

### Lower net result with comparable turnover

- Turnover remains about equal, at € 32.0 million (first half-year 2010/2011: € 31.9 million)
- Lower gross margins due to higher raw material prices
- Net result € 1.5 million (first half-year 2010/2011: € 2.3 million)
- For the financial year as a whole, the expectation is a lower turnover and a sharp decline in net result compared to 2010/2011

In the first half of the 2011/2012 financial year, Holland Colours realized a turnover of € 32.0 million. This turnover is comparable to the first half of the 2010/2011 financial year. Exchange-rate effects, especially from the lower US dollar value, had a negative impact of about 5% on the turnover development over the first half year. In the first quarter, turnover still increased by 3%, but it then fell 3% in the second quarter.

Holland Colours closes the first half year with a net result of € 1.5 million versus € 2.3 million in the first half year of 2010/2011. Rising raw material prices are the main cause of the drop in earnings. Where possible, the increased raw material prices have been incorporated in the end product sales prices, though obviously with delayed effect, which is a key reason for the distinctly lower gross margins compared to last year.

Earnings per share fell in the first half year from € 2.66 in 2010/2011 to € 1.74 in 2011/2012.

### Turnover

The geographical divisions and the focus markets show a mixed turnover development. Asia is the only division with a higher turnover than in the same period last year and Silicones & Elastomers is the only focus market with turnover growth.

In the Building & Construction focus market, turnover fell by 6%, mainly owing to a declining demand in Europe over the second quarter of the financial year. The lower rate of the US dollar is another cause of this drop.

In the first half of the financial year, the Packaging focus market also realized a lower turnover level compared to the first half of last year. Positive developments in the Europe and Asia divisions were offset by a lower turnover in the Americas division. Here, too, the US dollar's lower rate magnified the decline.

To the contrary, the Silicones & Elastomers focus market realized a higher turnover in the first half of this financial year. All divisions contributed to this increase.

In the Specialties segment, turnover was also clearly higher compared to the same period last year, primarily owing to growth in Asia.

### Turnover growth per focus market

Turnover growth per focus market	1 <sup>st</sup> half year 2011/2012 vs 1 <sup>st</sup> half year 2010/2011	1 <sup>st</sup> half year 2010/2011 vs 1 <sup>st</sup> half year 2009/2010
<b>Focus markets</b>		
Building & Construction	- 6%	+ 26%
Packaging	- 3%	+ 18%
Silicones & Elastomers	+ 16%	+ 16%
<b>Total focus markets</b>	<b>- 2%</b>	<b>+ 22%</b>
Specialties	+ 14%	+ 21%
<b>Total turnover</b>	<b>0%</b>	<b>+ 22%</b>
Total excl. exchange-rate effect	+ 5%	+ 18%

## **Gross margin**

The gross margin fell from 49.1% to 44.6% over the first half of the financial year, due to increased raw material prices. Where possible, these increased raw material prices are being incorporated into the end product sales prices, albeit with a time lag. In the Building & Construction market in Europe in particular, characterized as it is by persistently poor economic conditions, it takes a long time to realize sales price increases.

## **Operating costs**

Total operating costs fell over the first half year by about 1%, from € 11.9 million to € 11.8 million.

The average number of employees rose from 381 to 386. The Asia division saw the addition of six new employees as a result of the higher activity level. On balance, the other divisions saw a reduction in employees of one.

## **Turnover and result development per division**

### **Europe**

In the first half of the financial year, the Europe division realized a turnover comparable to that of last year. The initial increase in turnover over the first quarter was practically levelled out by the decrease in the second quarter. Due to the lower gross margin caused by higher raw material prices, the operating result fell from € 1.6 million to € 0.4 million. The disappointing developments in the second quarter were caused by deteriorated conditions in the market for Building & Construction since the summer.

### **Americas**

Compared with the first half year of 2010/2011, turnover over the first half of this financial year decreased by 8%. However, expressed in US dollars, there was an increase of around 1%. In contrast to a decline in turnover for Packaging, Silicones & Elastomers showed a higher turnover. Turnover in Building & Construction was practically identical to the same period last year. Due to the lower turnover as well as the lower gross margin, the operating result fell from € 1.5 million to € 1.1 million.

### **Asia**

Turnover from the Asia division grew over the first half year by 22% compared to the same period last year. Corrected for the lower US dollar rates, growth was as much as 35%. All focus markets showed an increase, but the largest increase was realized in the Specialties segment, which includes turnover from trading products. The operating result increased from € 0.8 million to € 0.9 million. This comparatively limited increase in operating result relative to turnover can be explained by the lower gross margin, negative exchange-rate effects and increased operating costs.

## **Cash flow and financing**

In the first half of the financial year, cash flow from operational activities was minus € 0.3 million relative to plus € 1.1 million over the same period last year. The positive operating result was more than offset by the increase in working capital.

At the end of September 2011, working capital was € 15.4 million, representing a substantial increase since the beginning of the financial year (€ 12.6 million). Working capital is also higher compared to the end of September last year (€ 13.0 million). € 2.6 million of the increase since the beginning of the financial year is due to an increase in inventories. Firstly, inventory values have risen due to higher raw material prices. Secondly, inventories of critical raw materials have been temporarily increased as a result of announced purchase price increases.

At the end of the first half year, Holland Colours had complied with all the covenants agreed with the bank.

In the first half of the financial year, the company's solvency ratio declined from 54.9% to 52.2%. This was mainly caused by the payment of dividend to shareholders and the higher balance-sheet total due to higher levels of working capital. Exchange-rate results over the first half year of 2011/2012 were plus € 0.4 million, mainly because the rate of the US dollar, having initially fallen, was higher at the end of September than at the start of this financial year.

Investments over the first half year were limited to € 0.2 million (2010/2011: € 0.5 million). These investments mainly involved regular replacements and safety improvements in the factories.

The return on average invested capital (ROI) declined in the first half of the financial year to 13.0%. At the end of March, a ROI of 17.7% was realized, and also in September 2010 ROI was higher, at 16.8%.

### **Risk management**

Geared as it is to the company's size and business character, risk management is an integral management task and aims to recognize significant risks to which the company is exposed and to manage them with a reasonable degree of certainty. Such a system cannot provide absolute certainty that objectives will be realized. And neither can it definitely prevent all potential cases of material mistakes, damage, fraud or breaches of statutory laws.

The 2010/2011 annual report describes the primary strategic, operational and financial risks. In terms of the risks and uncertainties described in the annual report, there have been no notable changes over the first half of this financial year. Neither have any material damage, cases of fraud or breaches been detected.

### **Board statement**

The board hereby declares that, to the best of its knowledge, the condensed interim consolidated half-year report of 30 September 2011, drawn up in accordance with IAS 34 "interim financial reporting", gives a reliable picture of the assets, liabilities, financial position and earnings of Holland Colours NV and the joint companies included in the consolidation, and that the interim report of the management board as included on pages 1 to 3 of this half-year report represents a reliable picture of the information required according to art. 5:25d subs 8 and 9 of the Dutch Financial Supervision Act.

### **Outlook for the second half year of 2011/2012**

For the rest of the 2011/2012 financial year the management board expects an uncertain economic climate, especially in relation to developments in the markets for Building & Construction in Europe and North America. It is anticipated that the prices of key raw materials will remain high and in certain cases will even rise further.

In the second half of the financial year, turnover and results usually are lower than in the first half of the year, due to the seasonal trend specifically in the Building & Construction market.

Barring unforeseen events and exchange-rate effects, Holland Colours anticipates a lower turnover and a sharply lower net result for the 2011/2012 financial year as compared to the 2010/2011 financial year.

Apeldoorn, 3 November 2011

Jeroen Straathof  
Tineke Veldhuis - Hagedoorn

### **Fro more information:**

**Holland Colours NV**  
Jeroen Straathof  
Director Finance & Control  
Tel: +31 55 3680700

# CONDENSED INTERIM CONSOLIDATED HALF-YEAR REPORT PER SEPTEMBER 30, 2011

## Condensed interim consolidated income statement

In EUR thousand

	<b>Apr 1, 2011 up till Sep 30, 2011</b>	Oct 1, 2010 up till Mar 31, 2011	Apr 1, 2010 up till Sep 30, 2010
<b>Turnover</b>	<b>31,966</b>	28,577	31,929
Gross operating profit	<b>14,256</b>	13,861	15,691
Personnel costs	<b>6,444</b>	6,619	6,327
Amortisation	<b>82</b>	124	135
Depreciation and impairments	<b>980</b>	1,057	1,052
Other operating costs	<b>4,248</b>	4,450	4,342
	<b>11,754</b>	12,250	11,856
<b>Operating profit</b>	<b>2,502</b>	1,611	3,835
Net finance costs	<b>(306)</b>	(300)	(423)
Income tax expense	<b>(704)</b>	(451)	(1,118)
<b>Net result</b>	<b>1,492</b>	860	2,294
<b>Attributable to:</b>			
Equity holders of the company	<b>1,493</b>	857	2,287
Minority interest	<b>(1)</b>	3	7
	<b>1,492</b>	860	2,294
Average number of shares issued	<b>860,351</b>	860,351	860,351
Total earnings per share attributable to equity holders (ordinary and diluted)	<b>1.74</b>	0.99	2.66

## Condensed Consolidated Statement of Comprehensive Income

In EUR thousand

	Apr 1, 2011 up till Sep 30, 2011	Oct 1, 2010 up till Mar 31, 2011	Apr 1, 2010 up till Sep 30, 2010
<b>Net result</b>	<b>1,492</b>	860	2,294
Fair value adjustments financial instruments	(238)	282	(174)
Foreign currency translation differences	405	(520)	(75)
Movements in deferred taxes	43	(51)	53
Other comprehensive income	210	(289)	(196)
<b>Total comprehensive income</b>	<b>1,702</b>	571	2,098
<b>Attributable to:</b>			
Equity holders of the company	1,697	569	2,085
Minority interest	5	2	13
	<b>1,702</b>	571	2,098

## Condensed interim consolidated balance sheet

In EUR thousand

	Sep 30, 2011	Mar 31, 2011	Sep 30, 2010
<i>Non-current assets</i>			
Intangible fixed assets	382	424	496
Tangible fixed assets	15,162	15,742	16,727
Deferred tax assets	1,965	1,838	1,808
Other long-term receivables	184	178	186
Total non-current assets	17,693	18,182	19,217
<i>Current assets</i>			
Inventories	11,123	8,546	9,110
Trade- and other receivables	11,152	11,458	11,339
Current income tax receivables	136	286	88
Cash and cash equivalents	1,889	1,934	1,922
Total current assets	24,300	22,224	22,459
<b>Total assets</b>	<b>41,993</b>	<b>40,406</b>	<b>41,676</b>
<i>Equity</i>			
Total equity	21,914	22,190	21,654
<i>Non-current liabilities</i>			
Long-term liabilities	4,542	4,461	5,778
Employee benefit obligations	1,247	1,220	1,281
Deferred tax liabilities	9	9	50
Derivative financial instruments	359	186	389
Total non-current liabilities	6,157	5,876	7,498
<i>Current liabilities</i>			
Credit institutions	6,127	3,440	4,622
Repayment obligations	833	1,195	354
Trade- and other payables	6,873	7,504	7,224
Current income tax payables	89	91	324
Employee benefit obligations	-	110	-
Total current liabilities	13,922	12,340	12,524
Total liabilities	20,079	18,216	20,022
<b>Total equity and liabilities</b>	<b>41,933</b>	<b>40,406</b>	<b>41,676</b>

## Condensed interim consolidated statement of cash flows

In EUR thousand

	Apr 1, 2011 up till Sep 30, 2011	Oct 1, 2010 up till Mar 31, 2011	Apr 1, 2010 up till Sep 30, 2010
<b>Operating activities</b>			
Operating profit	2,502	1,611	3,835
Depreciation, amortisation and impairments	1,062	1,181	1,187
Exchange rate differences	(33)	(233)	(1)
Changes in working capital	<u>(2,816)</u>	<u>626</u>	<u>(2,497)</u>
<b>Cash flow from business activities</b>	<b>715</b>	<b>3,185</b>	<b>2,524</b>
Paid income tax	(690)	(952)	(1,028)
Paid interest	<u>(306)</u>	<u>(300)</u>	<u>(423)</u>
<b>Cash flow from operating activities</b>	<b>(281)</b>	<b>1,933</b>	<b>1,073</b>
<b>Cash flow from investing activities</b>			
Capital expenditures, net of disposals	(240)	(395)	(506)
<b>Cash flow from operating and investing activities</b>	<b>(521)</b>	<b>1,538</b>	<b>567</b>
<b>Cash flow from financing activities</b>			
Dividend paid to shareholders	(1,978)	-	(430)
Proceeds from borrowings minus redemption payments	<u>(290)</u>	<u>(316)</u>	<u>455</u>
<b>Cash flow from financing activities</b>	<b>(2,268)</b>	<b>(316)</b>	<b>25</b>
<b>Change in cash and cash equivalents</b>	<b>(2,789)</b>	<b>1,222</b>	<b>592</b>
Currency differences in cash	<u>57</u>	<u>(29)</u>	<u>(6)</u>
<b>Net cash flow</b>	<b>(2,732)</b>	<b>1,193</b>	<b>586</b>
<b>Cash at opening balance date</b>	<b>(1,506)</b>	<b>(2,699)</b>	<b>(3,285)</b>
<b>Cash at ending balance date</b>	<b><u>(4,238)</u></b>	<b><u>(1,506)</u></b>	<b><u>(2,699)</u></b>
<b>Net cash flow</b>	<b>(2,732)</b>	<b>1,193</b>	<b>586</b>

## Condensed consolidated statement of changes in equity

In EUR thousand

	Issued Capital	Share premium account	Currency translation differences	Other Reserves	Retained earnings	Minority interest	Total
<b>As at April 1, 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>
<i>For the first half year of 2010/2011</i>							
Profit for the 1st 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)
<b>As at September 30, 2010</b>	<b>1,953</b>	<b>1,219</b>	<b>(2,253)</b>	<b>(87)</b>	<b>20,755</b>	<b>67</b>	<b>21,654</b>
<i>For the second half year 2010/2011</i>							
Profit for the 2 <sup>nd</sup> half year 2010/2011	-	-	-	-	857	3	860
Other comprehensive income	-	-	(519)	306	(75)	(1)	(289)
Total comprehensive income	-	-	(519)	306	782	2	571
Change of capital	-	-	-	-	-	(35)	(35)
<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>
<i>For the first half year 2011/2012</i>							
Profit for the 1st half year 2011/2012	-	-	-	-	1,493	(1)	1,492
Other comprehensive income	-	-	399	(204)	9	6	210
Total comprehensive income	-	-	399	(204)	1,502	5	1,702
Dividend 2009/2010	-	-	-	-	(1,978)	-	(1,978)
<b>As at September 30, 2011</b>	<b>1,953</b>	<b>1,219</b>	<b>(2,373)</b>	<b>15</b>	<b>21,061</b>	<b>39</b>	<b>21,914</b>



## Segment reporting

### Segment information for the first half year 2011/2012

In EUR thousand

	Europe	North- America	Asia	Other	Adjustment and eliminations	Total
<b>Turnover</b>	<b>18,048</b>	<b>9,462</b>	<b>4,456</b>	-	-	<b>31,966</b>
<b>Inter segmental transactions</b>	<b>376</b>	<b>91</b>	-	-	-	<b>467</b>
<b>Turnover including inter segmental transactions</b>	<b>18,424</b>	<b>9,553</b>	<b>4,456</b>	-	-	<b>32,433</b>
<b>Depreciation, amortisation and impairments</b>	<b>530</b>	<b>249</b>	<b>76</b>	<b>207</b>	-	<b>1,062</b>
<b>Operating profit</b>	<b>413</b>	<b>1,089</b>	<b>942</b>	<b>58</b>	-	<b>2,502</b>
<b>Net finance costs</b>	-	-	-	-	(306)	(306)
<b>Income tax expense</b>	-	-	-	-	(704)	(704)
<b>Net result</b>	-	-	-	-	1,492	1,492
<b>Assets</b>	<b>19,529</b>	<b>12,447</b>	<b>7,083</b>	<b>26,557</b>	<b>(23,623)</b>	<b>41,993</b>
<b>Liabilities</b>	<b>11,709</b>	<b>3,172</b>	<b>2,319</b>	<b>5,094</b>	<b>(2,215)</b>	<b>20,079</b>
<b>Total investments</b>	<b>89</b>	<b>82</b>	<b>30</b>	<b>39</b>	-	<b>240</b>
<b>Average number of employees (in FTE)</b>	<b>187</b>	<b>85</b>	<b>98</b>	<b>16</b>	-	<b>386</b>

### Segment information for the first half year 2010/2011

In EUR thousand

	Europe	North- America	Asia	Other	Adjustment and eliminations	Total
<b>Turnover</b>	<b>17,949</b>	<b>10,340</b>	<b>3,640</b>	-	-	<b>31,929</b>
<b>Inter segmental transactions</b>	<b>304</b>	<b>240</b>	-	-	-	<b>544</b>
<b>Turnover including inter segmental transactions</b>	<b>18,253</b>	<b>10,580</b>	<b>3,640</b>	-	-	<b>32,473</b>
<b>Depreciation, amortisation and impairments</b>	<b>555</b>	<b>295</b>	<b>79</b>	<b>258</b>	-	<b>1,187</b>
<b>Operating profit</b>	<b>1,564</b>	<b>1,482</b>	<b>788</b>	<b>(1)</b>	-	<b>3,835</b>
<b>Net finance costs</b>	-	-	-	-	(423)	(423)
<b>Income tax expense</b>	-	-	-	-	(1,118)	(1,118)
<b>Net result</b>	-	-	-	-	2,294	2,294
<b>Assets</b>	<b>21,088</b>	<b>12,718</b>	<b>5,096</b>	<b>26,780</b>	<b>(24,006)</b>	<b>41,676</b>
<b>Liabilities</b>	<b>11,018</b>	<b>3,116</b>	<b>1,702</b>	<b>7,650</b>	<b>(3,464)</b>	<b>20,022</b>
<b>Total investments</b>	<b>153</b>	<b>135</b>	<b>132</b>	<b>110</b>	-	<b>530</b>
<b>Average number of employees (in FTE)</b>	<b>188</b>	<b>84</b>	<b>92</b>	<b>17</b>	-	<b>381</b>

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, 2011 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 2010/2011.

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 2010/2011 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 3, 2011.

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.

The original interim condensed financial statements were prepared in the Dutch language. This document is a version translated into English. In the event of any differences between the English and the Dutch text, the latter shall prevail.

### 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, 2011 amounted to 860,351 shares. This number has not changed in comparison with March 31, 2011.

### Dividend

The dividend was set at € 2.30 per share during the general meeting of shareholders of July 11, 2011. As of July 22, 2011, € 1,978,807 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 reserve for intangible assets

### Obligations not reflected in the balance sheet

The other liabilities not reflected in the balance sheet as included in the annual report 2010/2011 have not changed substantially in the first half-year of 2011/2012.

## Key figures

	Apr 1, 2011 up till Sep 30, 2011	Oct 1, 2010 up till Mar 31, 2011	Apr 1, 2010 up till Sep 30, 2010
RESULTS (€ million)			
Turnover	32.0	28.6	31.9
Operating profit	2.5	1.6	3.8
Net result	1.5	0.9	2.3
CASH FLOW (€ million)			
Cash flow <sup>1</sup>	2.6	2.0	3.5
Investments	0.2	0.5	0.5
Depreciation	1.1	1.2	1.2
GROWTH (%)			
Turnover comparable period	0.3	14.9	22.3
Operating profit comparable period	(34.2)	14.3	189.2
Net result comparable period	(34.8)	50.0	264.1
BALANCE SHEET (€ million)			
Working capital <sup>2</sup>	15.4	12.6	13.0
Invested capital	32.7	30.6	31.8
Shareholders' equity (excl. minority interest)	21.9	22.2	21.6
Balance-sheet total	42.0	40.4	41.7
RATIOS			
Total debt <sup>3</sup> / EBITDA <sup>4</sup>	1.8	1.2	1.4
Operating result / turnover (%)	7.8	5.6	12.0
Solvency <sup>5</sup> (%)	52.2	54.9	51.8
Return on average shareholders' equity (%)	10.8	14.9	14.1
Interest coverage ratio	8.2	7.5	9.1
Return over average invested capital <sup>6</sup> (ROI) (%)	13.0	17.7	16.8
Current assets / current liabilities (current ratio)	1.7	1.8	1.8
RESULT PER SHARE (€)			
Total net result	1.74	0.99	2.66
Cash flow	2.97	2.37	4.05
Equity (excl. minority interest)	24.48	25.75	25.09
Closing price	27.50	26.01	25.71
OTHER DATA			
Number of outstanding shares	860,351	860,351	860,351
Average number of employees (in FTE)	386	383	381

- 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) EBITDA: 12 months moving forward total EBITDA
- 5) Solvency: shareholders' equity / balance-sheet total
- 6) Return on invested capital: operating profit / (equity + provisions + interest-bearing liabilities -/- cash)

## HOLLAND COLOURS

### Corporate profile

- Approximately 390 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 55%, Americas 30% and Asia 15%.

### Important dates:

January 5, 2012	Extraordinary General Meeting of Shareholders
February 13, 2012	Trading update (before opening of the stock-exchange)
May 29, 2012	Publication of the 2011/2012 results (before opening of the stock-exchange)
July 10, 2012	General Meeting of Shareholders