

HOLLAND COLOURS 2010/2011 Half Year Report

Sharp profit growth first half year; lower profit expectation second half year

- Turnover increased by 22% to € 31.9 million (2009/2010: € 26.1 million)
- Net result € 2.3 million (first half year 2009/2010: € 0.6 million)
- Lower profit expectation second half year compared to previous year
- Raw material availability remains concern

In the first six months of the 2010/2011 financial year, the turnover of Holland Colours increased by 22% to € 31.9 million (2009/2010: 26.1 million), partly due to customers' replenishing inventories. With this, turnover rebounded to more or less pre-crisis levels. Foreign exchange effects, in particular due to the stronger US dollar, positively influenced turnover development in the first half year by approximately 4%. Turnover increased by 32% in the first quarter versus the same period last year, mainly due to the favourable comparison basis, and increased 14% in the second quarter.

Holland Colours concludes the first half year with a net result of € 2.3 million versus € 0.6 million in the first six months of 2009/2010. A higher gross margin percentage, among other things resulting from efficiency improvements, and a relatively limited increase in operating costs, contributed significantly to the more than proportional improvement of the net result.

Earnings per share increased in the first half year from Euro 0.73 in 2009/2010 to Euro 2.67 in 2010/2011.

Turnover

All focus markets and all geographic divisions realized a higher turnover in the first six months versus the same period last year, although the degree of increase varied per focus market and per division.

Turnover in the focus market Building & Construction showed a strong recovery after the weak first half year of 2009. In the first quarter of the financial year, the recovery was mainly realized through positive developments in North America. Europe also enjoyed a cautious recovery in the second quarter, while the growth rate in North America levelled off. Replenishment of inventories in the pipeline had a favourable effect on turnover development.

The first year turnover in the focus market Packaging was also higher than in the first half of last year. All divisions have contributed to the significant increase in turnover, with the largest percentage growth in turnover being realized in Asia. Despite the economic recovery, there still is fierce competition in the packaging market.

The focus market Silicones & Elastomers also realized higher turnover in the first half of the financial year. Although, mainly due to a quiet holiday period, the increase in the second quarter was less dramatic than in the first quarter of the financial year, turnover in this focus market still showed a significant recovery compared to last year's figures.

Turnover growth per focus market

Turnover growth per focus Market	1 st half-year 2010/2011 versus 1 st half-year 2009/2010	1 st half-year 2009/2010 versus 1 st half-year 2008/2009
Focus markets		
Building & Construction	+ 26%	-19%
Packaging	+ 18%	-14%
Silicones & Elastomers	+ 16%	-11%
Total focus markets	+ 22%	-16%
Specialties	+ 21%	-24%
Total turnover	+ 22%	-18%
Exchange-rate effect	-/- 4%	1%
Total excluding exchange-rate effect	+ 18%	-19%

Gross margin

The gross margin improved from 46.5% to 49.1% in the first half of the financial year. This improvement was almost entirely achieved in the first quarter of the financial year. At that point though, it was already clear that the availability of a number of raw materials was decreasing rapidly, resulting in sharp price increases. These price increases are passed on in the sales prices of end products where possible, although with the inevitable delay.

Operating costs

Total operating costs increased by approximately 10% in the first half year, from € 10.8 million to € 11.9 million. Approximately € 0.4 million of the € 1.1 million increase can be explained by the higher exchange rate of the US dollar versus the same period last year, and € 0.4 million is due to a provision for profit-share. Unlike previous years, personnel costs include a possible payment in relation to the profit sharing scheme, which applies to all employees of Holland Colours. In the past financial year, the Group results were insufficient to allow payment through this scheme. In view of the expected year-end results, another Euro 0.4 million will be reserved for this scheme in the second half year.

Due to the increased level of activity, the average number of employees increased from 377 to 381, versus the second half of last year.

Turnover and result development per division

Europe

The European division – which was hit badly by the economic recession – showed a recovery in turnover and results in the first six months of the financial year. Turnover increased by 14% to € 17.9 million, which is still € 2.0 million lower than the level of two years ago. Due to a limited increase in operating costs and a higher relative operating margin, operating results increased more than proportionally from € 0.3 to € 1.6 million.

Americas

The Americas division also recovered from the impact of the recession. When compared with the first six months of 2009/2010, turnover increased in the first half of the financial year by 35% to € 10.3 million. Expressed in US dollars, this was a 25% increase versus the same period last year. With this the Americas division's turnover in US dollars is comparable to pre-crisis levels. Turnover growth was mainly realized in the first quarter and is largely attributable to the Building & Construction focus market. Thanks to a higher gross margin and despite increased operating costs, operating results increased sharply from € 0.4 million to € 1.5 million.

Asia

The Asia division grew by 32% in the first six months versus the same period last year. Corrected for the higher exchange rate of the US dollar, this translated to a growth of 23%. Increased turnover in the Packaging market and higher trade turnover were the main contributors to growth. The modified product mix led to a slightly lower gross margin than in the first six months of 2009/2010. Operating results increased from € 0.6 million to € 0.9 million.

Cash flow and financing

The improved operating result in the first six months of the financial year was only partially reflected in the cash flow from operational and investment activities. This cash flow increased to € 0.6 million (first six months of 2009/2010: € 0.1 million negative). Increased working capital and a rise in the tax paid on earnings limited the cash flow growth.

At the end of September 2010, working capital was € 13.0 million, which is a considerable increase compared with the beginning of the financial year (€ 10.6 million) and is also higher than at the end of September last year (€ 10.8 million). This increase versus the beginning of the financial year is partially due to a € 0.9 million increase in trade receivables as the result of a higher level of activities in relation to the final quarter of the previous financial year. However, the main contribution to the higher working capital comes from inventory replenishment of € 1.8 million. The availability of raw materials has been under pressure since the beginning of the financial year, partly due to the decrease in inventories at suppliers. Inventories of critical raw materials have been temporarily increased to ensure we can continue to meet customer demand.

Holland Colours signed a new financing agreement last July. A number of existing loans has been paid off early whereas two new long term loans were taken on. The new agreement has resulted in lower interest rates. The bank covenants and collateral requirements have remained more or less unchanged relative to the end of March 2010. At the end of the first six months, Holland Colours had complied with all the covenants agreed with the bank.

The company's solvency ratio has increased to 51.8% compared to 50.8% at the end of the previous financial year, an increase which can mainly be explained by increased equity capital arising from net profit. Exchange-rate results in the first six months of 2010/2011 were minus € 0.1 million, mainly because the US dollar exchange rate was fractionally lower at the end of September than earlier in the financial year, despite a slight initial rally.

Investments in the first six months amounted to € 0.5 million (2009/2010: € 0.3 million). An important part of this amount relates to the expansion of production facilities in Surabaya, Indonesia.

The return on investment (ROI) increased over the year as a whole to 16.8%. A negative ROI of 3.6% was realized over the comparable period last year.

Risk management

Risk reduction is an integrated management task that aims to recognize significant risks to which the company is exposed while taking account of its size and enterprising nature, and to then control such risks with a reasonable degree of certainty. Such a system can never offer absolute certainty that targets will be met. Nor can it provide certainty of prevention of incidents such as material errors, losses, fraud or violation of statutory regulations. The annual report 2009/2010 describes the main strategical, operational and financial risks. In terms of the risks and uncertainties described in the annual report, there have been no important changes in the first six months of this financial year.

Board statement

The board hereby declares that, to the best of its knowledge and in compliance with IAS 34 "interim financial reporting", the condensed and consolidated half-yearly report of 30 September 2010 gives a reliable picture of the assets, liabilities, financial position and earnings of Holland Colours NV and the companies included in this consolidated financial statement, and that the interim report of the management board as included on pages 1 to 3 of this interim statement gives a reliable picture of the information required by art. 5:25d subs 8 and 9 of the Act on Financial Supervision.

Holland Pigments

Holland Colours NV has received the formal information from Holland Pigments BV of its intention to obtain a majority share in Holland Colours NV.

Organization change Division Europe

Effective December 1st 2010 the sales and service activities of the Division Europe will be integrated into Holland Colours Apeldoorn BV, that effective this date will be called Holland Colours Europe BV. This change will decomplex the administrative processes within the Division.

Outlook for second half year 2010/2011

We expect the economic climate in the remainder of the financial year 2010/2011 to remain uncertain, especially in relation to developments in the markets for Building & Construction in Europe and North America.

As a result of the seasonal trend, particularly in Building & Construction, turnover and result will be lower in the second half of the financial year than in the first six months.

Barring unforeseen events, Holland Colours expects to realize higher turnover in the second six months versus the same period of the previous financial year. Net result will probably be lower than in the same period last year, mainly due to the rising prices of raw materials and a provision for profit share of Euro 0.4 million

Apeldoorn, 4 November 2010

Bernard van Schaik
Jeroen Straathof
Tineke Veldhuis - Hagedoorn

CONDENSED INTERIM CONSOLIDATED HALF-YEAR REPORT PER SEPTEMBER 30, 2010

Condensed interim consolidated income statement

In EUR thousand

	Apr 1, 2010 up till Sep 30, 2010	Oct 1, 2009 up till Mar 31, 2010	Apr 1, 2009 up till Sep 30, 2009
Turnover	31,929	24,930	26,107
Gross operating profit	15,691	12,055	12,136
Personnel costs	6,327	5,418	5,526
Amortisation	135	186	166
Depreciation and impairments	1,052	1,124	1,116
Other operating costs	4,342	3,955	4,002
	11,856	10,683	10,810
Operating profit	3,835	1,372	1,326
Net finance costs	(423)	(506)	(406)
Income tax expense	(1,118)	(342)	(290)
Net result	2,294	524	630
Attributable to:			
Equity holders of the company	2,287	524	632
Minority interest	7	-	(2)
	2,294	524	630
Average number of shares issued	860,351	860,351	860,351
Total earnings per share attributable to equity holders (ordinary and diluted)	2.67	0.61	0.73

Condensed Consolidated Statement of Comprehensive Income

In EUR thousand

	Apr 1, 2010 up till Sep 30, 2010	Oct 1, 2009 up till Mar 31, 2010	Apr 1, 2009 up till Sep 30, 2009
Net result	2,294	524	630
Fair value adjustments financial instruments	(174)	(65)	164
Foreign currency translation differences	(75)	1,037	(926)
Movements in deferred taxes	53	(6)	(13)
Other comprehensive income	(196)	966	(775)
Total comprehensive income	2,098	1,490	(145)
Attributable to:			
Equity holders of the company	2,085	1,489	(143)
Minority interest	13	1	(2)
	2,098	1,490	(145)

Condensed interim consolidated balance sheet

In EUR thousand

	Sep 30, 2010	Mar 31, 2010	Sep 30, 2009
<i>Non-current assets</i>			
Intangible fixed assets	496	562	683
Tangible fixed assets	16,727	17,318	17,774
Financial fixed assets	1,994	2,112	1,903
Total non-current assets	19,217	19,992	20,360
<i>Current assets</i>			
Inventories	9,110	7,266	6,933
Trade- and other receivables	11,339	10,321	10,131
Current income tax receivables	88	36	275
Cash and cash equivalents	1,922	1,614	1,390
Total current assets	22,459	19,237	18,729
Total assets	41,676	39,229	39,089
<i>Equity</i>			
Total equity	21,654	19,986	18,496
<i>Non-current liabilities</i>			
Long-term liabilities	5,778	3,582	5,113
Other long-term liabilities	439	228	344
Employee benefit obligations	1,281	1,254	1,429
Total non-current liabilities	7,498	5,064	6,886
<i>Current liabilities</i>			
Credit institutions	4,622	4,899	6,099
Repayment obligations	354	1,904	1,081
Trade- and other payables	7,224	7,076	6,419
Current income tax payables	324	300	108
Total current liabilities	12,524	14,179	13,707
Total liabilities	20,022	19,243	20,593
Total equity and liabilities	41,676	39,229	39,089

Condensed interim consolidated statement of cash flows

In EUR thousand

	Apr 1, 2010 up till Sep 30, 2010	Oct 1, 2009 up till Mar 31, 2010	Apr 1, 2009 up till Sep 30, 2009
Operating activities			
Operating profit	3,835	1,372	1,326
Depreciation, amortisation and impairments	1,187	1,310	1,282
Exchange rate differences	(1)	376	(196)
Changes in working capital	(2,497)	106	(1,990)
Cash flow from business activities	2,524	3,164	422
Paid income tax	(1,027)	(314)	133
Paid interest	(424)	(506)	(406)
Cash flow from operating activities	1,073	2,344	149
Cash flow from investing activities			
Capital expenditures, net of disposals	(506)	(168)	(242)
Cash flow from operating and investing activities	567	2,176	(93)
Cash flow from financing activities			
Dividend paid to shareholders	(430)	-	-
Proceeds from borrowings minus redemption payments	455	(885)	(1,603)
Cash flow from financing activities	25	(885)	(1,603)
Change in cash and cash equivalents	592	1,291	(1,696)
Currency differences in cash	(6)	133	(47)
Net cash flow	586	1,424	(1,743)
Cash at opening balance date	(3,285)	(4,709)	(2,966)
Cash at ending balance date	(2,622)	(3,285)	(4,709)
Net cash flow	586	1,424	(1,743)

Condensed consolidated statement of changes in equity

In EUR thousand

For the first half year of 2009/2010

	Issued Capital	Share premium account	Currency translation differences	Other Reserves	Retained earnings	Minority interest	Total
As at April 1, 2009	1,953	1,219	(2,282)	(88)	17,784	55	18,641
Profit for the 1 st half year 2009/2010	-	-	-	-	632	(2)	630
Other comprehensive income	-	-	(926)	151	-	-	(775)
Total comprehensive income	-	-	(926)	151	632	(2)	(145)
As at September 30, 2009	1,953	1,219	(3,208)	63	18,416	53	18,496

For the second half year 2009/2010

Profit for the 2 nd half year 2009/2010	-	-	-	-	524	-	524
Other comprehensive income	-	-	1,036	(29)	(42)	1	966
Total comprehensive income	-	-	1,036	(29)	482	1	1,490
As at March 31, 2010	1,953	1,219	(2,172)	34	18,898	54	19,986

For the first half year 2010/2011

Profit for the 1 st half year 2010/2011	-	-	-	-	2,287	7	2,294
Other comprehensive income	-	-	(81)	(121)	-	6	(196)
Total comprehensive income	-	-	(81)	(121)	2,287	13	2,098
Dividend 2009/2010	-	-	-	-	(430)	-	(430)
As at September 30, 2010	1,953	1,219	(2,253)	(87)	20,755	67	21,654

Segment reporting

Segments 2010/2011

In EUR thousand

	Europe	North- America	Asia	Other	Total
Turnover	17,949	10,340	3,640	-	31,929
Inter segmental transactions	304	240	-	-	544
Turnover including inter segmental transactions	18,253	10,580	3,640	-	32,473
Depreciation, amortisation and impairments	555	295	79	258	1,187
Operating profit	1,564	1,482	788	(1)	3,835
Net finance costs					(423)
Income tax expense					(1,118)
Net result					2,294
Assets	21,088	12,718	5,096	2,774	41,676
Liabilities	11,018	3,116	1,702	4,186	20,022
Total investments	153	135	132	110	530
Average number of employees in fte's	188	84	92	17	381

Segments 2009/2010

In EUR thousand

	Europe	North- America	Asia	Other	Total
Turnover	15,684	7,664	2,759	-	26,107
Inter segmental transactions	234	7	-	-	241
Turnover including inter segmental transactions	15,918	7,671	2,759	-	26,348
Depreciation, amortisation and impairments	622	297	69	294	1,282
Operating profit	252	390	586	98	1,326
Net finance costs					(406)
Income tax expense					(290)
Net result					630
Assets	20,113	11,114	4,743	3,119	39,089
Liabilities	8,975	3,036	1,240	7,342	20,593
Total investments	66	6	87	109	268
Average number of employees in fte's	185	88	91	16	380

Terms of transactions between companies forming part of different segments are determined on an 'arm's-length' basis.

Notes

Statement of accounting standards

The interim financial information regarding the period ending September 30, 2010 has been compiled in accordance with the principles for consolidation and financial reporting, as described in the annual report of Holland Colours NV for the fiscal year 2009/2010.

The half-year report has been prepared in accordance with the IAS 34 *Interim Financial Reporting* guideline. The half year report does not contain all information required for a complete annual report, and should be read in combination with the 2009/2010 consolidated annual report of the Holland Colours Group.

The condensed interim financial statements are compiled by the Board of Management of Holland Colours NV released for publication by the Supervisory Board on November 4, 2010.

No accountant review has been applied to the information as presented in this half-year report.

All amounts listed are in thousands of Euros, unless specified otherwise.

Seasonal influences

The operations of the Holland Colours Group are subject to seasonal influences. In general, more turnover is generated in the first half of the financial year than in the second half of the financial year. The seasonal pattern is a result of the influence of weather on the sale of the products delivered by Holland Colours.

Taxes

In the interim financial information, taxes have been included in the profit and loss account on the basis of the estimated weighted average applicable nominal rate of corporate tax.

Outstanding shares

The number of outstanding shares as of September 30, 2010 amounted to 860,351 shares. This number has not changed in comparison with March 31, 2010.

Dividend

The dividend was set at € 0.50 per share during the general meeting of shareholders of July 5, 2010. As of July 16, 2010, € 430,176 in cash dividend has been paid out and booked against the other reserves.

Named reserves

The named reserves compose of currency translation differences, cash flow hedge reserve and the statutory reserve.

Obligations not reflected in the balance sheet

The other liabilities not reflected in the balance sheet as included in the annual report 2009/2010 have not changed substantially in the first half-year of 2010/2011.

Key figures

	Apr 1, 2010 up till Sep 30, 2010	Oct 1, 2009 up till Mar 31, 2010	Apr 1, 2009 up till Sep 30, 2009
RESULTS (€ million)			
Turnover	31.9	24.9	26.1
Operating profit	3.8	1.4	1.3
Net result	2.3	0.6	0.6
CASH FLOW (€ million)			
Cash flow ¹	3.5	1.8	1.9
Investments	0.5	0.2	0.3
Depreciation	1.2	1.3	1.3
GROWTH (%)			
Turnover comparable period	22.3	15.3	(17.6)
Operating profit comparable period	189.2	7.7	(28.2)
Net result comparable period	264.1	0.0	(38.5)
BALANCE SHEET (€ million)			
Working capital ²	13.0	10.4	10.8
Invested capital	31.8	30.1	32.2
Shareholders' equity (excl. minority interest)	21.6	19.9	18.4
Balance-sheet total	41.7	39.2	39.1
RATIOS			
Total debt ³ / EBITDA	1.4	2.0	4.5
Operating result / turnover (%)	12.0	5.3	5.1
Solvency ⁴ (%)	51.8	50.8	47.2
Return on average shareholders' equity (%)	14.1	6.1	(5.2)
Interest coverage ratio	9.1	3.0	3.3
Return over average invested capital ⁵ (ROI) (%)	16.8	8.8	(3.6)
Current assets / current liabilities (current ratio)	1.8	1.4	1.4
RESULT PER SHARE (€)			
Total net result	2.67	0.61	0.73
Cash flow	4.05	4.35	2.22
Equity (excl. minority interest)	25.09	23.17	21.44
Closing price	25.71	20.50	14.50
OTHER DATA			
Number of outstanding shares	860,351	860,351	860,351
Average number of employees (fte's)	381	377	380

- 1) Cash flow: net result + depreciations
- 2) Working capital: inventories + amounts receivable -/- non-interest bearing liabilities
- 3) Total debt: sum of the interest-bearing liabilities
- 4) Solvency: shareholders' equity / balance-sheet total
- 5) Return on invested capital: operating profit / (equity + provisions + interest-bearing liabilities -/- cash)

HOLLAND COLOURS

Corporate profile

- Approximately 385 employees;
- 2,000 customers in 80 countries;
- 10 (production) sites;
- Worldwide network of agents;
- Each employee is stockholder.

Holland Colours was founded in 1979 and has been listed on the NYSE Euronext Amsterdam Stock Exchange since 1989. It is an independent Dutch corporation with offices in North America and Mexico, Europe and Asia. Holland Colours makes products for colouring synthetic materials, the main products being Holcobatch and Holcoprill. Both these products have the advantage of being free flowing, dust-free, and very easy to dose. Furthermore, Holland Colours makes pastes for colouring silicones, elastomers, PET packaging and other applications.

Holland Colours concentrates worldwide on three focus markets:

- Building & Construction (especially PVC applications)
- Packaging (especially PET applications)
- Silicones & Elastomers

Around 85% of turnover is realized in these three markets.

Virtually the entire production is generated by our four principal plants in the Netherlands, Hungary, the United States and Indonesia.

Holland Colours is organized in three regional divisions that operate as profit centers in each specific region: Europe (including the Middle East and Africa), Americas and Asia. The global turnover distribution is Europe 60%, Americas 30% and Asia 10%.

Important dates:

February 14, 2011	Trading update (before opening of the stock-exchange)
May 30, 2011	Publication of the 2010/2011 results (before opening of the stock-exchange)
July 11, 2011	General Meeting of Shareholders at 1:30 p.m. at the offices of the corporation
Augustus 17, 2011	Trading update (after stock-exchange close)
November 3, 2011	Publication of the 2011/2012 half-yearly figures (after stock-exchange close)