | |
| | 345 | 50 |
| **Proposed for approval at AGM (not recognized as a liability as at 31 December):** | | |
| Equity dividends on ordinary shares: | | |
| Final dividend for 2010: EUR 1.25 (2009: EUR 1.00) | 59 | 51 |
| Final extra dividend for 2010: EUR nil (2009: EUR 7.00) | | 357 |
| | 59 | 408 |

### 22. Employee benefits

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

| Issued in | Number of share options 2010 | Number of share options 2009 | Price per share (EUR)* | Year of expiration |
|---|---|---|---|---|
| 2008 | 530,000 | 530,000 | 17.00 | 2013 |
| | 530,000 | 530,000 | | |

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

Hunter Douglas has for many years operated a stock option plan. The purpose of the plan and of the stock options granted under it is to foster long-term employment of valued executives and employees of the Hunter Douglas Group, to associate them with the financial results of the Group and to interest them in the development of the public market for the shares of the Company. Under the plan, stock options are granted in each case for a period of five years with vesting starting after two years. Options granted which have vested are exercisable as long as the beneficiary of the option remains in the employment of the Hunter Douglas Group. In the event of death, the option remains exercisable by the executor of the decedent within a period of three months. Balance treasury shares at year-end 2010: 66,089 (2009: 66,089). The carrying amount of the liability relating to the cash-settled options at 31 December 2010 is 14 (2009: 14). During 2010 an amount of 1 is added to the provision and charged to the statement of income.

# Notes to consolidated financial statements

### 22. Employee benefits (continued)

| Year Option Grant | Year Option Expiry | Option Price per share | Option Shares (HDNV common shares) Outstanding 1-1-2009 | Lapsed | Balance 31-12-2009 | Balance 31-12-2010 |
|---|---|---|---|---|---|---|
| **Directors** | | | | | | |
| 2008 | 2013 | € 17.00 | 520,000 | | 520,000 | 520,000 |
| | | | 520,000 | 0 | 520,000 | 520,000 |
| **Officers** | | | | | | |
| 2008 | 2013 | € 17.00 | 10,000 | | 10,000 | 10,000 |
| | | | 10,000 | 0 | 10,000 | 10,000 |
| **Other employees** | | | | | | |
| 2004 | 2009 | € 38.00 | 1,667 | 1,667 | 0 | 0 |
| 2004 | 2009 | € 36.10 | 6,000 | 6,000 | 0 | 0 |
| 2004 | 2009 | € 35.71 | 1,000 | 1,000 | 0 | 0 |
| | | | 8,667 | 8,667 | 0 | 0 |
| | | | **538,667** | **8,667** | **530,000** | **530,000** |

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

| Amounts in millions | 2010 | 2009 |
|---|---|---|
| Share price (in EUR) | **39.57** | 34.03 |
| Dividend yield (%) | **7.65** | 3.66 |
| Volatility (%) | **44.96** | 43.00 |
| **Interest rates (%):** | | |
| 1 month | **NA** | NA |
| 1 year | **NA** | NA |
| 2 years | **NA** | NA |
| 3 years | **1.53** | 2.01 |
| 4 years | **1.55** | 2.19 |
| 5 years | **1.68** | 2.35 |
| Average expected life of options (years) | **1.87** | 3.00 |

### 22. Employee benefits (continued)

**Pension plans**

**Defined benefit plans**

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

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

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

| | Pension plans | | | | | |
|---|---|---|---|---|---|---|
| % | NL | | US | | UK | |
| | 2010 | 2009 | 2010 | 2009 | 2010 | 2009 |
| Discount rate | **4.69** | 5.00 | **5.50** | 6.00 | **5.40** | 5.70 |
| Expected return on scheme assets | **5.60** | 5.20 | **8.50** | 8.50 | **7.30** | 6.90 |
| Future salary increase | **2.00** | 2.00 | **4.00** | 4.00 | **3.30** | 3.60 |
| Inflation assumption | **2.00** | 2.00 | **3.00** | 3.00 | **3.30** | 3.50 |

The overall expected rate of return is calculated by weighting the individual rates in accordance with the anticipated balance in the plan's portfolios. In accordance with IAS 19, paragraph 92, actuarial gains and losses are recognized only to the extent that they exceed the greater of 10% of the present value of the obligations or the fair value of plan assets. The excess amount is spread over the remaining working lives of the active employees and recognized as income or expense.

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

| Amounts in millions | NL Pension plan | | | | |
|---|---|---|---|---|---|
| | 2010 | 2009 | 2008 | 2007 | 2006 |
| Defined benefit obligations | **-339** | -327 | -288 | -317 | -309 |
| Fair value of plan assets | **308** | 313 | 288 | 358 | 324 |
| Funded status | **-31** | -14 | 0 | 41 | 15 |
| Unrecognized actuarial gains | **32** | 14 | | | |
| Effect of asset cap | | | | -41 | -15 |
| **Net asset in balance sheet** | **1** | 0 | 0 | 0 | 0 |

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

# Notes to consolidated financial statements

## 22. Employee benefits (continued)

| Amounts in millions | US Pension plan | | | | |
|---|---|---|---|---|---|
| | **2010** | 2009 | 2008 | 2007 | 2006 |
| Defined benefit obligations | **-217** | -191 | -179 | -151 | -142 |
| Fair value of plan assets | **178** | 171 | 162 | 174 | 127 |
| Funded status | **-39** | -20 | -17 | 23 | -15 |
| Unrecognized actuarial gains | **52** | 42 | 47 | 1 | 7 |
| **Net asset (liability) in balance sheet** | **13** | 22 | 30 | 24 | -8 |

This asset is recorded under prepayments.

| Amounts in millions | UK Pension plan | | | | |
|---|---|---|---|---|---|
| | **2010** | 2009 | 2008 | 2007 | 2006 |
| Defined benefit obligations | **-51** | -52 | -41 | -59 | -55 |
| Fair value of plan assets | **44** | 43 | 39 | 49 | 41 |
| Funded status | **-7** | -9 | -2 | -10 | -14 |
| Unrecognized actuarial gains/(losses) | **1** | 3 | -3 | 2 | 5 |
| Unrecognized past service cost | | | | | |
| Effect of asset cap | | | | | |
| **Net liability in balance sheet** | **-6** | -6 | -5 | -8 | -9 |

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

| Amounts in millions | Pension plans | | | | | |
|---|---|---|---|---|---|---|
| | NL | | US | | UK | |
| | **2010** | 2009 | **2010** | 2009 | **2010** | 2009 |
| Current service cost | **2** | 3 | **9** | 10 | **1** | |
| Interest cost on benefit obligation | **15** | 17 | **11** | 10 | **3** | 3 |
| Expected return on plan assets | **-15** | -19 | **-14** | -13 | **-3** | -2 |
| Net actuarial losses recognized in year | | | **3** | 2 | | |
| **Net benefit expense** | **2** | 1 | **9** | 9 | **1** | 1 |
| **Actual return on plan assets** | **23** | 23 | **11** | 12 | **3** | 0 |

### 22. Employee benefits (continued)

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

| Amounts in millions | Pension plans NL 2010 | NL 2009 | US 2010 | US 2009 | UK 2010 | UK 2009 |
|---|---|---|---|---|---|---|
| Opening defined benefit obligations | **327** | 288 | **191** | 179 | **52** | 41 |
| Current service cost | **2** | 3 | **9** | 10 | **1** | 1 |
| Employee contribution | **4** | 3 | | | | |
| Interest cost on benefit obligation | **15** | 17 | **11** | 10 | **3** | 3 |
| Benefits paid | **-13** | -13 | **-4** | -4 | **-2** | -2 |
| Actuarial (gain)/loss | **27** | 22 | **11** | -3 | **-1** | 4 |
| Expenses paid | | | **-1** | -1 | | |
| Exchange differences on plans | **-23** | 7 | | | **-2** | 5 |
| **Closing defined benefit obligations** | **339** | 327 | **217** | 191 | **51** | 52 |

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

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

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

| Amounts in millions | Pension plans NL 2010 | NL 2009 | US 2010 | US 2009 | UK 2010 | UK 2009 |
|---|---|---|---|---|---|---|
| Opening fair value of plan assets | **313** | 288 | **171** | 162 | **43** | 39 |
| Expected return on plan assets | **15** | 19 | **14** | 14 | **3** | 2 |
| Contributions | **7** | 7 | **1** | 1 | **1** | 1 |
| Benefits paid | **-13** | -13 | **-4** | -4 | **-2** | -2 |
| Actuarial gain/(loss) | **8** | 5 | **-3** | -1 | **1** | -3 |
| Expenses paid | | | **-1** | -1 | | |
| Disposal/transfer of assets | | | | | | 1 |
| Exchange differences | **-22** | 7 | | | **-2** | 5 |
| **Closing fair value of plan assets** | **308** | 313 | **178** | 171 | **44** | 43 |
| **Of which:** | | | | | | |
| Bonds | **165** | 188 | **7** | 9 | **1** | 4 |
| Equities | **116** | 110 | **148** | 131 | **43** | 39 |
| Other | **27** | 15 | **23** | 31 | | |
| The actual return on plan assets amounts | **8.6%** | 9.4% | **7.0%** | 8.2% | **7.3%** | 1.3% |

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 4 to its defined benefit plans in 2011. Contribution by employer will not materially differ from previous years.

**Defined contribution plans**
The expense of the defined contribution plans for 2010 amounts to 28 (2009: 28).

## 23. Commitments and contingencies

### Operating lease commitments - Group as lessee

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

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

| Amounts in millions | 2010 | 2009 |
|---|---|---|
| Within one year | **24** | 29 |
| After one year but not more than five years | **56** | 64 |
| More than five years | | 9 |

### Capital commitments

At 31 December 2010, the Group has commitments for capital expenditures of 5 (2009: 8).

### Legal claims

Legal claims have been filed against the Company in the course of its normal business. Management together with their legal counsel have assessed that the chances that any legal claim would have a material financial impact on the financial statements to be remote. As a result, no provision for any legal claim filed against the Company has been made in these financial statements.

### Guarantees

Hunter Douglas N.V. has the following contingent liabilities at 31 December 2010:

- 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 severally liable for the liabilities of the whole fiscal unity.

## 24. Related party disclosure

The consolidated financial statements include the financial statements of Hunter Douglas N.V. and the subsidiaries as listed on page 70 and 71.

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

| Amounts in millions | 2010 | 2009 |
|---|---|---|
| Short-term employee benefits | **11** | 10 |
| Share-based payments | **1** | 8 |
| Total compensation paid to key management employees | **12** | 18 |

As per year-end loans and advances to key management employees amounted to 1 (2009: 2), bearing market interest.

### 25. Capital management and financial risk management objectives and policies

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

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

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

**The following instruments are used:**

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

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

*c. Commodity derivatives*
Commodity derivatives all relate to aluminium 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 loss of 4 (net of taxes) relating to the hedging instruments is included in other comprehensive income. The major part of the cash flow hedges expires in 2017.

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

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

| Amounts in millions | Increase/decrease in basis points | Effect on profit before tax | Effect on equity |
|---|---|---|---|
| **2010** | | | |
| Euro | **50** | **2** | **1** |
| U.S. dollar | **50** | | |
| **2009** | | | |
| Euro | 50 | 1 | 1 |
| U.S. dollar | 50 | | |

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

**Foreign currency risk**
As a result of significant operations in Europe, the Group's balance sheet can be affected significantly by movements in the U.S. 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 investment hedges, as well as 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 |
|---|---|---|---|
| **2010** | **5%** | **11** | **7** |
| | **-5%** | **-17** | **-7** |
| **2009** | 5% | 1 | 6 |
| | -5% | -1 | -6 |

### 26. Financial instruments

**Derivative financial instruments**

| Amounts in millions | Face amount | Fair value |
|---|---|---|
| **Currency forward** | | |
| Buy | 56 | -3 |
| Sell | -80 | 1 |
| | **-24** | **-2** |
| **Currency options** | | |
| Buy - call | 460 | -6 |
| Buy - put | 467 | -4 |
| Sell - call | -707 | 5 |
| Sell - put | -615 | 3 |
| | **-395** | **-2** |

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 | Face amount | Fair value |
|---|---|---|---|
| **Metal derivatives** | | | |
| Buy | 46,864 | Optional | 23 |
| Sell | 46,866 | Optional | -8 |
| | | | **15** |

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

# Notes to consolidated financial statements

## 26. Financial instruments (continued)

### Fair values

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

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

| Amounts in millions | Carrying amount | | Fair value | |
|---|---|---|---|---|
| | 2010 | 2009 | 2010 | 2009 |
| **Financial assets** | | | | |
| Non-current | | | | |
| Other financial assets - loans and receivables | **29** | 32 | **29** | 32 |
| Current | | | | |
| Trade receivables - loans and receivables | **385** | 391 | **385** | 391 |
| Financial institutions and brokers - fair value through P&L | **38** | 26 | **38** | 26 |
| Currency derivatives - held for trading | **9** | 11 | **9** | 11 |
| Metal derivatives - held for trading | **23** | 26 | **23** | 26 |
| Investment portfolio - fair value through P&L | **143** | 144 | **143** | 144 |
| Cash and short-term deposits - loans and receivables | **61** | 69 | **61** | 69 |
| Short-term advances - loans and receivables | **7** | 9 | **7** | 9 |
| | **666** | 676 | **666** | 676 |
| **Financial liabilities** | | | | |
| Non-current - loans and receivables | | | | |
| US Notes - fixed rates | **100** | 100 | **107** | 106 |
| Preferred shares - floating rate* | **11** | 12 | **11** | 12 |
| Other borrowings - floating rate* | **394** | 129 | **394** | 129 |
| | **505** | 241 | **512** | 247 |
| Current | | | | |
| Trade payables - loans and receivables | **170** | 161 | **170** | 161 |
| Currency derivatives - held for trading | **13** | 11 | **13** | 11 |
| Metal derivatives - held for trading | **8** | 10 | **8** | 10 |
| Bank overdraft - floating rate* - loans and receivables | **36** | 38 | **36** | 38 |
| Short-term bank loans - floating rate* - loans and receivables | **48** | 38 | **48** | 38 |
| Current portion of long-term debt - fixed rate* - loans and receivables | **45** | 54 | **45** | 55 |
| | **320** | 312 | **320** | 313 |

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

# Notes to consolidated financial statements

## 26. Financial instruments (continued)

### Liquidity risk

The following table sets out the carrying amount, by maturity, of the Group's financial instruments that are exposed to interest rate risk 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 | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2010 | 2009 | 2010 | 2009 | 2010 | 2009 | 2010 | 2009 | 2010 | 2009 | 2010 | 2009 | 2010 | 2009 |
| Trade payables | **170** | 161 | | | | | | | | | | | **170** | 161 |
| Metal derivatives | **8** | 10 | | | | | | | | | | | **8** | 10 |
| Currency derivatives | **13** | 11 | | | | | | | | | | | **13** | 11 |
| **Fixed rate** | | | | | | | | | | | | | | |
| Loan notes | | 30 | | | **100** | | | 100 | | | | | **100** | 130 |
| Bank loans | | | **2** | 2 | | | **1** | 2 | | | | | **3** | 4 |
| **Floating rate** | | | | | | | | | | | | | | |
| Bank loans | **129** | 100 | **232** | 48 | **159** | 48 | | 29 | | | | | **520** | 225 |
| Preferred shares | | | | | | | | | | | **11** | 12 | **11** | 12 |
| Interest | **15** | 12 | **9** | 6 | **4** | 6 | | 3 | | | | | **28** | 27 |
| | **335** | 324 | **243** | 56 | **263** | 54 | **1** | 134 | **0** | 0 | **11** | 12 | **853** | 580 |

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.
The other financial instruments of the Group that are not included in the above tables are non-interest-bearing and are therefore not subject to interest rate risk.

### Assets measured at fair value

| Amounts in millions | 2010 Fair value measurement at the end of the reporting period using: | | | | 2009 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 | | | **143** | **143** | | | 144 | 144 |
| Trading derivatives | **23** | **9** | | **32** | 26 | 11 | | 37 |
| **Total** | **23** | **9** | **143** | **175** | 26 | 11 | 144 | 181 |

# Notes to consolidated financial statements

## 26. Financial instruments (continued)

**Liabilities measured at fair value**

| Amounts in millions | 2010 Fair value measurement at the end of the reporting period using: | | | 2009 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** | **13** | **21** | 10 | 11 | 21 |
| **Total** | **8** | **13** | **21** | 10 | 11 | 21 |

**Assets measured at fair value based on Level 3**

| Amounts in millions | 2010 Fair value measurement at the end of the reporting period | | 2009 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 | **144** | **144** | 265 | 265 |
| Total gains in profit or loss | **18** | **18** | 11 | 11 |
| Settlements | **-19** | **-19** | -132 | -132 |
| **Closing balance** | **143** | **143** | 144 | 144 |
| **Total gains for the period included in profit or loss for assets held at the end of the reporting period** | **18** | **18** | 11 | 11 |

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

| Amounts in millions | Notes | USD 2010 | USD 2009 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Financial fixed assets | | | |
| - Investments in subsidiaries | 2 | 3,281 | 3,187 |
| - Advances to/from subsidiaries | | 294 | 330 |
| - Other | | 22 | 2 |
| **Total non-current assets** | | 3,597 | 3,519 |
| | | | |
| **Current assets** | | | |
| Accounts receivable | | 29 | 41 |
| Accounts receivable - affiliated companies | | 74 | 77 |
| Cash | | | 19 |
| **Total current assets** | | 103 | 137 |
| **TOTAL ASSETS** | | 3,700 | 3,656 |
| | | | |
| **SHAREHOLDERS' EQUITY AND LIABILITIES** | | | |
| **Shareholders' equity** | | | |
| Issued capital | 3 | 11 | 12 |
| Share premium | | 95 | 102 |
| Treasury shares | | -4 | -4 |
| Cash flow hedge reserve | | -9 | -5 |
| Foreign currency translation | | -13 | 4 |
| Retained earnings | | 926 | 1,173 |
| Net result for the year | | 153 | 90 |
| **Total shareholders' equity** | | 1,159 | 1,372 |
| | | | |
| **Provisions** | | | |
| Provision for pensions | | 3 | 3 |
| Deferred income tax liabilities | | 3 | 9 |
| **Total provisions** | | 6 | 12 |
| | | | |
| **Non-current liabilities** | | | |
| Long-term loans - other | 4 | 499 | 232 |
| Long-term loans - affiliated companies | | 1,371 | 1,385 |
| **Total non-current liabilities** | | 1,870 | 1,617 |
| | | | |
| **Current liabilities** | | | |
| Short-term borrowings | | 47 | 71 |
| Short-term portion of long-term loans | 4 | 45 | 54 |
| Accounts payable - other | | 35 | 37 |
| Accounts payable - affiliated companies | | 538 | 493 |
| **Total current liabilities** | | 665 | 655 |
| **TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES** | | 3,700 | 3,656 |
| | | | |
| **STATEMENT OF INCOME** | | | |
| Income from subsidiaries and affiliates after taxation | | 150 | 113 |
| Other income (expense), net | | 3 | -23 |
| **Net profit** | | 153 | 90 |

** before appropriation of net profit*

# Notes to financial statements

## 1. Accounting policies

### General

The Company's financial statements have been prepared in accordance with Title 9 of Book 2 of the Netherlands 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 | 2010 | 2009 |
|---|---|---|
| **Beginning of the year** | **3,187** | 2,996 |
| **Change during the year** | | |
| Share in results, net | **150** | 113 |
| Received dividends | **-16** | -15 |
| Increase, net | | 2 |
| Exchange differences | **-40** | 91 |
| **Net change** | **94** | 191 |
| **End of year** | **3,281** | 3,187 |

Affiliated companies amount to 0.1 (2009: 0.1).

## 3. Shareholders' equity

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

## 4. Long-term loans

| Amounts in millions | 2010 | 2009 |
|---|---|---|
| Unsecured loans maturing in various installments through 2013 | **488** | 220 |

Average life of long-term loans is 2.03 years (2009: 2.85 years); 20.51% are at fixed rates of interest (weighted average 5.01% per year). Maturities until 2013 are: 2011 - 45, 2012 - 232 and 2013 - 256.

| Amounts in millions | 2010 | 2009 |
|---|---|---|
| Preferred shares | **11** | 12 |

For the conditions in respect of preferred shares: see page 67.

# Notes to financial statements

### 5. Contingencies

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

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

### 6. Employee benefits

| | Year Option Grant | Year Option Expiry | Option Price per share | Option Shares (HDNV common shares) Outstanding 1 January | Balance 31 December |
|---|---|---|---|---|---|
| | | | | see notes 1;2 | see note 2 |
| Directors | | | | | |
| **2010** | | | | | |
| R. Sonnenberg | 2008 | 2013 | € 17.00 | 500,000 | 500,000 |
| J.T. Sherwin | 2008 | 2013 | € 17.00 | 20,000 | 20,000 |
| | | | | 520,000 | 520,000 |
| **2009** | | | | | |
| R. Sonnenberg | 2008 | 2013 | € 17.00 | 500,000 | 500,000 |
| J.T. Sherwin | 2008 | 2013 | € 17.00 | 20,000 | 20,000 |
| | | | | 520,000 | 520,000 |

Compensation* paid to directors was: R. Sonnenberg nil (2009: nil), J.T. Sherwin 1,824 (2009: 805) as compensation and all other directors 40 (2009: 42) as directors fee. No pension contributions were paid. The share option expense for the directors was 1 (2009: 8).

** Amounts in thousands*

### 7. Remuneration of the auditor

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

| | 2010 | 2009 |
|---|---|---|
| Audit of financial statements | **393** | 426 |
| Other audit services | **13** | 13 |
| Non-audit services | **32** | 33 |
| | **438** | 472 |

### 8. Employees

The number of employees at year-end amounts 23 (2009: 28).

Rotterdam, 15 March 2011

Board of Directors

# Additional information

## 1. Independent auditor's report

**To: The Board of Directors of Hunter Douglas N.V. and General Meeting of Shareholders**

**Report on the financial statements**
We have audited the financial statements 2010 of Hunter Douglas N.V., Curaçao (as set out on pages 32 to 66). The financial statements include the consolidated financial statements and the Company's financial statements. The consolidated financial statements comprise the consolidated balance sheet as at 31 December 2010, the consolidated statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of the significant accounting policies and other explanatory information. The Company's financial statements comprise the Company's balance sheet as at 31 December 2010, the Company's statement of income for the year then ended and the notes, comprising a summary of the accounting policies and other explanatory information.

**Management's responsibility**
Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and International Financial Reporting Standards as adopted by IASB and with Part 9 of Book 2 of the Dutch Civil Code, and for the preparation of the directors' report in accordance with Part 9 of Book 2 of the Dutch Civil Code. Furthermore management is responsible for such internal control as it determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

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

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

In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

**Opinion with respect to the consolidated financial statements**
In our opinion, the consolidated financial statements give a true and fair view of the financial position of Hunter Douglas N.V. as at 31 December 2010, its result and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and International Financial Reporting Standards as adopted by IASB and with Part 9 of Book 2 of the Dutch Civil Code.

**Opinion with respect to the Company's financial statements**
In our opinion, the Company's financial statements give a true and fair view of the financial position of Hunter Douglas N.V. as at 31 December 2010 and of its result for the year then ended in accordance with Part 9 of Book 2 of the Dutch Civil Code.

**Report on other legal and regulatory requirements**
Pursuant to the legal requirement under Section 2:393 sub 5 at e and f of the Dutch Civil Code, we have no deficiencies to report as a result of our examination whether the management board report, to the extent we can assess, has been prepared in accordance with Part 9 of Book 2 of this Code, and whether the information as required under Section 2:392 sub 1 at b-h has been annexed. Further we report that the directors' report, to the extent we can assess, is consistent with the financial statements as required by Section 2:391 sub 4 of the Dutch Civil Code.

Rotterdam, The Netherlands,
15 March 2011

Ernst & Young Accountants LLP

/s/ C.Th. Reckers

## 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 1.25 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 14 June 2011 at the Avila Beach Hotel, Penstraat 130, Willemstad, Curaçao, starting at 9.00 a.m. for the common shareholders, 9.30 a.m. for the preferred shareholders and 10.00 a.m. for the common and preferred shareholders.

## 4. Dividends

Cash dividends will be distributed on all shares. Dividends declared pursuant to the preceding paragraphs will be distributed on 23 June 2011.

## 5. Audit and Compensation Committees

The members for both committees are:

C. Boonstra
H.F. van den Hoven
A. van Tooren

# Five-year summary

| Millions, except per share data | Notes | 2010 | 2009 | USD 2008 | 2007 | 2006 |
|---|---|---|---|---|---|---|
| **Net sales** | | **2,445** | 2,376 | 2,942 | 3,028 | 2,630 |
| **Earnings before interest, tax, depreciation and amortization (before non-recurring restructuring expenses)** | | **257** | 213 | 285 | 416 | 415 |
| Income from Operations (before non-recurring restructuring expenses) | | **167** | 120 | 198 | 325 | 341 |
| **Net Profit from Operations (before non-recurring restructuring expenses)** | | **159** | 114 | 193 | 271 | 261 |
| Non-recurring restructuring expenses | | **-17** | -27 | -68 | -24 | |
| **Net Profit from Operations (after non-recurring restructuring expenses)** | | **142** | 87 | 125 | 247 | 261 |
| Net Result Investment Portfolio | | **11** | 3 | -160 | 62 | 66 |
| **Total Net Result** | | **153** | 90 | -35 | 309 | 327 |
| Operating cash flow | | **159** | 234 | 138 | 187 | 279 |
| Investments in tangible fixed assets | | **71** | 63 | 131 | 140 | 107 |
| Depreciation of tangible fixed assets | | **85** | 88 | 80 | 85 | 70 |
| Net Assets Employed | | **1,710** | 1,654 | 1,810 | 1,849 | 1,522 |
| Shareholders' equity | | **1,159** | 1,372 | 1,272 | 1,964 | 1,680 |
| **Per common share** | | | | | | |
| - Total Net Result | 1 | **4.31** | 2.54 | -0.95 | 7.35 | 7.82 |
| - Operating cash flow | 1 | **4.49** | 6.61 | 3.67 | 4.44 | 6.67 |
| - Shareholders' equity | 2 | **32.78** | 38.80 | 35.90 | 46.54 | 40.09 |
| - Dividend in EUR (proposed for 2010) | | **1.25** | 1.00 | 1.00 | 2.00 | 2.00 |
| - Extra dividend in EUR | | | 7.00 | | | |
| Average annual exchange rate EUR/USD | | **1.33** | 1.40 | 1.48 | 1.38 | 1.26 |
| Year-end exchange rate EUR/USD | | **1.34** | 1.44 | 1.40 | 1.47 | 1.32 |
| Average number of outstanding common shares (thousands) | 3 | **35,432** | 35,432 | 37,577 | 42,072 | 41,849 |
| Year-end number of outstanding common shares (thousands) | 3 | **35,366** | 35,366 | 35,366 | 42,204 | 41,902 |

1 Based on average number of shares outstanding during affected year, adjusted for stock dividends and treasury shares, where applicable.
2 Based on number of shares outstanding at year-end, adjusted for stock dividends and treasury shares, where applicable.
3 Adjusted for stock dividends and treasury shares, where applicable.

# Hunter Douglas Principal Operating Companies

## Europe, Middle East and Africa
www.hunterdouglas.nl

**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**
Faber, Ryslinge
Window Fashions Scandinavia, Risskov, Hornum

**Finland**
Window Fashions Scandinavia, Helsinki

**France**
Hunter Douglas, Paris
Luxalon Plafonds France, Bonneuil, Lille
Filtersun/Goeland, La Loupe, Tremblay le Village
XL Screen, Lyon
Luxaflex France, Tourcoing
Turnils, Brumath
Mermet Industries, Veyrins-Thuellin

**Germany**
Benthin, Bremerhaven
Blöcker, Bremen
Hunter Douglas, Düsseldorf, Bremerhaven, Kassel
Hunter Douglas Produktions, Glauchau
Hunter Douglas Architektur-Systeme, Haan, Hohenbrunn
Gardinia, Isny (49%)
NBK, Emmerich

**Hungary**
Hunter Douglas Hungary, Budapest

**Ireland**
T.M. Blinds, Newcastle

**Italy**
Hunter Douglas Italia, Milan

**Netherlands**
Hunter Douglas, Rotterdam
Hunter Douglas Europe, Rotterdam, Leek, Oudenbosch
Hunter Douglas Construction Elements, Leek
Industrie- en Handelsonderneming 'Buismetaal', Rotterdam
Artex, Aarle-Rixtel
Asco, Roermond
Hamstra, Almere
HCI Holland Coatings Industries, Hoogeveen
Luxaflex Nederland, Hardinxveld-Giessendam, Tolbert
Limelight, Oudenbosch
Mado, Eindhoven
Multisol Raambekleding, Nijmegen
Nedal, Utrecht
Schellekens en Schellekens, Beuningen
Sunway (Benelux), Nieuwegein
3form, Schiedam

**Norway**
Hunter Douglas Norge, Gjövik, Oslo
Window Fashions Scandinavia, Oslo

**Poland**
Faber Polska, Chludowo
Hunter Douglas Polska, Warsaw
Turnils, Zdunska Wola
Magnum Metal, Zdunska Wola

**Portugal**
Hofesa, Fajozes
NBK, Figueira da Foz

**Rumania**
Hunter Douglas Romania, Bucharest, Cluj

**Russia**
Hunter Douglas, Moscow

**South Africa**
Hunter Douglas South Africa, Johannesburg

**Serbia**
Hunter Douglas, Belgrade

**Spain**
Hunter Douglas España, Llagostera, Madrid
Hunter Douglas Andalucia, Sevilla
Hunter Douglas Cataluña, Barcelona

**Sweden**
Hunter Douglas Scandinavia, Gothenburg
Hunter Douglas Assembly Automation, Stenungsund
Haglunds, Falköping
Turnils, Alingsås, Mullsjö, Hillerstorp, Malmö
AMA Produktions, Gothenburg
Nibrol, Angered
Window Fashions Scandinavia, Helsingborg, Anderstorp

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

**Turkey**
Hunter Douglas, Istanbul

**United Arab Emirates**
Hunter Douglas Middle East, Dubai

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

## North America
www.hunterdouglas.com

**Canada**
Hunter Douglas Canada, Brampton, Edmonton
Nysan Shading Systems, Calgary
Shade-O-Matic, Toronto
Turnils, Toronto
Vinylbilt, Toronto

**U.S.A.**
Hunter Douglas North America, Upper Saddle River (NJ)
Hunter Douglas Window Fashions, Broomfield (CO)
Hunter Douglas Window Designs Division, Bessemer City (NC)
Hunter Douglas R&D Centre, Whitesville (KY)
Hunter Douglas Metals and Distribution Centre, Tupelo (MS)
Hunter Douglas Plastics and Casting Centre, Owensboro (KY)
Hunter Douglas Ceiling Products, Thornton (CO)
Hunter Douglas Custom Shutters, Gilbert (AZ)
Hunter Douglas Horizontal Blinds Division, Gilbert (AZ)
Hunter Douglas Fabrication, Beltsville (MD), Chicago (IL), Cumberland (MD), Dallas (TX), Denver (CO), Milpitas (CA), Pinellas Park (FL), Poway (CA), Renton (WA), Salt Lake City (UT), W. Sacramento (CA)
Hunter Douglas Hospitality, Chicago (IL)
Architectural Window Shades, Pasadena (CA)
Carole Fabrics, Augusta (GA)
Century Blinds, Corona (CA)
Comfortex, Maplewood (NY)
Coast Drapery Services, Las Vegas (NV)
Custom Brands Group, Artesia (CA)
Elmar Window Fashions, Willow Grove (PA)
Electronic Solutions, Lafayette (CO)
Fashion Tech, Portland (OR)
Flexo Solutions, Appleton (WI)
ILM, Playeas de Rosario (Mexico)
Luxalon Metal Ceilings, Norcross (GA)
Mermet, Cowpens (SC)
Nibrol, Lancaster (SC)
Timber Blinds, Dallas (TX)
Turnils, Atlanta (GA)
Vista Products, Jacksonville (FL)
3form, Salt Lake City (UT)

Hunter Douglas Metals, Chicago (IL)

# Hunter Douglas Principal Operating Companies

## Latin America
www.hunterdouglas.cl

**Argentina**
Hunter Douglas Argentina, Buenos Aires

**Brazil**
Hunter Douglas do Brasil, São Paulo, Campinas

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

**Colombia**
Hunter Douglas de Colombia (95%), Bogotá

**Curaçao**
Hunter Douglas International, Curaçao

**Mexico**
Hunter Douglas de Mexico, Mexico City

**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, Beijing, Shanghai, Guangzhou, Chengdu, Shenzhen, Xiamen, Xian
Hunter Douglas Window Covering Products, Beijing, Chengdu, Wuhan, Shanghai, Guangzhou, Shenzhen, Xiamen, Xian
Turnils/Mermet, Shanghai

**Hong Kong**
Hunter Douglas China/Hong Kong

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

**Indonesia**
Hunter Douglas Indonesia, Jakarta, Cikarang

**Japan**
Hunter Douglas Japan, Tokyo, Ibaraki

**Korea**
Hunter Douglas Korea, Seoul, Eumseong, Gumi

**Malaysia**
Hunter Douglas Malaysia, Kuala Lumpur
Hunter Douglas Window Fashions, Kuala Lumpur

**Philippines**
Hunter Douglas Philippines, Manila

**Singapore**
Hunter Douglas Singapore

**Taiwan**
Hunter Douglas Taiwan, Taipei

**Thailand**
Hunter Douglas Thailand, Bangkok

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

## Australia
www.hunterdouglas.com.au

Hunter Douglas, Sydney
Hunter Douglas Architectural Products, Sydney
Design Blinds, Melbourne
Turnils, Melbourne
Mermet, Melbourne
Vogue Vinyl, Brisbane

# Hunter Douglas N.V.

## Directors

**R. Sonnenberg**
Chairman & CEO
Hunter Douglas N.V.

**C. Boonstra**
President Philips Electronics N.V.
(retired)

**H.F. van den Hoven**
Chairman Unilever N.V. (retired)

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

**A. van Tooren**
Former Senior Executive ING Group

## Officers

**R. Sonnenberg**
Chairman & CEO

**D.H. Sonnenberg**
Co-President & COO

**M.H. Sonnenberg**
Co-President & COO

**M.B. Hopkins**
President & CEO
North American Operations

**C. King**
Vice President General Counsel

**A. Kuiper**
President & CEO European Operations

**G.C. Neoh**
President & CEO Asian Operations

**L. Reijtenbagh**
Vice President & CFO

**R. Rocha**
President & CEO Latin American
Operations

## Registered office
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## Stock listings
**Common shares:**
- Amsterdam (HDG)
- Frankfurt (HUD)

**Preferred shares:**
- Amsterdam (HUNDP)

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**R. Sonnenberg**
President & CEO

**C. King**
Vice President, General Counsel &
Secretary

## Investor relations
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**Depositaries and dividend disbursement agents**
- THE ROYAL BANK OF SCOTLAND: Amsterdam, Rotterdam - The Netherlands
- ING BANK: Amsterdam, Rotterdam - The Netherlands
- ABN AMRO BANK N.V.: Amsterdam, Rotterdam - The Netherlands

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