

HOLLAND COLOURS 2014/2015 HALF-YEARLY REPORT

(this is a translation of the Dutch press release issued by the company on the same date)

Lower result due to lower sales

- Sales of € 33.1 million (first six months 2013/2014: € 34.9 million)
- Sales decrease in second quarter 2% versus a 9% decrease in the first quarter
- Negative currency effect on sales of € 0.3 million
- Lower gross margin contribution, higher gross-margin percentage
- Net result of € 1.9 million (first six months 2013/2014: € 2.2 million)

During the first six months of the 2014/2015 financial year, Holland Colours realised sales of € 33.1 million. This is € 1.8 million (5%) lower than in the same period of the 2013/2014 financial year, with currency effects – mainly as a result of the weaker American dollar versus the euro – having a negative impact of € 0.3 million (1%) on sales versus the same period of the previous financial year. Sales in the second quarter showed a decrease of 2% versus a decrease of 9% in the first quarter.

Holland Colours realised a net result of € 1.9 million in the first six months, which is € 0.3 million lower than the net result over the first six months of 2013/2014.

This decrease comes for € 0.7 million from a decline in gross margin to € 15.8 million, while the average gross-margin percentage rose 0.4% points to 47.6%.

The reduction in gross margin was for € 0.2 million the result of negative currency effects and for € 0.5 million caused by in total negative price-, volume- and mix effects.

Total operating expenses relative to the first six months of 2013/2014 fell by € 0.2 million (1%). An increase in employee expenses, partly due to a release of a pension accrual during the first six months of 2013/2014, was mainly compensated by positive currency effects.

Earnings per share of the first six months decreased to € 2.22. Over the first six months of 2013/2014 earnings per share were € 2.56.

Sales

As in the last financial year, sales development for the first six months showed strong differences per month. This volatility is typical for the current market conditions in Holland Colours' main markets and divisions.

Where the first quarter was lower across the board than last year, the second quarter showed a recovery in sales versus the first quarter, partly due to positive currency effects. On balance, over the first six months sales in each of the divisions Europe, Americas and Asia lagged sales in the first six months of the previous financial year.

Sales development per market

Compared to the same period last year, sales in the Building & Construction and Elastomers markets remained more or less unchanged, while sales in the Packaging market declined markedly and in Specialties significantly. Per division, the markets are showing a different picture.

The almost unchanged sales in the Building & Construction market originates from higher sales in the Americas and Asia divisions. Conversely, sales in the Europe division declined in this market. This was, on balance, due to a stronger six months in Northwest Europe but lagging sales in the rest of the division.

The marked decline in sales in the Packaging market was mainly realised in the Americas division, primarily due to one-off sales in the first quarter of the previous financial year. Sales in Asia also fell, while sales in the Europe division actually increased.

Sales in the Silicones & Elastomers market remained more or less unchanged in the first six months of the current financial year. A decrease in Europe was offset by sales increases in the Americas and, especially, Asia.

Finally, sales in the Specialties segment showed a significant decrease across all divisions versus the last financial year. Partly as a result of order patterns, trade sales in Asia lagged the levels of the same period last year.

Sales growth per market

Sales growth per market	1st six months of 2014/2015 versus 1st six months of 2013/2014
Focus markets	
Building & Construction	+0%
Packaging	-/-9%
Silicones & Elastomers	+0%
Total focus markets	-/-2%
Specialties and other	-/-13%
Total sales	-/-5%
Total excluding currency effect	-/-4%

Gross margin

Relative to the same period of last year, gross margin rose by 0.4% points to 47.6%, with growth in both the first and second quarters. The increase in gross margin was impacted for € 0.2 million by negative currency effects and for € 0.5 million by positive price-, volume- and mix effects.

Operating expenses

Total operating expenses relative to the first six months of 2013/2014 decreased by € 0.2 million (1%). An increase in employee expenses, partly due to a release of a pension accrual during the first six months of 2013/2014, was mainly compensated by positive currency effects.

Tax

The effective tax rate as a percentage of earnings before tax decreased versus the first six months of 2013/2014 by some 3% points to 30.9%, partly due to a one-off correction on previous years in Mexico in the first six months of the previous financial year, as well as due to a relatively higher share in pre-tax total profits in countries with a comparatively lower tax rate.

Sales and result development per division

Europe

In the first six months of this financial year, the Europe division realised sales levels 3% below those of the previous financial year. A modestly lower first quarter was followed by marginally lower sales in the second quarter. Only sales in the Packaging market increased versus last year. Sales lagged last year in the Elastomers market in particular, while the Building & Construction market also realised lower sales than the previous financial year, partly due to lagging sales in Eastern Europe. Sales in the Specialties segment fell too, partly due to one of our customers deciding to produce in-house. Sales-mix changes in particular drove gross margin as a percentage of sales to above last year's level.

Operating expenses rose marginally. The operating result decreased by nearly 17% to € 1.0 million.

Americas

Compared to the first six months of 2013/2014, sales – in American dollars – decreased by 6% in the first half of this financial year, with a marked decline in sales in the first quarter and modestly lower sales in the second. Owing to the weaker American dollar versus the euro over a large part of the first six months, the sales decline in euros was even more, at some 8%. The sales decline is primarily due to the Packaging market, with the Specialties segment also showing a decrease versus last year. The Building & Construction and Elastomers markets both grew during the first six months, although only to a small degree.

Gross margin fell over the first six months by 0.4% points relative to last year, with a limited decline in operating expenses measured in euros. On balance, the operating result decreased by € 0.3 million to € 1.1 million.

Asia

While the Asia division – in American dollars – realised a significant decrease in sales in the first quarter of the financial year, sales in the second quarter were markedly higher than in the same period last year. A change in order patterns, partly caused by the uncertainty on the outcome of presidential elections in Indonesia, played a key role in this.

While sales in the Building & Construction and Elastomers markets were higher compared to last year, sales were lower in the Packaging and Specialties markets.

With a limited sales decline as measured in euros, gross margin almost unchanged in percentage terms, and lower operating expenses, the operating result of the Asia division declined to € 0.6 million.

Cash flow and financing

Net cash flow over the first six months was a positive € 0.5 million, versus a positive € 0.1 million over the first half year of the 2013/2014 financial year.

Cash flow from operating activities was a positive € 2.6 million, versus a positive € 3.2 million over the same period last year.

The lower level of investments relative to the 2013/2014 financial year resulted in a lower negative cash flow from investing activities (€ 0.4 million versus € 1.1 million last year).

Conversely, the negative cash flow from financing activities was higher than the last financial year, mainly due to the higher dividend paid to shareholders.

During the first six months, the negative balance of cash and interest-bearing liabilities decreased to € 0.8 million, compared to € 1.3 million at the end of March 2014, and € 3.6 million at the end of September 2013. The main banking covenant – the 12-month running Total debt / EBITDA – was 0.5 versus 1.0 as at 30 September 2013.

In the first half year, Holland Colours continued to meet all covenants agreed with its bank.

At the end of September 2014, working capital, excluding cash and interest-bearing short-term debts, was € 12.6 million, being higher than at the start of this financial year (€ 11.7 million). Higher inventories and a decline in trade- and other payables – partly due to a lower accrual for profit sharing – were partly compensated by a decrease in trade receivables.

Relative to September last year (€ 13.5 million), working capital fell by € 0.9 million, with a decline in receivables and an increase in payables being the main reasons.

The exchange-rate results on equity over the first half year of 2014/2015 amounted to a positive € 1.2 million, owing to a stronger American dollar versus the euro at the end of September relative to the end of the previous financial year. Partly because of this, the company's solvency ratio rose in the first six months of the financial year from 64.5% (March 2014) to 67.9%.

Net investments over the first six months (€ 0.4 million) were lower than in the first half year of 2013/2014 (€ 1.1 million). Investments mainly related to normal expansion and replacement investments in Europe and America.

The return on average invested capital (ROI) decreased in the first half of the financial year to 17.0%. Over the first six months of the 2013/2014 financial year, this was 17.3%. At the end of March 2014, a return of 18.5% was realised.

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 manage them with a reasonable degree of certainty. Such a system cannot provide absolute certainty that objectives will be realised. And neither can it definitely prevent all potential cases of material mistakes, damage, fraud or breaches of statutory laws.

The 2013/2014 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. And neither were any material damage, cases of fraud or breaches detected in the first half year.

Statutory Board statement

The Statutory Board hereby declares that, to the best of its knowledge, the summarised interim consolidated half-yearly report as of 30 September 2014, drawn up in accordance with IAS 34 "Interim financial reporting", represents a faithful rendering of the assets, liabilities, financial position and profit of Holland Colours NV and the joint companies as stated in the consolidated financial report, and that the executive team report as included on pages 1 to 4 of this half-yearly report represents a faithful rendering of the information required in relation to item 5:25d subs 8 and 9 of the Dutch Financial Supervision Act.

Outlook for the second half year of 2014/2015

Due to the mentioned volatility in sales development and the persistent economic uncertainty in markets Holland Colours operates in, Holland Colours will not issue a forecast regarding the full 2014/2015 financial year.

Traditionally, in the second half of the financial year, sales and results are lower than in the first half of the year, owing specifically to the seasonal trend in the Building & Construction market.

Apeldoorn, 30 October 2014

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CONDENSED INTERIM CONSOLIDATED HALF-YEAR REPORT PER SEPTEMBER 30, 2014

Condensed interim consolidated income statement

In thousands of euros

	April 1, 2014 to Sep 30, 2014	Oct 1, 2013 to Mar 31, 2013	April 1, 2013 to Sep 30, 2013
Revenue	33.063	31.039	34.911
Gross margin	15.753	14.657	16.502
Employee expenses	7.313	7.411	7.143
Amortisation and impairments	51	60	53
Depreciation and impairments	913	888	918
Other operating expenses	4.570	4.409	4.884
Total operating expenses	12.847	12.768	12.998
Operating result	2.905	1.889	3.504
Net financial expense	(135)	(83)	(159)
Tax on profits	(857)	(474)	(1.141)
Net result	1.914	1.332	2.204
Attributable to:			
Shareholders of the company	1.927	1.330	2.211
Minority interest	(13)	2	(7)
	1.914	1.332	2.204
Average number of shares issued	860.351	860.351	860.351
Earnings per share attributable to shareholders	2,22	1,55	2,56

Condensed consolidated statement of comprehensive income

In thousands of euros

	April 1, 2014 to Sep 30, 2014	Oct 1, 2013 to Mar 31, 2013	April 1, 2013 to Sep 30, 2013
Net result	1.914	1.332	2.204
Items not transferable to the Income statement:			
Actuarial results on employee benefits	(104)	-	-
Items transferable to the income statement:			
Net value adjustment financial instruments	(114)	53	138
Foreign currency translation differences	1.156	(394)	(885)
Total comprehensive income	2.852	991	1.457
Attributable to:			
Shareholders of the company	2.865	999	1.473
Minority interest	(13)	(8)	(16)
	2.852	991	1.457

Condensed interim consolidated balance sheet

In thousands of euros

	Sep 30, 2014	Mar 31, 2013	Sep 30, 2013
<i>Non-current assets</i>			
Intangible fixed assets	293	303	315
Tangible fixed assets	14.232	14.345	14.103
Deferred tax assets	1.889	1.983	1.945
Other long-term receivables	196	182	185
Total non-current assets	16.610	16.813	16.548
<i>Current assets</i>			
Inventory	8.291	7.425	8.379
Trade and other receivables	11.947	12.620	12.336
Income tax receivables	145	244	179
Cash and cash equivalents	2.781	3.183	3.258
Total current assets	23.164	23.472	24.152
Total assets	39.774	40.285	40.700
<i>Equity</i>			
Total Equity	27.015	25.987	25.011
<i>Non-current liabilities</i>			
Long-term debt	3.215	3.192	3.353
Employee benefit obligations	1.104	966	1.154
Deferred tax liabilities	21	58	45
Derivative financial instruments	200	196	237
Total non-current liabilities	4.540	4.412	4.789
<i>Current liabilities</i>			
Credit institutions	160	1.020	3.224
Repayment obligations for long-term debt	250	250	309
Trade and other payables	7.410	8.195	7.058
Income tax liabilities	102	125	96
Employee benefit obligations	296	296	213
Total current liabilities	8.219	9.886	10.900
Total equity and liabilities	39.774	40.285	40.700

Condensed interim consolidated statement of changes in equity

In thousands of euros

	Share capital	Share pre- mium	Reserve conversion differences	Other reserves	Retained earnings	Minority interest	Total
As at March 31, 2013	1.953	1.219	(1.408)	(86)	23.247	135	25.060
<i>For the 1st half year 2013/2014</i>							
Profit for the 1 st half year 2013/2014	-	-	-	-	2.211	(7)	2.204
Other comprehensive income	-	-	(876)	146	(8)	(9)	(747)
Total comprehensive income	-	-	(876)	146	2.203	(16)	1.457
Dividend 2012/2013	-	-	-	-	(1.506)	-	(1.506)
As at September 30, 2013	1.953	1.219	(2.284)	60	23.944	119	25.011
<i>For the 2nd half year 2013/2014</i>							
Profit for the 2 nd half year 2013/2014	-	-	-	-	1.330	2	1.332
Other comprehensive income	-	-	(384)	36	19	(25)	(354)
Total comprehensive income	-	-	(384)	36	1.349	(23)	978
As at March 31, 2014	1.953	1.219	(2.668)	94	25.293	96	25.987
<i>For the 1st half year 2014/2015</i>							
Profit for the 1 st half year 2014/2015	-	-	-	-	1.927	(13)	1.914
Other comprehensive income	-	-	1.156	(113)	(105)	(0)	938
Total comprehensive income	-	-	(1.512)	(19)	27.115	83	28.839
Dividend 2013/2014	-	-	-	-	(1.824)	-	(1.824)
As at September 30, 2014	1.953	1.219	(1.512)	(19)	25.291	83	27.015

Condensed interim consolidated statement of cash flows

In thousands of euros

	Apr 1, 2014 to Sep 30, 2014	Oct 1, 2013 to Mar 31, 2014	Apr 1, 2013 to Sep 30, 2013
Operating activities			
Operating result	2.905	1.889	3.504
Adjustments for:			
Amortisations, depreciation and impairments	964	948	971
Changes in provisions	(27)	(100)	(71)
Exchange rate differences of derivative financial instruments	4	(40)	(75)
Exchange rate differences and other changes	19	(10)	11
Changes in working capital	(511)	1.457	(408)
	3.354	4.143	3.932
Income tax paid	(659)	(539)	(645)
Interest paid	(129)	(123)	(133)
Cash flow from operating activities	2.567	3.481	3.154
Cash flow from investing activities			
Capital expenditures, net of disposals	(336)	(1.088)	(1.101)
Cash flow from operating and investing activities	2.231	2.394	2.053
Cash flow from financing activities			
Change of capital by non-controlling interest	-	(15)	-
Dividend paid	(1.824)	(2)	(1.506)
Proceeds from borrowings minus redemption payments	(125)	(184)	(309)
Cash from financing activities	(1.949)	(201)	(1.815)
Change in cash and cash equivalents	282	2.193	238
Net foreign exchange difference	177	(64)	(98)
Net cash flow	459	2.129	140
Opening balance cash and cash equivalents	2.163	34	(106)
Closing balance cash and cash equivalents	2.622	2.163	34
Net cash flow	459	2.129	140

Segment reporting

Segment information for the first half year 2014/2015

In thousands of euros

	Europe	Americas	Asia	Other	Adjustments and eliminations	Total
Revenue	17.907	10.560	4.599	(3)	-	33.063
Inter segmental transactions	428	19	1	-	(448)	-
Revenue including inter segmental transactions	18.335	10.578	4.600	(3)	(448)	33.063
Depreciation, amortisation and impairments	437	244	112	174	(2)	964
Operating result	985	1.060	608	253	-	2.906
Net financing expense	-	-	-	-	(135)	(135)
Tax	-	-	-	-	(857)	(857)
Net result	-	-	-	-	-	1.914
Assets	17.441	11.827	7.589	30.814	(27.897)	39.774
Liabilities	10.058	2.284	2.233	5.084	(6.899)	12.759
Total investments	126	45	102	93	-	366
Average number of own employees (in FTE)	189	87	110	17	-	403

Segment information for the first half year 2013/2014

In thousands of euros

	Europe	Americas	Asia	Other	Adjustments and eliminations	Total
Revenue	18.514	11.515	4.882	-	-	34.911
Inter segmental transactions	308	42	8	-	(358)	-
Revenue including inter segmental transactions	18.822	11.557	4.890	-	(358)	34.911
Depreciation, amortisation and impairments	454	255	81	181	-	971
Operating result	1.179	1.393	690	242	-	3.504
Net financing expense	-	-	-	-	(159)	(159)
Tax	-	-	-	-	(1.141)	(1.141)
Net result	-	-	-	-	-	2.204
Assets	17.904	12.012	7.290	32.973	(29.479)	40.700
Liabilities	10.873	2.103	1.465	6.652	(5.404)	15.689
Total investments	238	234	457	172	-	1.101
Average number of own employees (in FTE)	188	89	101	17	-	395

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

Explanatory notes on the condensed consolidated interim report

General

Holland Colours NV is a public limited liability company having its registered office in Apeldoorn, the Netherlands. The Company's consolidated financial statements comprise the financial statements of the Company and of its subsidiary companies, also named the Holland Colours Group.

The condensed consolidated interim report comprises the period April 1, 2014 up to and including September 30, 2014 of the Company and its subsidiary companies.

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

The condensed interim financial statements are compiled by the Board of Management of Holland Colours NV and released for publication by the Supervisory Board on October 30, 2014.

The original condensed interim 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.

Statement of compliance

The half-year report has been prepared in accordance with the International Financial Reporting Standards, as adopted by the European Union and 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 2013/2014 consolidated annual report of the Holland Colours Group.

Audit

No audit nor review was performed on the information presented in this half-year report.

Accounting policies

The interim financial information regarding the period ending September 30, 2014 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 2013/2014.

The following standards and amendments were first applied to the consolidated financial statements at the beginning of the 2014/2015 financial year: IFRS 10 (Consolidated Financial Statements), IFRS 11 (Joint Arrangements) and IFRS 12 (Disclosures of Interests in Other Entities). Use of these amended standards does not have material impact on the 2014/2015 condensed consolidated interim report comprises the period April 1, 2014 up to and including September 30, 2014 of the Company.

Seasonal influences

The operations of the Holland Colours Group are subject to seasonal influences. In general, more revenues are 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, 2014 amounted to 860,351 shares. This number did not change in comparison with March 31, 2014.

Dividend

The dividend was set at € 2.12 per share during the general meeting of shareholders of July 10, 2014. As of July 18, 2014, € 1.8 million in cash dividend has been paid out and withdrawn from the other reserves.

Named reserves

The named reserves compose of currency translation differences and the other reserves, whereas the latter one comprises the hedge reserves 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 2013/2014 have not changed substantially in the first half-year of 2014/2015.

Events after the reporting period

There have been no events after balance sheet date.

Key figures

	Apr 1, 2014 to Sep 30, 2014	Oct 1, 2013 to Mar 31, 2014	Apr 1, 2013 to Sep 30, 2013
RESULTS (in millions of euros)			
Sales	33,1	31,0	34,9
Sales growth versus comparable period (%)	(5,3)	0,5	(0,4)
Operating result	2,9	1,9	3,5
Net result	1,9	1,3	2,2
CASH FLOW (in millions of euros)			
Cash flow ¹	2,9	2,3	3,2
Investments	0,3	1,3	1,1
Depreciation	1,0	0,9	1,0
BALANS (in millions of euros)			
Working Capital ²	12,6	11,7	13,5
Invested Capital	29,0	28,2	29,8
Shareholders' equity (excl. Minority interest)	26,9	25,9	24,9
Balance-sheet total	39,8	40,3	40,7
RATIOS			
Totale debt ³ / EBITDA	0,5	0,6	1,0
Operating result / revenue (%)	8,8	6,1	10,0
Solvency ⁴ (%)	67,9	64,5	61,5
Return on average invested capital ⁵ (ROI) (%)	17,0	18,4	17,3
Return on average shareholders' equity (%)	12,6	13,9	12,4
Interest coverage ratio	21,5	22,8	22,0
Current assets / current liabilities (current ratio)	2,8	2,4	2,2
FIGURES PER SHARE (in euros)			
Total net result	2,22	1,55	2,56
Growth of earnings per share (%)	(13,2)	14,6	6,6
Equity (excl. minority interest)	31,30	30,09	28,93
Dividend	-	2,12	-
Closing price	34,90	28,50	27,30
OTHER DATA			
Number of outstanding shares	860.351	860.351	860.351
Average number of employees (FTE)	403	397	395

1) Cash flow: net result + depreciations

2) Working capital: inventory + amounts receivable -/- non-interest bearing liabilities

3) Total debt: sum of interest bearing liabilities

4) Solvency: total equity / balance-sheet total

5) Return on invested capital: operating profit / (equity + provisions + interest-bearing liabilities -/- cash) x 100%

HOLLAND COLOURS

Profile

- Approximately 400 employees;
- 2000 customers in 80 countries;
- 9 locations;
- Worldwide network of agents;
- Every employee is a shareholder.

Holland Colours NV was founded in 1979 and has been listed on the NYSE Euronext Amsterdam Stock Exchange since 1989. It is an independent Dutch company with offices in North America, Mexico, Europe and Asia. Holland Colours makes products for colouring synthetic materials. These so-called colour concentrates are available as both solid and liquid. The key products in solid form are Holcobatch and Holcoprill. The liquid products Holland Colours makes are pastes for colouring Silicones & Elastomers, PET packaging and various other applications.

Holland Colours concentrates worldwide on three markets:

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

Roughly 80% of sales are realised in these three markets.

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

Holland Colours is organised in three regional divisions that operate as profit centres in each specific region: Europe (including the Middle East, India and Africa), the Americas and Asia.

The worldwide distribution of sales is as follows: Europe 54%, Americas 32% and Asia 14%.

Important dates:

February 5, 2015
May 28, 2015
July 9, 2015

Interim statement
Publication annual figures for 2014 / 2015
General meeting of shareholders

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