

## HOLLAND COLOURS PRESS RELEASE

### 2010/2011 RESULTS STRONGER THAN EXPECTED

- Turnover of € 60.5 million (+19%)
- Operating result of € 5.4 million (2009/2010: € 2.7 million)
- Net result of € 3.2 million (2009/2010: € 1.2 million)
- Net profit per share € 3.65 (2009/2010: € 1.34)
- Dividend proposal € 2.30 per share (2009/2010: € 0.50)
- Increase in turnover expected in first half year
- Result dependent on raw material price developments

#### Recovery of the turnover

The 2010/2011 financial year is characterized by a recovery after the economic crisis. Turnover rose by 19% to € 60.5 million (2009/2010: € 51.0 million), which signifies a return to pre-recession levels. In terms of volume, turnover grew by 10%. The difference can be explained by exchange-rate effects of approximately +4% and rises in sales prices, also approximately 4%. The rises in sales prices were necessary in order to pass on the strong increase in the prices of raw materials to customers. The first six months in particular showed a strong increase in turnover, partly attributable to the replenishment of operational stock in the production chains. In the second half part of the year turnover also was higher compared to the same period last year. Despite the less favourable comparison base, turnover rose by 15% in the third quarter and by 14% in the fourth.

Turnover grew in all regions, yet in varying degrees. In Europe, the impact of the recession can still be felt. Although turnover grew by 13% compared to the previous year, it still falls short of pre-crisis levels. A fall in turnover of 10% was recorded only last year. Following the tentative recovery of last year, the Americas, which were confronted with the consequences of the economic crisis sooner than Europe, showed a rise in turnover of 21%, 7% of which can be explained by the higher average dollar rate during the financial year. More and more of Holland Colours' turnover is realized in Asia. This year, turnover in this region rose by 38% compared to the previous year, 8% of which can be explained by exchange-rate effects.

Mainly thanks to the positive developments in North America, the turnover in the Building & Construction market showed a strong recovery. In Europe, this market also showed a rise in turnover, although the difference with the previous year is much smaller. In view of exchange-rate effects and rises in sales prices the increase in volume was smaller than the increase in turnover.

In the Packaging market too Holland Colours achieved a higher turnover than a year ago. Although this market is traditionally less sensitive to economic fluctuations, the crisis still had a strong impact. Due to reduced demand in other markets, producers of master batches have become more active in the Packaging market, as a result of which the lower end of the market has been put under pressure. The relative share of more expensive products in the product mix rose, with growth realized in emerging markets. In terms of sales volumes, this market more or less remained at the same level.

The turnover in Silicones & Elastomers grew by no less than 18% compared to last year. The largest part of the growth was realized in Europe, although in relative terms growth in Asia was the largest. Just like in the Building & Construction sector, the rise in volume lagged behind the growth in turnover. This can again be explained by the exchange-rate effect and increased sales prices.

The rise in the Specialties segment is particularly noticeable. This rise can be traced back to Europe and Asia. In Europe, the rise is partly driven by innovations that fall outside the focus markets. In Asia it mainly concerns additional turnover realized in trade.

#### Net profit growth exceeds proportional turnover growth

In 2010/2011, the net result rose from € 1.2 million to € 3.2 million and the operating result rose from € 2.7 million to € 5.4 million. The higher turnover combined with a good gross margin, a relatively controlled rise in operating costs and lower finance costs are reasons why the net profit outgrew the proportional rise in turnover throughout the financial year. The largest part of the rise was achieved in the first six months, yet in the second half year too net profit proved to be higher compared to the same period a year ago. As is traditional, turnover in the second half year was lower than in the first six months, due to seasonal fluctuations. This period was concluded with a net profit of € 0.9 million (2009/2010: € 0.5 million). Return on investment increased over the year as a whole to 17.7% (2009/2010: 8.8%).

#### Gross margin remained steady

The ratio between the gross operating result and net turnover in the 2010/2011 financial year stood at 48.8%, which was higher than last year (47.4%). In the first six months, a higher relative gross margin was realized compared to the first six months of 2009/2010 (49.1% versus 46.5%). Since the first

quarter of the financial year, the availability of raw materials has been under pressure. As a result, purchase prices have risen dramatically and more critical raw materials have been taken into stock. Where possible, the increased raw material prices have been incorporated in the sales prices of the end products. Together with process improvements that have led to less waste, more recycling and higher production yields, this resulted in a relative gross margin over the second half year of 48.5% (2009/2010: 48.4%). These process improvements are the result of the Lean programme initiated a number of years ago.

#### **Higher operating costs due to profit-sharing plan, exchange-rate effects and a higher activity level**

The total operating costs rose by approx. 12%, from € 21.5 million to € 24.1 million. Approx. € 0.7 million of the € 2.6 million rise can be explained by the higher rate (on average) of the American dollar, whereas € 1.0 million can be explained by a reservation within the framework of the profit-sharing plan. Contrary to the previous financial year, personnel costs include a payment within the framework of this plan, which applies to all Holland Colours staff. In 2009/2010, the result of the Group was insufficient to justify a profit share pay out. As a result of the higher activity level, the number of staff in the financial year increased from 379 to 389 (FTE) at the end of March 2011. Temporary workers and overtime were used to continue to meet demand in the busy summer period. Depreciation fell by € 0.2 million compared to the previous financial year, mainly because investments remained well below the level of depreciation the last couple of years. The remaining operating costs rose due to maintenance of machinery, additional sales costs and non-recurrent consultancy costs.

#### **Cash flow and financing**

The improved operating result is only reflecting to a limited extent on the cash flow from operational activities, which increased from € 2.5 million in 2009/2010 to € 3.0 million in 2010/2011. The higher cash flow generated by the rise in operating result was to a large degree cancelled out by an increase in the working capital and a rise in income taxes paid.

At the end of March 2011, the working capital amounted to € 12.5 million, considerably higher than the figure at the end of March 2010 (€10.4 million). The higher working capital can be explained by an increase in trade receivables of € 1.4 million and a rise in inventories by € 1.3 million. On the other hand, trade payables showed a slight increase of € 0.1 million combined with higher other payables of € 0.4 million. The increase in trade receivables is the result of the higher activity level. In terms of debtor days, there has been a slight drop from 63 to 61.3. Since the beginning of the financial year, the availability of raw materials has come under pressure. In order to continue to meet customer demand, stock of critical raw materials has been temporarily increased. In addition, in anticipation of expected price rises, more stock has been taken in than usual. The higher activity level has also led to an increase in the stock of end products.

Like last year, at a level € 1.0 million (2009/2010: € 0.5 million), investments clearly remained below the depreciation level of € 2.4 million (2009/2010: € 2.6 million). A large part of the investments concerns the expansion of the production facilities in Surabaya, Indonesia. This investment has opened the way to continued future growth in this part of the world. The other investments relate to regular replacements of production resources, investments in safety precautions and energy saving, as well as a number of smaller expansions.

The positive cash flow from operational and investment activities has been allocated to reduce the interest-bearing debt to € 9.1 million (2009/2010: € 10.4 million).

In July 2010, Holland Colours entered into a new finance agreement. A number of existing loans were redeemed early, while at the same time two new long-term loans were taken out. The new agreement means a reduction in interest rates. Compared to the end of March 2010, the bank covenants and the securities provided remained basically unchanged. During the financial year, Holland Colours met all covenants agreed with the bank. The net financing costs have fallen from € 0.9 million to € 0.7 million thanks to an improvement in the financing conditions and a reduction of the total debt.

The corporation's solvency ratio increased to 54.9% compared to 50.9% at the beginning of the financial year. This increase can mainly be explained by increased equity as a result of the positive net result. Negative exchange-rate results of € 0.6 million (2009/2010: € 0.1 million positive) reduced the rise in solvency. These negative exchange-rate results are mainly caused by the lower rate of the American dollar at the end of the financial year compared to the rate at the end of March 2010. The exchange-rate effects are a result of stockholders' equity at subsidiary corporations reporting in foreign currencies.

### **In line with the strategy**

For the years 2010/2011 up to 2012/2013, the corporate objectives have been formulated as follows:

- Turnover growth of 8 to 12 % per year;
- ROI growth to a level of at least 15%;
- Growth in earnings per share, greater than proportional to the turnover growth.

These objectives were achieved in 2010/2011. However, the feasibility of the corporate objectives remains dependent on the economic recovery in the various regions.

### **Dividend proposal**

The net result per share amounts to € 3.65 compared to € 1.34 last year. In line with the corporation's dividend policy, it will be proposed to the General Meeting of Shareholders that a dividend of € 2.30 per share be distributed in cash (2009/2010: € 0.50). The proposed dividend takes into account the uncertain economic prospects.

### **Outlook for 2011/2012**

The economic climate is expected to remain uncertain in 2011/2012, particularly so in Europe and the United States. In general, the economic circumstances in Asia are developing positively. At the start of the financial year, the order portfolio is slightly up compared to one year ago, although the order intake is volatile.

As in the previous period, expectations are that the housing markets in Europe and the United States will show little or no structural recovery in 2011/2012. Holland Colours nevertheless expects a higher turnover in Building & Construction, thanks to a favourable positioning in the market.

Holland Colours also expects higher turnover for Packaging and Silicones & Elastomers. This growth is driven by a market expansion, improved market positions and increased turnover in new products, including Holcomer UHT and Holcosil HTV.

The availability and price levels of raw materials will continue to be an important issue. Rises in raw material prices can generally be passed on to the customers, albeit with some delay.

Efforts aimed at operational efficiency will continue unabatedly.

As from 1 April 2011, the number of employees amounts to 389 (FTE). This number is expected to increase slightly over the course of the financial year, due to a higher activity level.

In 2011/2012, as in the previous period, investments will be below the depreciations level and are expected to be fully financed from the cash flow from operational activities. The corporate policy is aimed at staying well within the bank covenants in the coming financial year.

Unforeseen circumstances aside, turnover is expected to increase in the first six months of the 2011/2012 period. The development of the operating result and net result depends on the pace at which the rising raw material prices can be incorporated in the sales prices. Particularly because of this and because of the sensitivity to the cyclical movement of the markets in which Holland Colours operates, Holland Colours will refrain from making any statements for the 2011/2012 financial year as a whole.

The 2010/2011 annual report and the agenda for the General Meeting of Shareholders of 11 July will be made available on our website [www.hollandcolours.com](http://www.hollandcolours.com) effective immediately.

Apeldoorn, 30 May 2011

Bernard van Schaik  
Jeroen Straathof  
Tineke Veldhuis - Hagedoorn

### **For further information:**

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## Financial statements 2010/2011 **HOLLAND COLOURS NV**

### CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

for the financial year ending March 31, 2011

In EUR thousands

	01-04-2010 to 31-03-2011	01-04-2009 to 31-03-2010
<b>Turnover</b>	<b>60,506</b>	51,037
Gross operating profit	<b>29,552</b>	24,191
Personnel costs	<b>12,946</b>	10,944
Amortisation	<b>259</b>	352
Depreciation and impairments	<b>2,109</b>	2,240
Other operating costs	<b>8,792</b>	7,957
	<b>24,106</b>	21,493
<b>Operating profit</b>	<b>5,446</b>	2,698
Net finance costs	<b>(723)</b>	(912)
Income tax expense	<b>(1,569)</b>	(632)
<b>Net result</b>	<b>3,154</b>	1,154
<b>Attributable to:</b>		
Equity holders of the company	<b>3,144</b>	1,156
Minority interest	<b>10</b>	(2)
	<b>3,154</b>	1,154
Average number of shares issued	<b>860,351</b>	860,351
Total earnings per share attributable to equity holders	<b>3.65</b>	1.34

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the financial year ending March 31, 2011

In EUR thousands

	01-04-2010 to 31-03-2011	01-04-2009 to 31-03-2010
<b>Net result</b>	<b>3,154</b>	1,154
Result hedge accounting, net of tax	110	80
Foreign currency translation differences	(595)	111
Other comprehensive income, net of profit tax	(485)	191
<b>Total comprehensive income</b>	<b>2,669</b>	1,345
<b>Attributable to:</b>		
Equity holders of the company	2,654	1,346
Minority interest	15	(1)
	<b>2,669</b>	1,345

## CONDENSED CONSOLIDATED BALANCE SHEET

In EUR thousands

	March 31, 2011	March 31, 2010
<i>Non-current assets</i>		
Intangible fixed assets	424	562
Tangible fixed assets	15,742	17,318
Deferred tax assets	1,838	1,927
Other long-term assets	178	185
Total non-current assets	18,182	19,992
<i>Current assets</i>		
Inventories	8,546	7,266
Trade- and other receivables	11,458	10,321
Current income tax receivables	286	36
Cash and cash equivalents	1,934	1,614
Total current assets	22,224	19,237
<b>Total assets</b>	<b>40,406</b>	<b>39,229</b>
<i>Equity</i>		
Total equity	22,190	19,986
<i>Non-current liabilities</i>		
Long-term liabilities	4,461	3,582
Other long-term liabilities	195	228
Employee benefit obligations	1,220	1,254
Total non-current liabilities	5,876	5,064
<i>Current liabilities</i>		
Credit institutions	3,440	4,899
Repayment obligations	1,195	1,904
Trade- and other payables	7,504	6,955
Current income tax payables	91	300
Employee benefit obligations	110	121
Total current liabilities	12,340	14,179
<b>Total equity and liabilities</b>	<b>40,406</b>	<b>39,229</b>

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the financial year ending March 31, 2011

In EUR thousands

	Issued capital	Share premium account	Currency translation differences	Other reserves	Retained earnings	Minority interest	Total
<b>As at April 1, 2009</b>	<b>1,953</b>	<b>1,219</b>	<b>(2,282)</b>	<b>(88)</b>	<b>17,784</b>	<b>55</b>	<b>18,641</b>
Profit for the year 2009/2010	-	-	-	-	1,156	(2)	1,154
Other comprehensive income	-	-	110	122	(42)	1	191
Total comprehensive income	-	-	110	122	1,114	(1)	1,345
<b>As at March 31, 2010</b>	<b>1,953</b>	<b>1,219</b>	<b>(2,172)</b>	<b>34</b>	<b>18,898</b>	<b>54</b>	<b>19,986</b>
Profit for the year 2010/2011	-	-	-	-	3,144	10	3,154
Other comprehensive income	-	-	(600)	185	(75)	5	(485)
Total comprehensive income	-	-	(600)	185	3,069	15	2,669
Change of capital	-	-	-	-	-	(35)	(35)
Dividend 2009/2010	-	-	-	-	(430)	-	(430)
<b>As at March 31, 2011</b>	<b>1,953</b>	<b>1,219</b>	<b>(2,772)</b>	<b>219</b>	<b>21,537</b>	<b>34</b>	<b>22,190</b>

## CONDENSED CASH FLOW STATEMENT

for the financial year ending March 31, 2011

In EUR thousands

	01-04-2010 to 31-03-2011	01-04-2009 to 31-03-2010
<b>Operating activities</b>		
Operating profit	5,446	2,698
Depreciation, amortisation and impairments	2,368	2,592
Exchange rate differences	(234)	180
Changes in working capital	(1,871)	(1,884)
<b>Cash flow from business activities</b>	<b>5,709</b>	<b>3,586</b>
Paid income tax	(1,980)	(181)
Paid interest	(723)	(912)
<b>Cash flow from operating activities</b>	<b>3,006</b>	<b>2,493</b>
<b>Cash flow from investing activities</b>		
Capital expenditures, net of disposals	(901)	(410)
<b>Cash flow from operating and investing activities</b>	<b>2,105</b>	<b>2,083</b>
<b>Cash flow from financing activities</b>		
Dividend paid to shareholders	(430)	-
Proceeds from borrowings, net of redemption payments	139	(2,488)
<b>Cash flow from financing activities</b>	<b>(291)</b>	<b>(2,488)</b>
<b>Change in cash and cash equivalents</b>	<b>1,814</b>	<b>(405)</b>
Currency differences in cash	(35)	86
<b>Net cash flow</b>	<b>1,779</b>	<b>(319)</b>
<b>Cash at opening balance date</b>	<b>(3,285)</b>	<b>(2,966)</b>
<b>Cash at ending balance data</b>	<b>(1,506)</b>	<b>(3,285)</b>
<b>Net cash flow</b>	<b>1,779</b>	<b>(319)</b>



## SEGMENT REPORTING

for the financial year ending March 31, 2011

### Segments 2010/2011

In EUR thousands

	Europe	North- America	Asia	Other	Adjustments and eliminations	Total
Turnover	33,743	19,071	7,704	(12)	-	60,506
Inter segmental transactions	613	497	-	-	-	1,110
Sales including inter segmental transactions	34,356	19,568	7,704	(12)	-	61,616
Depreciation, amortisation and impairments	1,129	572	163	503	-	2,368
Operating profit	1,169	2,474	1,722	81	-	5,446
Net finance costs	-	-	-	-	(723)	(723)
Income tax expense	-	-	-	-	(1,569)	(1,569)
Net result	-	-	-	-	3,154	3,154
Assets	20,010	11,423	5,117	23,927	(20,071)	40,406
Liabilities	10,330	2,891	1,331	4,611	(947)	18,216
Total investments	384	166	233	206	-	989
Average number of employees in fte's	188	85	94	16	-	383

### Segments 2009/2010

In EUR thousands

	Europe	North- America	Asia	Other	Adjustments and eliminations	Total
Turnover	29,767	15,700	5,570	-	-	51,037
Inter segmental transactions	601	81	-	-	-	682
Sales including inter segmental transactions	30,368	15,781	5,570	-	-	51,719
Depreciation, amortisation and impairments	1,215	584	181	612	-	2,592
Operating profit	(73)	1,342	977	452	-	2,698
Net finance costs	-	-	-	-	(912)	(912)
Income tax expense	-	-	-	-	(632)	(632)
Net result	-	-	-	-	1,154	1,154
Assets	19,087	12,693	4,352	25,663	(22,566)	39,229
Liabilities	9,086	3,146	1,453	7,044	(1,486)	19,243
Total investments	171	22	120	178	-	491
Average number of employees in fte's	196	88	90	19	-	393

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

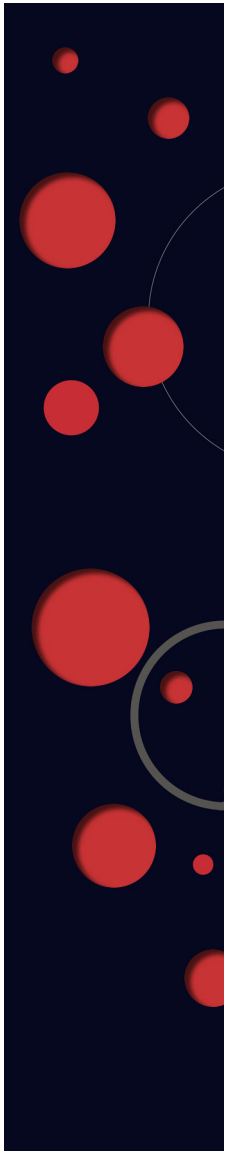
## Notes

### General

Holland Colours NV publishes its figures on basis of the International Financial Reporting Standards (IFRS).

### *Disclaimer*

This press release is based on the annual financial statements prepared by the Board of Management and approved by the Supervisory Board in its meeting of May 27, 2011 and contains only a part of these statements. The annual financial statements are published on May 30, 2011 and will be presented to the General Meeting of Shareholders for adoption on July 11, 2011. The auditor has issued an auditor's statement of approval for the annual financial statements that have been prepared.



## Key figures

Financial year at March 31

**2010/2011** 2009/2010 2008/2009

### KEY FIGURES IN RELATION WITH CORPORATE OBJECTIVES

Turnover growth (%)	<b>18.6</b>	(4.3)	(11.4)
Return on average invested capital <sup>5</sup> (ROI) (%)	<b>17.7</b>	8.8	(1.9)
Growth in earnings per share (%)	<b>172</b>	286	(178)

### RESULTS (in € million)

Turnover	<b>60.5</b>	51.0	53.3
Operating result	<b>5.4</b>	2.7	(0.6)
Net result	<b>3.2</b>	1.2	(0.6)

### CASHFLOW (in € million)

Cash flow <sup>1</sup>	<b>5.5</b>	3.7	2.5
Investments	<b>1.0</b>	0.5	1.2
Depreciations	<b>2.4</b>	2.6	3.1

### BALANCE SHEET (in € million)

Working capital <sup>2</sup>	<b>12.6</b>	10.4	9.3
Invested capital	<b>30.6</b>	30.1	30.8
Shareholders' equity (excl. minority interest)	<b>22.2</b>	19.9	18.6
Balance-sheet total	<b>40.4</b>	39.2	40.3

### RATIOS

Total debt <sup>3</sup> / EBITDA	<b>1.2</b>	2.0	5.1
Operating result / turnover (%)	<b>9.0</b>	5.3	(1.2)
Solvency <sup>4</sup> (%)	<b>54.9</b>	50.9	46.2
Return on average invested capital <sup>5</sup> (ROI) (%)	<b>17.7</b>	8.8	(1.9)
Return on average shareholders' equity (%)	<b>14.6</b>	6.1	(3.1)
Interest coverage ratio	<b>7.5</b>	3.0	(0.7)
Current assets / current liabilities (current ratio)	<b>1.8</b>	1.4	1.0

### FIGURES PER SHARE (€)

Net result	<b>3.65</b>	1.34	(0.72)
Cash flow <sup>1</sup>	<b>6.42</b>	4.35	2.88
Shareholders' equity (excl. minority interest)	<b>25.75</b>	23.17	21.60
Dividend	<b>2.30<sup>6</sup></b>	0.50	-
Closing price	<b>26.01</b>	20.50	14.99

### OTHER DATA

Average number of outstanding shares	<b>860,351</b>	860,351	860,351
Average number of employees (fte's)	<b>383</b>	393	433

- 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)
- 6) Dividend proposal

## HOLLAND COLOURS

### Profile

- Approximately 390 employees;
- 2,000 customers in 80 countries;
- 10 (production) sites;
- Worldwide network of agents;
- Each employee is shareholder.

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 coloring 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 coloring 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 55%, Americas 30% and Asia 15%.

### Important dates:

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