



COLORING YOUR SUCCESS



ANNUAL REPORT 2017/2018

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OUR IDENTITY: COLORING YOUR SUCCESS

We color the world. We create and manufacture high-quality solid and liquid colorants, masterbatches and additives. Our products are designed to be well suited for coloring rigid and flexible PVC, PET, polyolefins and other polymers.

We serve many different markets within Building & Construction, including, but not limited to, profiles, pipes, siding and cladding. We also have a proven track record in cooperating with Packaging companies to differentiate their products. In addition to serving these markets, we offer color concentrates for coatings, elastomers, adhesives and other applications.

Our company is driven by teamwork, pro-activeness, competence, accountability and responsibility. Our business is built on a combination of knowledge, dedication, passion and skills. Our actions are directed towards our customers' success.

Customers and our experts collaborate regularly to create tailor-made color solutions that deliver precise color matches, perfect color distribution and enhanced color consistency.

We offer consistent and sustainable global production, reliable supply and logistics, R&D, customer care and project support and assist our customers in growing their business.

We seek employees who believe in customer collaboration based on solving problems and pushing boundaries.

Our reporting lines are short, with ample opportunities for our employees to show initiative and take responsibility. At Holland Colours, every employee is an owner, and owners take pride in delivering success to their customers. Together with our customers we add color to the world. Our mission? Coloring Your Success!



PROFILE

Profile

Introduction
by the CEO

Strategy
&
Key Figures

Investor
Relations

Report of
the Board of
Management

Corporate
Governance

Report of the
Supervisory
Board

Financial
Statements

Holland Colours was founded in 1979 by a group of experts in pigments who saw a need for less dusty colorants than those available on the market at the time. They decided to do things differently and better. After working closely with an initial customer, our innovative product, Holcobatch®, was released and ended up transforming the market.

As our portfolio has grown, so has our business. The company that began in a brick shed in Apeldoorn, the Netherlands, now extends across the world. We have manufacturing and/or sales operations in the Netherlands, the United States, the UK, Hungary, Indonesia (two facilities), Canada, and Mexico, with over 400 Holland Colours employees who serve local and global customers.

Holland Colours employees are engaged and experienced. From the start, all employees participate in the company and collectively hold around 25% of the shares in Holland Pigments, a Dutch-based investment company, which in turn owns the majority of the shares in Holland Colours NV. This encourages commitment and responsibility and is reflected in our pride and passion. Collectively owning the company means we all share the same goals: Growth & Operational Excellence through customer intimacy. Taken together, the above defines our unique DNA.

OUR PRODUCTS

Even today, our Holcobatch® products remain unique, delivering high-quality coloring performance for a wide range of polymers. Other breakthrough products include high-loaded Holcoprill and our newly introduced Holcopearl® for the Packaging and Building & Construction market and Holcomer for the dairy PET packaging industry. Our range of products contains both solid and liquid coloring systems. Over the years, we have developed a full palette of standard and customized colorants, including opaque, metallic and frost. In addition to colorants, we offer a wide choice of additives, such as UV absorbers, AA scavengers and re-heat additives.

As a global specialist in customer-specific coloring products, we take the environment very seriously. We recognize the need to consider impacts over the total life cycle of the product and the shared responsibility of different stakeholders in managing these impacts. We have an experienced global team of people to staff our Product Stewardship department.

From the start, Holland Colours has been committed to a clean and sustainable production process by using natural waxes as an important ingredient for its products. The company recently introduced in the USA the Natural Collection, a series of color concentrates based on natural color pigments and a non-petroleum based carrier. These products are suitable for coloring both standard PET and bio-based plastics, including food packaging applications. Holland Colours regularly launches new products that make the plastic production process more sustainable. Another example is Tintmask, a color concentrate that is added to recycled plastic to mask the grey color.

OUR MARKETS

Our roots are in colorants for pipes, but our products for Building & Construction (B&C) are also widely used for other applications where good dispersion is key. This includes profiles, sheets, siding, cladding, sealants and flooring.

The Packaging market is another of our areas of expertise. In this market, we see a trend towards light-weight thin bottles. Advancing a circular economy in packaging is a clear trend, as has food safety. With our strong knowledge base, we are well equipped to serve this market. We partner with small, medium-sized and large customers to produce packaging for water, carbonated soft drinks, fruit juices, dairy products, beer, wine, detergents, pharmaceutical and personal care products.

BUILDING
&
CONSTRUCTION



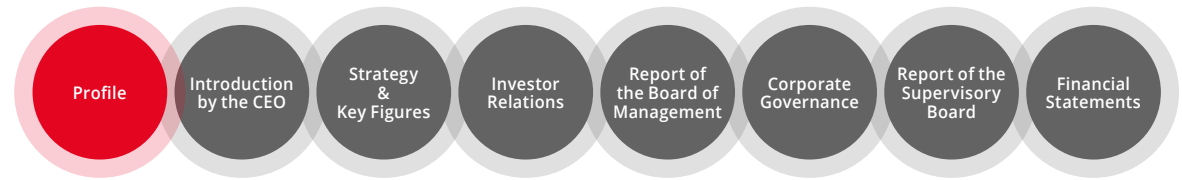
PACKAGING



COATINGS,
ELASTOMERS
& ADHESIVES



EMPLOYEE PARTICIPATION



Our shares are traded on the Euronext Amsterdam stock exchange. Our (retired) employees participate in Holland Pigments BV, a Dutch-based investment company, which in turn owns the majority (50.26%) of the shares in Holland Colours.

STABILITY, CONTINUITY AND INDEPENDENCE

The goal of this majority shareholder (which was founded in 1980) is to promote the stability, continuity, and independence of Holland Colours, including effective employee participation within the Holland Colours Group.

Besides the employees of the Holland Colours Group, four main shareholders participate in Holland Pigments. These main shareholders endorse the importance of the employee-shareholdership model and actively support this.

The management of Holland Pigments BV consists of a one-tier board. The collective shareholding of current and retired employees (around 25%) is represented via a non-executive board member who also chairs the board of Holland Pigments. This person is elected by the employees of Holland Colours every four years. The board of Holland Pigments BV is currently composed of a chairman, four non-executive members, and one executive director.

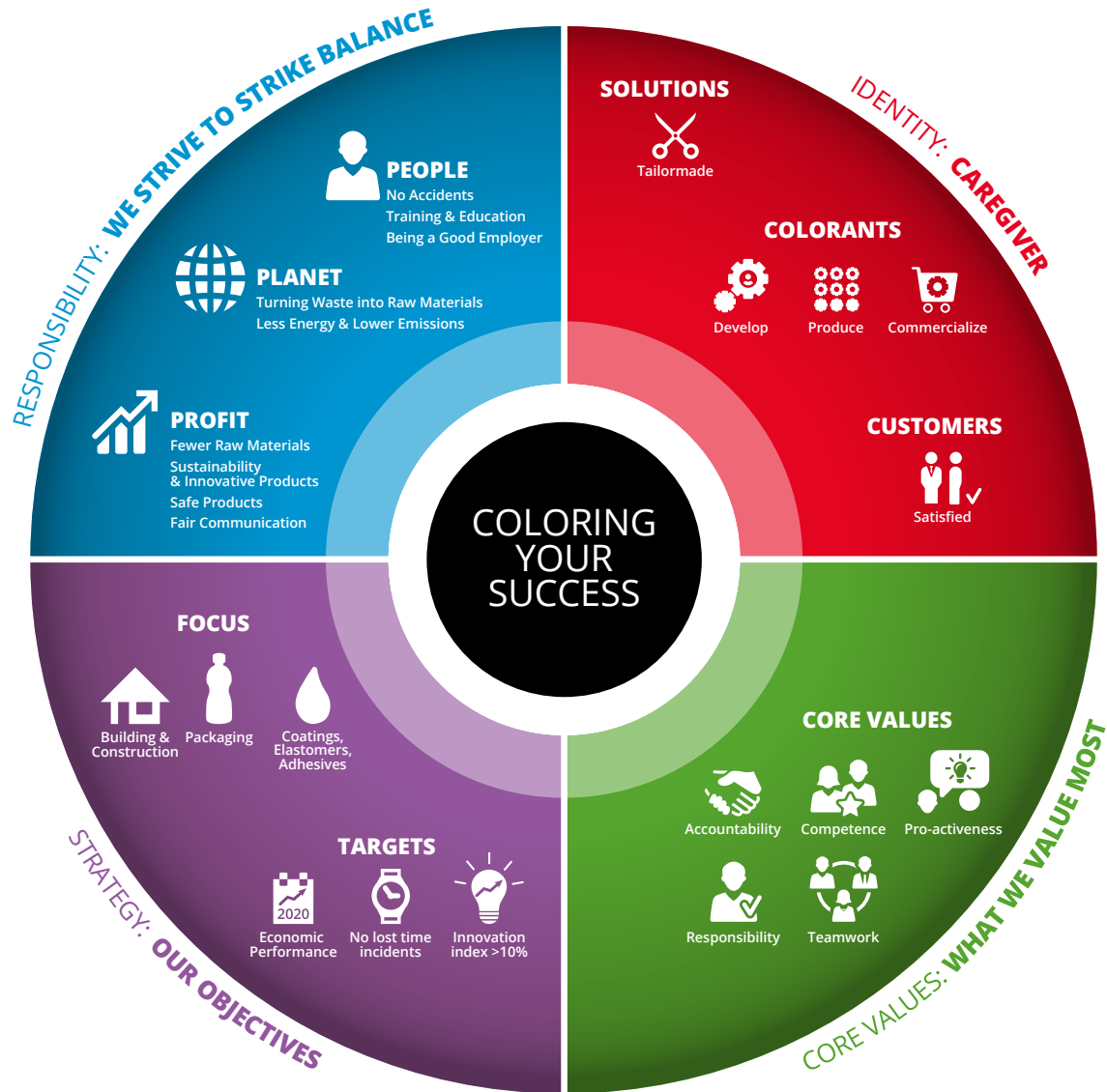
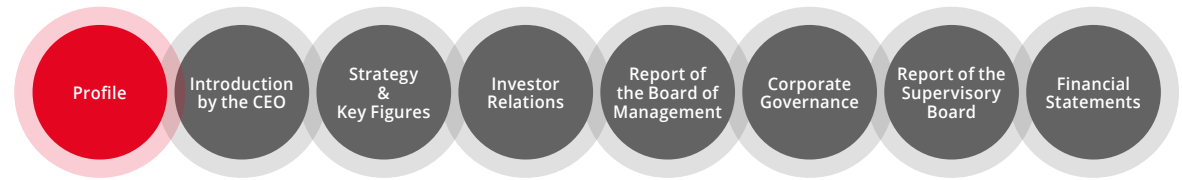
HOLLAND PIGMENTS OFFICIALS

The chair of the board and the executive director of Holland Pigments are jointly responsible for the effective execution of the employee-shareholdership model. With a view to that same purpose, each location of Holland Colours elects and appoints its own Holland Pigments Official, who acts as the first point of contact between the employees of Holland Colours and the Holland Pigments board. These officials also attend the Annual Shareholders Meeting of Holland Pigments. On a regular basis, the chair and executive director of Holland Pigments visit the various locations of Holland Colours to discuss employee participation. Every employee is an owner, and owners know that success begins with adding value for our customers. Employee participation encourages teamwork, pro-activeness and accountability. Being a shareholder means having shared goals, responsibilities, rewards and commitment.



Every employee is an owner, and owners know that success begins with adding value for our customers.

OUR DNA



Teaming up with our customers to develop, produce and commercialize the customer-specific coloring products has always been a core part of our DNA. This is what makes us a Caregiver within the industry. Our Caregiver Identity determines our Core Values (page 9). Our Strategy (page 14) builds on these elements in our DNA. Our customer care and our responsibility for the environment, community and employees is reflected in our Materiality Matrix on page 27.



IN MEMORIAM JAN DE HEER

The founder of Holland Colours, Jan de Heer, aged 85, passed away on August 9, 2017.

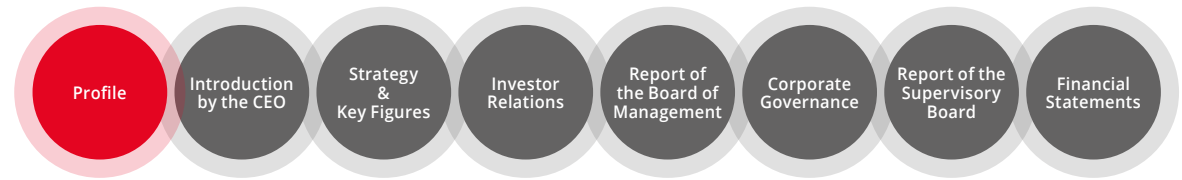
Jan was the inspiration and driving force behind Holland Colours, which he founded with several like-minded people in 1979. Through his vision and entrepreneurship, our company grew into a publicly listed business with a global footprint in the supply of color concentrates.

Jan had a strong commitment to family values and staff involvement. This legacy continues in the employee participation in Holland Pigments BV. After his retirement in 1997, he remained actively involved in Holland Colours, first as a member of the Supervisory Board and then in various other supervisory roles.

He will be remembered with respect and gratitude for his strength of vision and charisma, with which he built a united and motivated company. We will miss him dearly and his memory will remain strong in the Holland Colours family.

The company has lost a truly remarkable entrepreneur who always regarded the longer-term interests of his company and its stakeholders as a priority. We feel a strong responsibility to ensure the successful continuation of his ideas and vision.

CORE VALUES



At Holland Colours, our mission is to create customized and effective color solutions that bring our customers a competitive advantage and peace of mind. We are a company with over 400 employees who share the same core values: Accountability, Competence, Pro-Activeness, Responsibility and Teamwork.



ACCOUNTABILITY

At Holland Colours, we can be trusted to take responsibility for what we do (and don't do).



COMPETENCE

At Holland Colours, we have the skills and expertise to do things well.



PRO-ACTIVENESS

At Holland Colours we make things happen, instead of waiting for them to happen to us.



RESPONSIBILITY

At Holland Colours, we are committed to our company, our colleagues, our society, and our environment.



TEAMWORK

At Holland Colours, we work together to achieve one common goal.



While we all have different backgrounds, we share the same core values and passion for colors and our customers.



Almost 40 years ago, the founders of Holland Colours set to work in an abandoned paperfactory in Apeldoorn, the Netherlands. A small but ambitious team, they had an idea that would ultimately impact the world of colors and earn them the predicate 'pioneers'. Based on the idea that coloring plastics should be made simpler and cleaner, they developed, in close cooperation with a customer, the concept of 'highly loaded pigment granules'. With only 12 employees they raised funds, developed new machines and built a brand-new production line, in only three years.

Overcoming teething problems, long days and perseverance led, ultimately, to success. Or to put it another way: commitment, trust and optimal teamwork.

Over the years, our company has grown from a local enterprise into a global company with production plants in the Netherlands, Hungary, the United States and Indonesia (Surabaya). We also have sales, small-scale manufacturing and/or distribution centers in the UK, Mexico, Canada and Indonesia (Jakarta).

Today, we are one global team of more than 400 colleagues, and while we all have different experiences and come from different backgrounds, we share the same core values and passion for colors and our customers. We are proud to present some excerpts from our latest employee engagement survey throughout our Annual Report, to highlight our pride and commitment as an important pillar **in coloring your success.**



AMERICAS

USD millions	2017/ 2018	2016/ 2017	%
Revenue third-party	33.9	31.6	7%
Operating result	4.5	3.6	25%
CAPEX	1.1	0.5	80%
Average FTE	90	87	3%



EUROPE

Euro millions	2017/ 2018	2016/ 2017	%
Revenue third-party	42.6	38.2	12%
Operating result	0.5	1.1	(55%)
CAPEX	1.1	2.6	(57%)
Average FTE	201	197	2%



ASIA

USD millions	2017/ 2018	2016/ 2017	%
Revenue third-party	13.9	11.5	21%
Operating result	2.2	0.8	175%
CAPEX	0.2	0.2	(1%)
Average FTE	98	106	(8%)

INTRODUCTION BY THE CEO



DEAR STAKEHOLDER,

The financial year 2017/2018 was an eventful one in many respects. In August, we were confronted with the sad news that our founder, Jan de Heer, had passed away. He was the person behind the success of Holland Colours and its concept of employee participation.

We strengthened the organization by filling key management positions to build a strong case for the future.

Our business operations had to deal with major price increases and sometimes even shortages of raw materials, particularly in Europe.

The quest to achieve the 2020 ambitions continued with overall revenue and profit growth. All divisions contributed to the revenue growth of 8% to € 83.5 million. The effect of the USD exchange rate was significant. At unchanged rates compared with last year, revenue would have been € 2.7 million higher.

The Americas and Asia contributed to the growth of the operating result by 13.7% to € 8.2 million (from continuing operations). Due to a slightly higher average tax rate, the net result improved by 13.3% to € 5.9 million.

Despite increased working capital due to price increases and strategic inventory building, our overall financial position remained solid.

STRATEGY – 'HOLCOMORE 2.0'

In our HolcoMORE 2.0 strategic program, we focus on defending and building our position in our traditional markets, particularly in Building and Construction (B&C) (mainly PVC) and Packaging (mainly PET). Our new technological developments are directed mainly towards this and in building positions in other polymers used in the B&C and Packaging markets. This enables us to diversify, while remaining close to our core products and markets. Supported by the sales growth of our new generation Holcomer, the Innovation Index was above 10%. To sustain this, we are working on a broader portfolio of new products. We are pleased that we were able to fill the vacancy for the Innovation & Technology Director by appointing Eelco van Hamersveld as from December 1, 2017.

Besides pursuing top-line growth, we also continued projects aimed at improving operational efficiency. We finalized the projects to optimize Holcoprill production across our two production sites in Europe. Capacity additions in the USA and Indonesia – which were also aimed at allowing efficient production of new product lines – were approved in this financial year.





BUSINESS UPDATE

Revenue increased by 8% to € 83.5 million. The impact of exchange rates was significant. On a comparable basis, revenue growth would have been 11%.

In Division Europe, we saw double-digit revenue growth achieved all across the markets, which unfortunately evaporated at the margin line. This was due to a variety of reasons but was largely attributable to the significant increase (+20% up to almost 100%) of some key raw material prices. Regrettably, this could not be successfully recovered from the market. In addition, we started facing challenges from increased competition in Building & Construction.

Besides that, the need for process-neutral products and increased legislation in the Packaging market as well as a shortage of silicone oil and related price increases in the elastomers market created their own dynamics. The findings of the Activity Based Costing (ABC) study were updated and measures will continue to be implemented in the 2018/2019 financial year.

In Division Americas, revenue improved across the board, particularly in Building & Construction, supported by strong economies. Due to the product mix, Americas was far less impacted by raw material price increases compared to Europe.

In Division Asia, we realized strong double-digit revenue growth. Sales in Coatings, Adhesives and Elastomers decreased as a result of the closure of Chinese production in late 2016. This was more than compensated by the growth of our Indonesian entity and in particular growth of our Holco Indo Jaya joint venture.

ORGANIZATION

Having an effective organization is key to addressing all the challenges and projects at hand.

Our unique culture of being a global player with a local customer-driven mindset in combination with employee shareholding is a very strong driver for the way we do things. Understanding the company culture is a key element in the process of on-boarding new employees. This was confirmed during the employee survey we carried out during the year. Employees' pride in our company was very high, including in comparison with the benchmark. While there were no areas that needed immediate attention, points for attention were identified that require follow-up. These include areas such as internal communication on products, applications and customers but also accountability.

In August, we announced in a press release that we would start the search for my successor. Coen Vinke will be proposed as my successor during the upcoming General Meeting of Shareholders. Together we have ensured a smooth transition.

We informed you last year that some new employees at the executive level left the company for various reasons. I am happy to inform you that we were able to fill these vacancies; this included – besides those mentioned above – the appointment of Joe Bauer as Director Division Americas.

Zero harm is a key goal for the company. We saw improvement over last year. Unfortunately we still recorded two lost-time incidents. We continue to take measures, and organize awareness training to improve not only this number but also the number of near misses, as the latter is an indication of the potential risk.

PROPOSED DIVIDEND

The net result per share amounted to € 6.78 compared with € 6.03 in the previous year. In line with our policy, it will be proposed to the General Meeting of Shareholders that a cash dividend of € 3.39 per share be distributed (2016/2017: € 3.01).

On behalf of the Executive Management Team, I would like to thank our employees for their efforts, contribution and commitment during the past year.

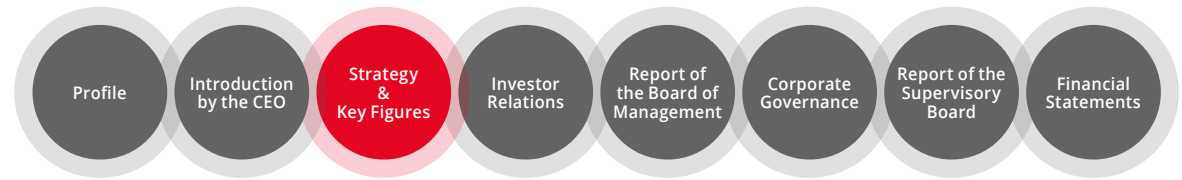
I would also like to thank our shareholders for the confidence shown in our company.

Apeldoorn, May 31, 2018

R. Harmsen

Chief Executive Officer Holland Colours NV

STRATEGY 2020 PROGRESS



OUR STRATEGIC AMBITIONS

- Defend and grow our share in B&C
- Defend and grow our share in Packaging
- Expand our share in Coatings, Sealants and Adhesives
- Stay alert to profitable opportunities to provide color solutions outside the above focus markets

OUR OVERALL OBJECTIVES

- Sustainable revenue growth
- Innovation index over 10%
- Return on Sales of at least 10%
- Operating Working Capital as percentage of revenue below 20%
- Return on Investment of at least 15%
- Solvency of 40% or more (debt as % of balance sheet total is at most 40%)

FINANCIAL OBJECTIVES

We are pleased with the further growth of our revenue, especially as this is driven broadly on a global and market basis and by existing and new products. Our ROI and Solvency objectives were achieved again, as in previous years. Working capital as a percentage of sales edged up slightly to above 20% mainly driven by extra safety stocks of raw materials that are scarce. Return on Sales increased to 9.8%, close to our objective.

PRODUCT DEVELOPMENT

We are proud that our product lines have been developed in-house and we continue to work on next generations and further improvements.

In order to fulfill our strategic ambition to further expand our carrier base into other polymers, we follow a dual path of in-house development and investigating the possibility of a partnership or technology-driven acquisition.

The innovation index includes the revenue on new products developed by Holland Colours that have been commercially launched in the market during the past five years. Over 2017/2018, the index rose to 10.4% of total revenue compared with 6.7% in the preceding year.

Many products are developed in close partnerships with customers and go through specific approval routes. Any sales during the approval period are not included in the base. After 5 years, the product is excluded from the index, even though most of these products last longer in the market.

We launched several new products in 2017/2018 in the various regions; some important examples are listed below:

- Solvent-based and water-based product ranges for point of sale (POS) tinting systems (launched in Europe);
- New carrier platform for PET packaging (global launch);
- Frost product for PET packaging that gives a frosted appearance and soft feel (USA re-launch);
- A light barrier product for PVC roofing sheet (specific customer development in Asia).

A new patent application was filed in 2017/2018 for the Holcomer product portfolio. The current patent portfolio was continued during the 2017/2018 financial year.

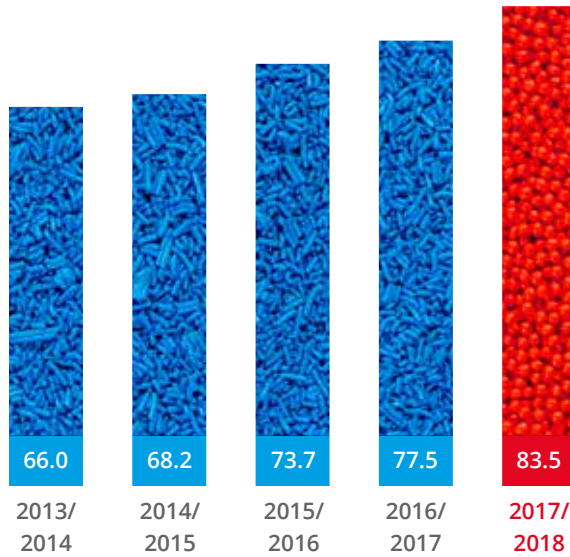
Our pipeline is continually filled with new ideas and customer development projects.

PROGRESS ON OUR OBJECTIVES



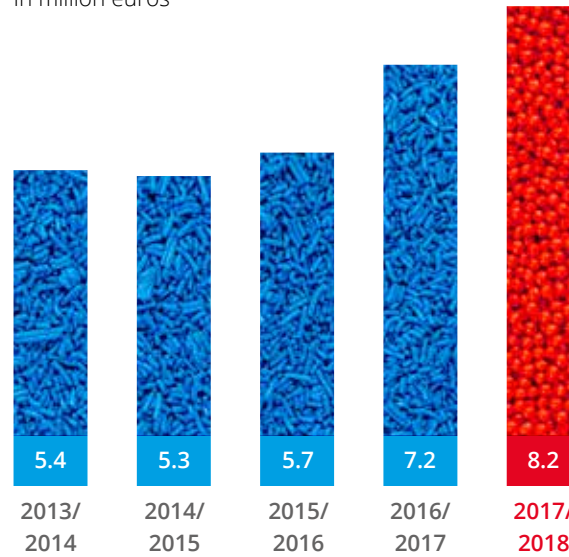
REVENUE

In million euros



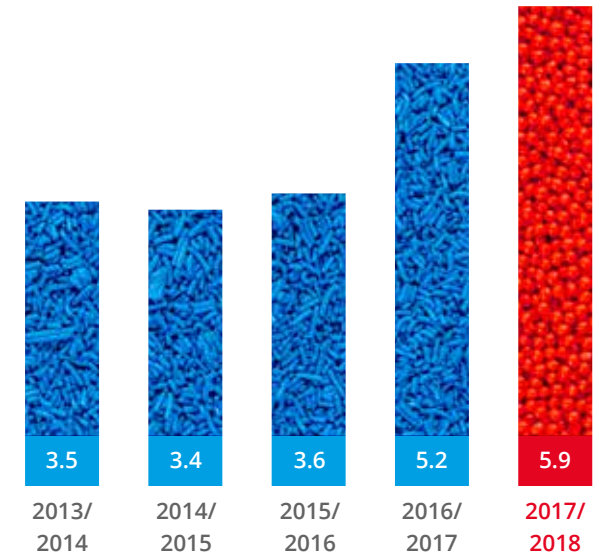
OPERATING RESULT FROM CONTINUING OPERATIONS

In million euros



NET RESULT

In million euros



RETURN ON SALES

2017/2018
2016/2017

9.8%
9.3%

RETURN ON INVESTMENT

2017/2018
2016/2017

25.2%
24.2%

EARNINGS PER SHARE

2017/2018
2016/2017

6.78
6.03

INNOVATION INDEX

2017/2018
2016/2017

10.4%
6.7%

OWC AS % OF REVENUE

2017/2018
2016/2017

20.6%
18.5%

SOLVENCY

2017/2018
2016/2017

73.1%
73.0%

FIVE-YEAR SUMMARY



IN MILLIONS OF EUROS, UNLESS STATED OTHERWISE

	2017/18	2016/17	2015/16	2014/15	2013/14		2017/18	2016/17	2015/16	2014/15	2013/14
Income statement						Statement of cash flows					
Revenue	83.5	77.5	73.7	68.2	66.0	Cash flow from operating activities	3.3	7.2	7.6	5.7	6.6
Operation result before depreciation and amortisation (EBITDA)	10.2	9.1	7.7	7.3	7.3	Investments	(2.5)	(3.6)	(1.7)	(1.1)	(2.2)
Depreciation of property, plant, equipment and intangibles	(2.0)	(1.9)	(2.0)	(2.0)	(1.9)	Dividend	(2.6)	(1.9)	(1.7)	(1.8)	(1.5)
Operating result	8.2	7.2	5.7	5.3	5.4	Other financial activities ³	(0.4)	(1.0)	(2.7)	0.4	(0.7)
Interest	0.0	(0.1)	(0.1)	(0.3)	(0.3)	Net cash flow	(2.2)	0.7	1.5	3.1	2.3
Income tax	(2.2)	(1.7)	(2.0)	(1.6)	(1.6)	Ratios					
Result of discontinued operations	(0.1)	(0.2)	0.0	0.0	0.0	Return on Sales (ROS)	9.8%	9.3%	7.7%	7.8%	8.2%
Net result	5.9	5.2	3.6	3.4	3.5	Solvency ⁴	73.1%	72.7%	70.9%	68.2%	64.5%
						Return on Investment (ROI) ⁵	25.2%	24.2%	20.0%	17.3%	20.8%
Statement of financial position						Working capital in % of revenue	20.6%	18.5%	18.2%	22.9%	21.1%
Total assets	50.2	49.4	45.3	45.0	40.0	Market capitalisation as at 31 March	76.6	59.8	39.1	39.5	24.6
Total equity	36.7	35.9	32.1	30.7	26.0	Number of shares outstanding	860,351	860,351	860,351	860,351	860,351
Interest-bearing debt	0.0	0.0	1.1	1.1	3.2						
Working capital ¹	17.2	14.3	13.4	15.6	13.9						
Invested capital ²	32.6	29.7	28.5	30.7	25.9						
Cash	5.3	7.5	6.8	5.3	3.2						

¹ Inventories + trade accounts receivable -/- trade accounts payable.

² Property, plant & equipment, intangible assets, other investments -/- non interest bearing current liabilities.

³ Sum of long-term financing, translation differences on cash and cash equivalents and derivatives.

⁴ Equity as % of balance sheet total.

⁵ Operating result as % of the invested capital.

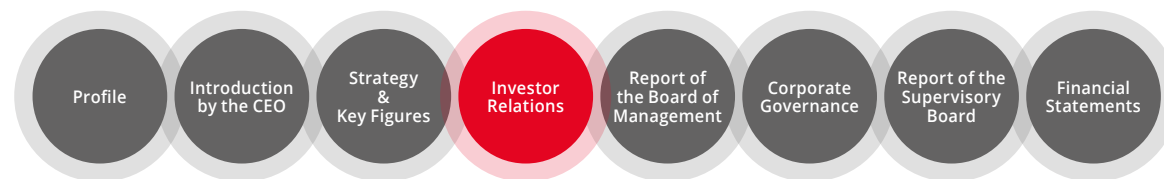
FOCUSING ON CUSTOMER DEMAND

“We always strive to meet the demands of our customers to the maximum extent. The company is in a phase of continuous progress, but at the same time pays attention to its employees – at Holland Colours, safety comes first – and to create an optimal working environment, which is a great advantage.”

1992
ESTABLISHED



INVESTOR RELATIONS



PROFIT APPROPRIATION AND DIVIDEND POLICY

As of 2016/2017, Holland Colours is committed to distribute at least 50% of its profit in the form of dividend, as long as the solvency ratio after distribution is at least 40% and there are no exceptional circumstances for proposing a deviation from this baseline.



PUBLICATIONS

The interim results (for the period April to September) are published in October and the full-year results (from April to March) are published by the end of May. As of 2017/2018, the company no longer publishes updates of the first and the third quarters. Share price-sensitive information is published in the form of press releases which are also posted on our website.

Please refer to the next page for the full financial calendar.

THE LIQUIDITY PROVIDER IS NIBC MARKETS

The shares of Holland Colours are traded on the Euronext Amsterdam stock exchange, classified under the small caps and with a limited free float. In order to increase marketability, NIBC Markets in Amsterdam has been appointed as the liquidity provider. This means that NIBC Markets acts in the market as a counterparty for buy or sell orders, whereby the bid and offer prices are set according to a range around the last traded price. Smaller buy or sell orders are therefore filled by the liquidity provider, which results in a more orderly price development of the share price.

Due to its focus on small and midcap stocks, NIBC Markets has frequent contact with professional and private investors in the Netherlands and abroad who hold larger positions and who wish to buy or sell. It may therefore be advisable for investors wishing to trade larger positions to contact NIBC Markets. Further information on Liquidity Providing and the trading of larger blocks of shares is available on the NIBC Markets website: www.nibcmarkets.com.

¹ Please refer to page 6 Employee Participation. Based on our internal register, Holland Pigments BV holds 50.26% of the shares in Holland Colours NV.
² ELNED Holding BV is legally represented by Mr. J.W. de Heer, a Supervisory Board Member of Holland Colours.

SHARE OWNERSHIP

The number of outstanding shares remained constant during the financial year.

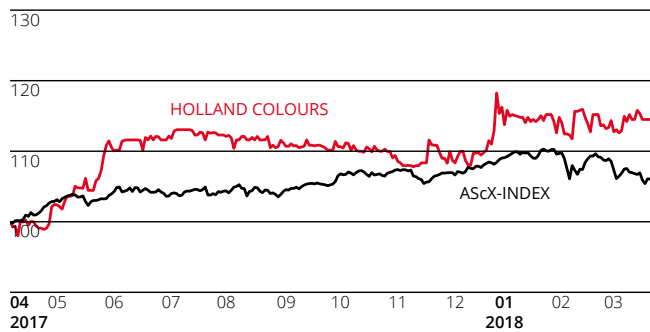
Shares trade on Euronext Amsterdam	425,365
Holland Pigments BV ⁽¹⁾	432,402
Registered shares	2,584
Total	<u>860,351</u>

As at March 31, 2018, the following substantial interests (>3%) were recorded in the registers of the AFM (Netherlands Authority for the Financial Markets) on the basis of the Decree on the Disclosure of Major Holdings and Capital Interests in Issuing Institutions in accordance with the Netherlands Financial Supervision Act. A list of shareholdings in excess of 3% is also available on the AFM website.

Disclosures	%	Date
Holland Pigments BV ¹	50.03	April 2, 2012
ELNED Holding BV ²	5.00	March 4, 2013
Lazard Frères Gestion	6.97	February 13, 2014
Axxion S.A.	5.55	April 5, 2017
IP Concept Luxembourg S.A.	5.44	April 4, 2017
Waag & Zübert Value AG	3.84	August 24, 2016

SHARE PRICE DEVELOPMENT HOLLAND COLOURS VERSUS ASCX

April 1, 2017 = 100



SHARE PRICE DEVELOPMENT HOLLAND COLOURS

In euros



PUBLICATIONS

Holland Colours published the following press releases in the 2017/2018 financial year:

- May 30, 2017 Publication of 2016/2017 financial statements
- July 11, 2017 Resolutions adopted by the General Meeting of Shareholders
- August 21, 2017 Holland Colours starts its search for a successor to its current CEO
- October 26, 2017 Jorrit Klaus appointed as a member of the Supervisory Board in the Extraordinary Meeting of Shareholders
- October 26, 2017 Publication of half-year figures 2017/2018
- February 21, 2018 New CEO Holland Colours

KEY DATA PER SHARE

In euros, unless otherwise stated

	2017/2018	2016/2017	2015/2016	2014/2015	2013/2014
Net result	6.78	6.03	4.23	4.02	4.12
Dividend (proposal 2017/2018)	3.39	3.01	2.15	2.00	2.12
Equity	42.66	41.71	37.26	35.64	30.09
Highest share price	94.20	71.71	52.30	48.50	34.60
Lowest share price	66.25	45.00	39.90	28.20	21.70
Number of shares outstanding	860,351	860,351	860,351	860,351	860,351

KEY DATES

- July 12, 2018 General Meeting of Shareholders
- July 16, 2018 Ex-dividend listing
- July 17, 2018 Dividend record date
- July 20, 2018 Dividend payable
- October 25, 2018 Publication of half-year figures 2018/2019
- June 4, 2019 Publication of 2018/2019 financial statements
- July 16, 2019 General Meeting of Shareholders



COLORING YOUR SUCCESS

REPORT OF THE BOARD OF MANAGEMENT

ACCOUNTABILITY IS VALUED

“Our managers will always support us if we have a justified reason for making a decision. They support decision-making and accountability. We know what to expect from them through years of consistency. We can get answers when needed and discussions about work are always accommodated.”

1987

ESTABLISHED

GILLINGHAM



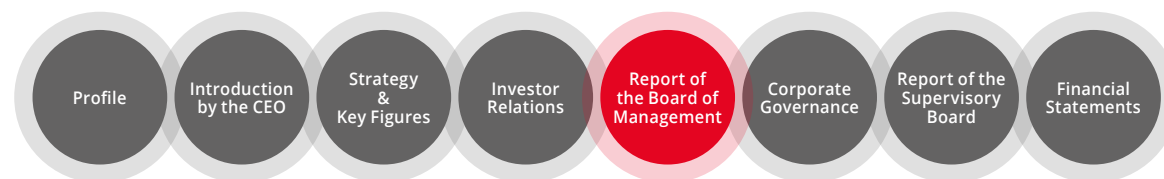


EXECUTIVE MANAGEMENT TEAM

The Board of Management consists of the CEO and the CFO. The Board of Management and the Director Innovation and Technology, the Directors of the Divisions and the Director Global Marketing form the Executive Management Team. In the photograph, from left to right:

• **E.M.S. van Hamersveld** (1969), Director Innovation and Technology • **M.G. Kleinsman** (1963), Chief Financial Officer • **R. Harmzen** (1957), Chief Executive Officer, also Division Director Europe • **G. Provó Kluit-Gonesh** (1973), Director Global Marketing • **J. Bauer** (1960), Division Director Americas.

Please refer to page 93 for an overview of the organizational structure and to www.hollandcolours.com for more information on the members of the Executive Management Team.



FINANCIAL PERFORMANCE

Key figures in EUR million	2017/2018	2016/2017	Change
Revenue	83.5	77.5	8%
Operating result (from continuing operations)	8.2	7.2	14%
Net result (after discontinued operations)	5.9	5.2	13%

Revenue for the year 2017/2018 totaled € 83.5 million, an 8% increase over the prior year despite a negative currency translation impact on the USD of € 2.7 million.

Revenue growth was to a large extent volume-driven, with all regions and market segments contributing. Price increases were effective in offsetting moderate raw material cost increases in the Americas. Price increases were also implemented in Europe but they did not sufficiently compensate in a timely manner for the significant raw material cost increases. The net margin for the group was € 38.3 million for the year, almost equal to the prior year (or up € 1.3 million when measured at the same USD rate). The net margin as % of sales decreased from 49% in 2016/2017 to 46% this year.

Operating expenses of € 30.1 million were € 0.8 million below the prior year. This is mainly attributable to the closure of the China entity, favorable currency translation effects and several long-term vacancies. Operating expenses also included one-time costs relating to the CEO transition. This was partly offset by the release of a grant provided in 2012 by the Dutch government in support of the Holcomer operations in Indonesia as the conditions were fulfilled. The consulting and closing costs for the China entity (in liquidation as of February 15, 2017) of EUR 0.1 million are reported separately under discontinued operations.

The operating result from continuing operations grew to € 8.2 million from € 7.2 million in the prior year. The tax burden was higher versus prior year, partly due to the revaluation of the deferred tax asset in the USA. Please refer to note 9 to the financial statements for a full explanation.

The net result after discontinued operations was € 5.9 million (or € 6.78 per share) versus € 5.2 million in the prior year (€ 6.03 per share).

3rd party revenue breakdown in EUR million	2017/2018	2016/2017	2015/2016	2014/2013	2013/2012
Europe	42.6	38.2	37.1	35.8	35.5
Americas	29.0	28.8	26.8	22.5	21.1
Asia	11.9	10.5	9.8	9.9	9.4
Total 3rd party revenue	83.5	77.5	73.7	68.2	66.0
Realized in focus segments	75.9	69.5	60.1	55.8	53.5
As % of total	91%	90%	82%	82%	81%

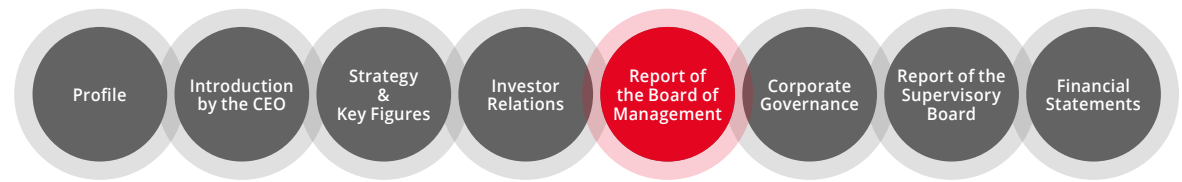
Measured in the functional currencies, the 8% euro revenue growth for the group translates back to increases of 12% for Europe and 7% and 21% respectively for the Americas and Asia, both measured in USD. Europe continues to deliver slightly over 50% of the revenue of the group but lags behind in terms of profitability (please refer to note 5 to the financial statements and the paragraph on Europe below for more details).

The majority of group revenue (91%) is realized in the focus segments. Building & Construction (B&C) is still the largest segment, where 2% overall growth over the prior year was realized. Followed by a strong performance in Packaging, with 20% growth over the prior year, with especially Europe and also Asia contributing. The Coatings, Sealants & Adhesives (CS&A) segment recorded 8% growth, despite a decline in Asia due to the liquidation of our entity in China while the Others segment also booked 10% growth with only the Americas flat in that segment.

DEVELOPMENTS PER DIVISION

Europe

In Europe, the 12% revenue growth to € 42.6 million was to a large extent volume-driven in Packaging and CS&A. Volume growth in B&C was limited while the Others segment was slightly behind the prior year. In addition to the tailwind of a stronger economy, we also gained new business. The margin however suffered from the depreciation of the GBP and the impossibility of increasing sales prices in time to keep up with the many raw material price increases over the year caused by serious shortages in the global markets. This also presented logistical challenges.



The newly implemented Sales & Operational Planning process will continue to be beneficial but was unable to prevent the need to build (strategic) inventories, thus increasing working capital. Operating costs increased due to salary increases and higher depreciation, which, combined with the margin pressure, led to an operating result of € 0.5 million versus € 1.1 million for the prior year.

Americas (narrative is based on USD as the functional currency)

The Americas achieved revenue of USD 33.9 million, 7% up from the prior year, due to a mix of price increases and economy-driven volume growth in B&C, Packaging and also Adhesives. Each region (USA, Canada, Mexico and Latin America) contributed, albeit at different growth percentages. The net margin as % of revenue ended slightly below the prior year, mainly due to an unfavorable change in the geographical mix as the relatively modest raw material price increases were offset by sales price increases. With operating costs in line with prior year, operating result increased to USD 4.5 million versus USD 3.6 million for the prior year.

Asia (narrative is based on USD as the functional currency)

Asia achieved record revenue of USD 13.9 million, 21% up from the prior year despite the closure of the entity in China. The growth was driven by the Packaging segment with additional business gains, followed at some distance by the still smaller B&C business. Net margin as % of revenue was slightly higher than for the prior year due to a favorable product mix. Operating costs benefited from the closure of the Chinese entity. The operating result from continuing operations was USD 2.2 million, versus USD 0.8 million in the prior year.

EFFECTIVE TAX RATE

The effective tax rate of 26.7% was positively impacted by capitalizing start-up losses from prior years in the joint venture in Indonesia. It was negatively impacted by the revaluation of the deferred tax asset in the USA after the reduction of the US corporate tax rate. For a complete breakdown of the various elements that have an impact on the effective tax rate, please refer to note 9 to the financial statements.

CAPITAL EXPENDITURES

Spending on capital projects for the year was € 2.5 million, versus € 3.6 million for the prior year. The Holcoprill capacity extension projects of 2016/2017 were finalized on time and within budget and supported revenue growth in Europe for this year.

The capex spending level for this year was more in line with the average in the past as well as the average depreciation level over the past 5 years of € 2.0 million per year.

CASH FLOW

Net cash flow came in at € 2.2 million negative versus € 0.7 million positive last year. The € 10.1 million cash flow from operations was partly absorbed by € 4.7 million increase in operating working capital, of which € 3.0 is explained by higher inventories. Capital expenditures ended at € 2.5 million.

The dividend as paid over prior year result was € 2.6 million and there were no changes in the funding of the company. The company remains loan free. Holland Colours NV paid a total amount of € 1.8 million corporate income tax.

PROCESS OF FINANCIAL REPORTING

The financial reporting is based on data and formats from the central consolidation system managed by the corporate group controller to ensure systematic ways of working and data accuracy. On a monthly basis, the controllers of the divisions prepare their financial report based on the monthly and YTD results as well as forward looking on revenue and margin. The cost and OWC trends are compared to budget targets and prior year actuals. The reports are discussed in a monthly review call with each divisional management team and result in action plans where needed. The consolidated results and summary comments are subsequently send to the Supervisory Board.

OUTLOOK 2018/2019

We expect to benefit from the strengthening of the global economy.

On the other hand, we also expect raw material shortages to continue with related volatility in prices. Although the impact is hard to predict this will continue to put pressure on our margins, particularly in Europe.

Steps to improve the profitability in Europe therefore remain important.

Holland Colours stays committed to its strategic intent to broaden the technology base via in-house development as well as external options.

Combined with increasing demands on regulatory and food safety compliance, this may result in capital expenditures above the historical average.

*Our pipeline
is continually filled
with new ideas and
customer development
projects.*

DELIVERING CRAFTSMANSHIP

“The way the company treats its employees, and cares about the product, makes Holland Colours unique. We deliver craftsmanship. Everyone has invested in the company. This is more than just a financial thing. Being shareholders, we all have and want to have an influence on the quality of the product and the service we deliver to customers. The company not only invests in individuals, it also invests in their children through the Jan de Heer Scholarship Fund.”

1986
ESTABLISHED

RICHMOND, IN



TURNING SUSTAINABILITY INTO A STRATEGY DRIVER

Our number one commitment is to meet our customers' expectations of product performance. Our role as Caregiver does not end there: we value our environment and human health and safety.

We believe that Corporate Social Responsibility (CSR) is an integral element of a sustainable business model for continuity and success. CSR is aimed at the interests of our internal and external stakeholders and makes Holland Colours a better company to work for, to work with and to live alongside.

Our business know-how and expertise revolve around coloring plastics. Our experts have shown that colored plastic can be reused again and again as long as the (color) base originates from the right materials. We have specialized teams for food safety, food regulations and environmental requirements. Our innovation lab, in Apeldoorn, is keen to select those raw materials for our color concentrates that can be best recycled in the future.

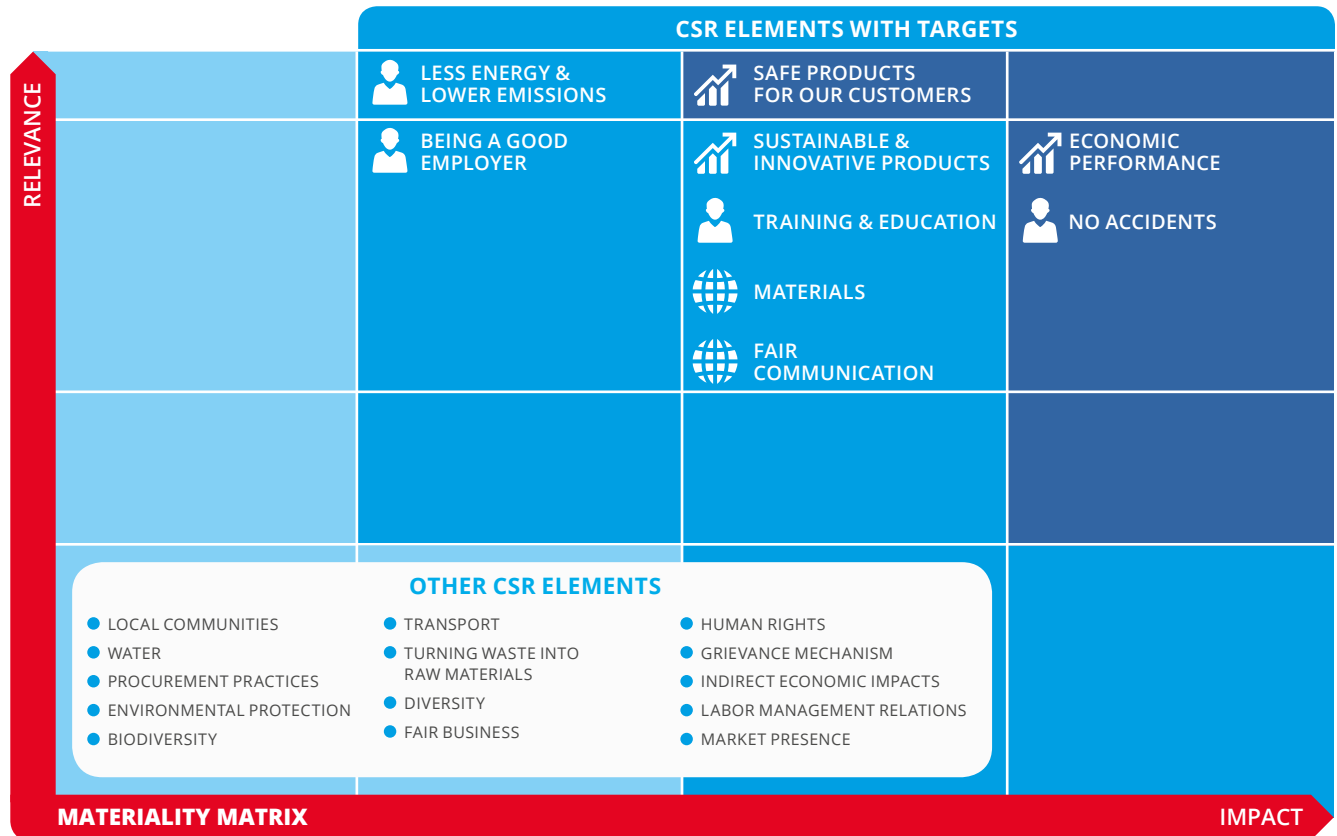
We conducted a materiality assessment in 2017, aimed at balancing the topics that are most important for our stakeholders against the impact those topics have on our current business. The materiality matrix shown here explains the findings that came out of our 2017 materiality assessment.

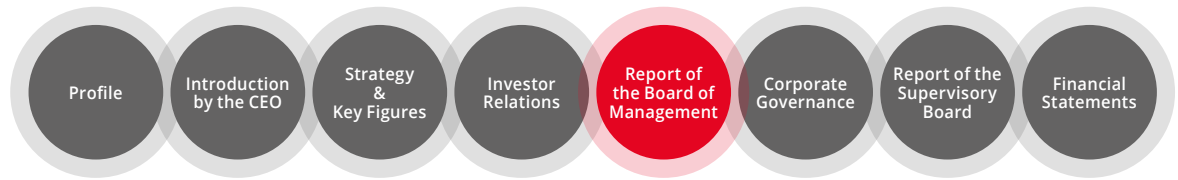
As shown in the matrix, the topics with the highest priority for stakeholders and the greatest estimated impact on our business are 'economic performance', 'safe products for our customers' and 'no accidents'. These topics have our close attention. Other topics are either rated as less relevant for the time being or left out as considerable progress was made on them in the past.

We have followed Global Reporting Initiative (GRI) guidelines for measuring and communicating our sustainability practices and policies for a number of years. You can find the full report on our website.

We assess our actions in all these fields and report in line with GRI guidelines. The most recent report can be found at www.hollandcolours.com.

We have targets in place for most CSR elements. We will achieve these targets by following a clear CSR strategy as part of our wider business and brand strategy.





The actions and pre-cautions we took to improve safety at Holland Colours led to a decline in our (near) accidents to 8 this year. An accident is defined as a Lost Time Injury (2 this year) and a near-accidents relate to situations that need medical aid (not first aid) and/or leads to restricted duty. We are implementing new monitoring tools for the so-called level 1 incidents. They relate to first aid, material damage, fire and smoke and also near misses. In doing so we expect to further increase the awareness and learning on safety to contribute further to our objective of zero accidents.

BEING A GOOD EMPLOYER

Holland Colours employs people in Europe, Asia and the Americas. We recognize that work is not only a source of income, but also a way for people to develop, contribute to society and gain self-esteem, confidence and respect. Our employee benefits and compensation vary from country to country in line with local pay rates, legislation, and culture. However, we are committed to being an all-round good employer.

Ever since we started in business, in 1979, every Holland Colours employee with a permanent contract has participated in our profit-sharing plan. The amounts paid depend on the ROI result of the Group and ROS of the Division in which the employee works. If profit sharing applies, the payout is partly done in shares of Holland Pigments. When an employee passes an important anniversary with the company, we celebrate this by giving him or her additional Holland Pigments shares, in recognition of their hard work and dedication to Holland Colours.

TRAINING AND EDUCATION

We are strong believers in training and education. To win in the markets we serve, we need a skilled workforce that can translate changing market needs and always-unique color requests into outstanding products and services. We secure these skills by hiring at the right levels and by providing training on the job, in combination with third-party education as needed.

Stijn van Asselt, of Holland Colours Apeldoorn, is an excellent example of how we train and educate our people. Stijn joined Holland Colours as production planning officer. He then worked in the logistical department and was promoted to Logistics Manager. But we saw even greater potential in him, so we asked him to head the Customer Service Department as well. After three years he was made Operations Manager Division Europe. "Holland Colours gave me the opportunity to grow," he says. "The company made a real investment in my career, which enabled me not only to move up, but also to build up knowledge and experience in different fields of the operation."

ENERGY AND EMISSIONS

We strive to achieve an annual reduction of 2% in the emission of CO₂ per kilogram of end-product. As our production processes barely produce any greenhouse gasses, our efforts on energy efficiency focus on indirect emissions such as reducing the consumption of natural gas and electricity for temperature control in our offices and production facilities.



PEOPLE

NO ACCIDENTS

We are determined to provide a safe and healthy working environment. Our aim is zero accidents. We therefore create the right conditions for all our employees to give their best each day, and we take every opportunity to learn as much as possible from any accidents or near-accidents that do occur.

Accidents at work	2017/ 2018	2016/ 2017	2015/ 2016
Accidents	2	3	0
Near-accidents	6	10	3
Incidents	52	44	57

CO ₂ in tons	2017/ 2018	2016/ 2017	2015/ 2016
Scope 1 – Direct emissions	922	812	721
Scope 2 – Indirect emissions	5,094	5,004	4,532
Scope 3 – Other emissions	727	863	756
Total	6,743	6,679	6,009

CO ₂ emissions	2017/ 2018	2016/ 2017	2015/ 2016
CO ₂ emissions per kg product	642	698	654

CO₂ emissions increased with the growth in our production volumes. However, CO₂ emissions per kg fell to previous levels after an incidental increase. We introduced energy-efficient lighting and heating systems at our locations, and this is starting to pay off.

TURNING WASTE INTO RAW MATERIALS

Holland Colours strives to keep the impact of our production processes to a minimum. We do this through the responsible use of raw materials and by reusing off-spec material. Our production sites pay a great deal of attention to the reuse and efficient processing of products. Our top-grade colorants tend to be expensive so reusing them not only reduces the environmental impact but also saves money.

Waste in tons	2017/ 2018	2016/ 2017	2015/ 2016
Product waste	360	296	220
Cleaning waste	167	176	156
Packaging waste	341	287	259
Other waste	57	79	73
Total	925	838	707

The higher waste figure for 2017/2018 reflects the increase in production volumes. However, the amount per kg is stable.



PROFIT

ECONOMIC PERFORMANCE

Holland Colours believes Corporate Social Responsibility is a key pillar of our strategic operations, with the interests of people, planet and longer-term financial profit as the basis.

Our story began in 1979 with the founding of Holland Colours. At the time, sustainability and being 'green' were not on most people's minds. Despite this, we introduced a highly concentrated, dust-free product called Holcobatch®. The concept of Holcobatch® differed in several ways from the color pigments that, until then, were the only way to color the PVC pipes used in the Building & Construction industry. Holcobatch® and the other color granules that followed are more advanced than the alternatives. They

feature specific concentrations of pigments and additives, with the key difference that these pigments and additives are encapsulated within a renewable, non-petroleum-based carrier – unlike competitive products, which use a polymer. This is why we can truthfully say that sustainability and economic performance have gone hand in hand at Holland Colours from day one.

SAFE PRODUCTS FOR OUR CUSTOMERS, THEIR CUSTOMERS, AND BEYOND

We aim to be and be seen as a Caregiver in our industry – the people and company that support our customers with better solutions and anticipate and meet their needs. Earning and keeping the trust of our customers is the foundation for this and is what drives us. We give our customers peace of mind by reassuring them that the products they buy are safe for their process workers.

Our production sites have dedicated Product Stewardship people to oversee regulatory compliance for our entire product range. They communicate with customers, suppliers and officials to ensure that the correct declarations are issued in line with the relevant regulations. This includes SDS (Safety Datasheet), RoHS (Restriction of Hazardous Substances), European and FDA (US Food & Drug Administration) compliance with regard to food contact materials and an active approach to understanding and supporting the regulatory challenges our customers face. An example is the understanding and interpretation of Non-Intentionally Added Substances (NIAS) as part of the relevant European Directives for our packaging customers.



- Profile
- Introduction by the CEO
- Strategy & Key Figures
- Investor Relations
- Report of the Board of Management**
- Corporate Governance
- Report of the Supervisory Board
- Financial Statements



PLANET

RAW MATERIALS

In our industry, the choice of raw materials determines the quality of the products manufactured. We actively manage efficient raw-materials use and look for eco-friendly alternatives wherever possible.

	2017/ 2018	2016/ 2017	2015/ 2016
Raw materials in tons			
Carrier materials and additives	2,136	1,683	1,606
Colorants	5,442	4,771	4,445
Other non-renewable materials	1,689	1,333	961
Total renewable raw materials for production	2,876	2,721	2,760
Total	12,143	10,508	9,772

CUSTOMERS DEMAND SUSTAINABLE AND INNOVATIVE PRODUCTS

We bring new products and solutions to the market by focusing on our areas of expertise and by partnering with others in the supply chain. Innovation is an important ingredient for success. Holland Colours is convinced that the environmental impact of our products and services is extremely limited. We do, however, also believe it is vital to design products for use in a circular economy. Holland Colours aims to support this by choosing raw materials that enhance the recyclability of an end product whenever possible. At the same time, as the percentage of colorants in a final product is relatively low, we can only ever have a limited impact.

Holland Colours has been serving the plastics industry for almost 40 years and we hold a strong position in the PET packaging industry. We closely follow initiatives and recycling trends as we acknowledge our responsibility towards future generations. As a colorant producer for plastics, we know we must play our part in reducing the plastic soup. We do this by developing sustainable solutions for the industry. For example, we launched the Natural Collection for the USA – a product line based on natural ingredients – while our EU- and FDA-compliant TintMask products offset the yellow or green tint that adversely affects the appearance of recycled PET. We have a number of further new developments in the pipeline.

New markets often have different needs, needs that require us to offer a greater range of products if we are to serve these potential customers. Our products – made of renewable or bio-based materials – are not always suitable for these new-market applications and customers. This is why we have to compromise by offering common non-renewable alternatives resulting in an increase of other non-renewable materials. Further the increase in raw materials is explained by an increase in production volume and the trend towards smaller batches per order.

HONEST COMMUNICATIONS

Open and honest communication about our products and the added value they provide is key. We help customers when necessary to use our products more efficiently and provide them with detailed documentation. We also make a point of listening to our customers' needs through regular contact and surveys.

Last year we launched a download center on our website. This lets customers and other visitors access product information at any time, and they can also register for our monthly color inspiration guide 'Color Vision'. The center enables us to cut down on paper and review information with our customers by telephone, while answering their questions directly.



EMPLOYEES AS SHAREHOLDERS

“The shares you get as an employee are something unique. The idea that you helped build something and have shares in it creates a lot of energy. And as one moves forward, the shares accumulate. The history of the company says a lot. It’s been there for almost 40 years. It is well known for its innovative character. It keeps on moving forward. We have a strong belief in a bright future for Holland Colours. Employees feel their opinion counts and get to balance their work life and home life.”

1988
ESTABLISHED

TORONTO



RISK MANAGEMENT

The risk appetite of Holland Colours is best reflected in our strategic ambition. Our main focus is to defend our global market share in colorant market segments with products that are close to our original core. In order to maintain a sustainable base for the long-term profitability of our company, we are also looking for growth. We do this in a variety of ways, including the selective extension of our technology base driven by in-house product development and/or third-party partnerships.

Furthermore, as is clear from the strategy, we will continue to foster business opportunities in adjacent product areas and market segments to apply our extensive color know-how in an effective and profitable manner.

Our strategy is well focused, stays close to proven technology and product core while also incorporating new market trends.

Our company culture is an important driver for the successful execution of our strategy. Holland Colours is a partly employee-owned company with short, informal reporting lines and a strong focus on diversity. Our caring culture makes us effective in bridging the needs of the market with our technological and production capabilities on a global scale and based on a holistic approach: in our company, there is no room for 'individualistic' behavior.

Our divisions are responsible, in close cooperation with the central functions, for maintaining an effective risk and control environment as part of day-to-day operations.

The directors and controllers of the operating companies have signed a statement concerning compliance with the guidelines and procedures that form the basis for the financial reporting and the internal audit.

During the 2017/2018 financial year, no significant shortcomings were found in the internal risk management and control systems.

The company regularly evaluates its insurance cover, the premium it pays and the policy excess that applies.

In early 2017, we hosted our most recent integral risk management session with senior managers to re-assess the potential risks to our company's future, culture, strategy and chosen CSR values. We set a 5-year horizon for this process. During 2017/2018, we performed regular reviews with the Executive Management Team on updates and changes for the key risks identified from the session in 2017. On top of that, we paid additional attention to cybersecurity as well as adherence to laws and regulations on data protection.

Cybersecurity threats have become part of day-to-day life, also for Holland Colours. In the past year, we have intensified our focus with help from our 3rd party IT partners. We performed several risk assessments and made adjustments at both the technical and organizational levels.



We are combining this topic with the requirements under the new GDPR act, to be adhered to as of May 2018. A recent readiness audit (performed by BDO for NL, UK and Hungary) did not reveal major issues but did identify opportunities for improvement in the areas of data processing, document retention and the need to update the general know-how of key staff on the new rules. Measures have been identified and will be implemented in time.

The remainder of this paragraph will summarize the risks as identified per key category:

- Strategic
- Compliance
- Financial
- Operational

STRATEGIC

These risks refer to elements or trends that could hinder us in achieving our long-term strategic objective.

Our ability to defend and grow market share in B&C and Packaging depends on our ability to follow changes in market requirements and legislation

Changes in market requirements are ongoing both from an equipment point of view (faster, more standardization) as well as product compliance point of view (recycling, environmental legislation, REACH, FDA, NIAS). The risk is that Holland Colours is (or is perceived as being) too

small to manage these challenges effectively.

This risk is mitigated by the fact that we supplement our product core with third-party complementary technology where needed. This is done in the form of trading products (mainly Asia) and manufacturing alliances (such as our long-term relationship with Gaypa from Italy). In our strategy we also include the option of a technology-driven acquisition or further partnerships.

Overall, our global presence and strong relationships with key players in both the Packaging and B&C industries continue to be the drivers in defining our product portfolio. In order to protect our technology, we apply for patents where feasible.

This risk will continue to have full management attention with a clear focus on developing the right products and technologies. The recent hire of the new Director Innovation and Technology is an important step as well.

Competitive behavior and market consolidation trends expose us to new challenges

We closely track the various dynamics in the competitive landscape. We see, for example, that global players are separating their colorants business or buying compounders or teaming up with others. This presents both challenges and opportunities for smaller players such as Holland Colours that have a global reach serving niche markets from a Caregiver approach. Additionally, apart from North America, we still see only limited concentration trends in our customer base. Nevertheless, there is a trend towards standardization of technology and machinery with convertors in the Packaging industry. The impact of brand owners in this segment is also becoming increasingly prominent. As these trends are of a global nature, we manage this segment of our business on a global basis where it relates to strategy and product development. Lastly, we are experiencing the impact of supplier consolidation, which drives up the cost of





our raw materials. In some cases, we are able to reformulate our products while in other cases (for example, for Tio2) we have to offset the cost increase through higher sales prices.

Our ability to act as a global partner providing local service depends on our business model

This relates to the risk of being a relatively small player with a global reach. As such, Holland Colours could be stretching its resources too thinly while at the same time being unable to reach local markets. We believe

that with the different go-to-market models we are spreading our risk and are well connected to local developments. In the North American region, we work with local sales offices. In Europe and Asia, we have dedicated sales representatives in the various countries, in some cases combined with dedicated distributors. For efficiency reasons, our product supply remains predominantly regional.

From time to time, we evaluate the efficiency of the (elements in the) model and make changes where needed. In the 2016/2017 year, for example, we made the decision to close our wholly-owned China entity and continue with local business partners.

COMPLIANCE

These risks refer to insufficient know-how and measures in place for Holland Colours to properly handle the ever-changing compliance requirements. Compliance is a broad area and we are focused on product and production compliance in our risk assessment processes. In the Packaging segment, we are subject to audits and reviews by our customers who certainly help to keep us well connected and aligned. Please refer to the Corporate Social Responsibility section for information on the measures in place to safeguard a safe working environment for our employees and actions in place to ensure our raw materials are sourced

from respectable companies that adhere to good business practices.

At Holland Colours we take food contact very seriously

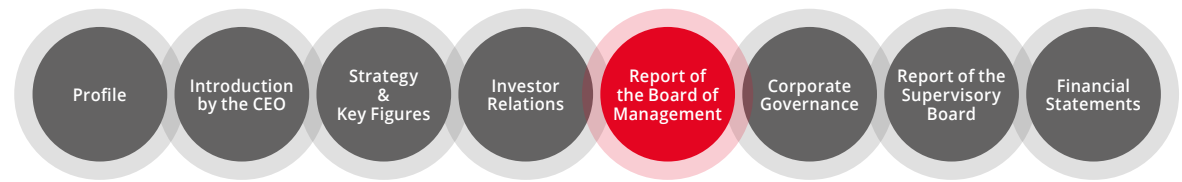
From a preventive perspective, we partner closely with our key customers on the interpretation of new regulations. We gather from industry feedback that

Holland Colours is typically well informed and that we are valued for our active approach to find solutions. This is done by reformulating products and/or changing our internal operations where needed. The latter can also be triggered by customer audits (mainly Packaging). Our manufacturing sites are ISO registered and subject to regular audits (except for our site in Richmond, Indiana, in the USA, which uses a self-imposed audit system).

We also have a structured approach to learning from any incidents that occur. The complaints registration and handling system has been given outstanding scores in many ISO audits for its structure and content. Complaints are discussed immediately by a Quality Assurance team consisting of Sales, Operations, Technical and Quality Management with follow-up on the elimination of root causes. The topic of product compliance and complaints management is on the agenda of the divisional management team meetings while product liability risk is covered in the agreements with customers and suppliers and also insured via third-parties.

FINANCIAL

Holland Colours continuously monitors elements that could jeopardize the financial health of the company. The risks that are part of the normal conduct of our business (such as currency and credit risk) are listed in the Financial Risk Management section of the financial statements.



The financial risks related to the funding of the company are limited. We redeemed the only remaining long-term loan in March 2017. The related fixed-interest swap was paid-off as well.

OPERATIONAL

This refers to risks that originate in our operations which would prevent us from achieving our strategic objectives.

Effective scale-up and launch of new products is seen as a critical success factor at Holland Colours

We have incorporated the scale-up phase as an integral part of projects that relate to new product development. All global projects are reviewed at the Executive Management Team level on a regular basis, as part

of which potential issues, including those relating to the scale-up phase, are flagged and discussed. The preparation for market launch is now carried out under the direct supervision of the Director Global Marketing during the final phase of the product development project. Coordination between the project leader and Director Global Marketing already commences in the phase of test marketing.

Succession planning is an issue that Holland Colours needs to address in a systematic way

It is of key importance, yet not easy for a company of the size and global reach of Holland Colours, to find and successfully on-board new directors. This process has the full attention of both the Board

of Management and the Supervisory Board. We clearly aim to retain long-term employees who know the business and can share the Holland Colours culture with new staff, who, in turn, can introduce new ways of working and new technologies,

preferably with the know-how and patience of effective change agents.

Holland Colours strongly believes that proper project management is a key driver for success

As part of the strategy a project portfolio of global and divisional projects was created, aimed at sales growth and/or operational excellence. The risk of ineffective execution has been mitigated by installing a Project Manage-

ment Office (PMO) combined with formal project management training. The project sponsor typically is a member of the divisional or Executive Management Team and is responsible for the drafting of the project charter and performance/progress review of the project. The PMO drives the production of regular project updates and ensures that bottlenecks are addressed and progress reviews are conducted by the relevant management teams.

CONCLUSION

Risk management is a dynamic process. Risks assessed as minor may change in terms of profile and impact at a later date. New risks that could lead to errors or losses can also not be ruled out. Risk management can therefore not provide absolute assurance or any kind of guarantee with respect to the achievement of the company's objectives.

The Board of Management is of the opinion that:

- The risk management and control systems provide a reasonable degree of assurance that the financial reporting is free from material misstatements.
- The risk management and control systems functioned satisfactorily in terms of financial reporting during the reporting year.

DECLARATION OF THE BOARD OF MANAGEMENT

With reference to Section 5:25c, paragraph 2, under c, of the Financial Supervision Act, the Board of Management confirms that to the best of its knowledge:

- The financial statements give a true and fair view of the assets, the liabilities, the financial position and the result of the company and the group companies included in the consolidation in accordance with the International Financial Reporting Standards as adopted in the European Union (EU-IFRS) and with Title 9, Book 2 of the Dutch Civil Code.
- The annual report gives a true and fair view of the situation as at the balance sheet date, the state of affairs at the company and its affiliated group companies during the financial year that are included in the consolidated financial statements.
- The annual report describes the principal risks that the company faces.

Apeldoorn, May 31, 2018

Board of Management Holland Colours NV

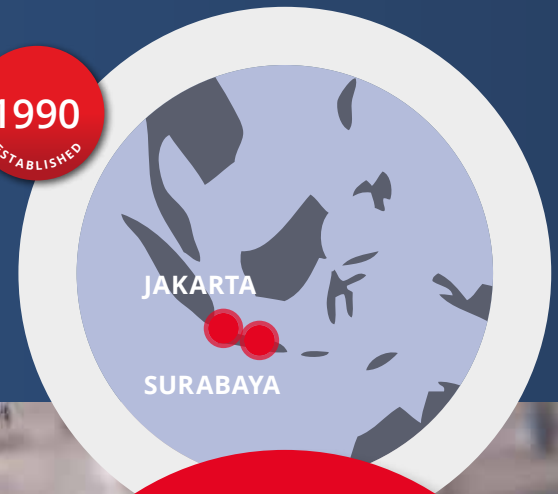
R. Harmsen

M.G. Kleinsman

SENSE OF TOGETHERNESS

"There is a good atmosphere; one of togetherness. Our managers are open-minded and are open to ideas and suggestions from the employees. We all support each other, and we can discuss issues directly amongst ourselves when they need to be solved. In this way, improvements can be introduced easily where needed. The company treats employees as family members, and the fact that employees are shareholders increases the possibility to give input."

1990
ESTABLISHED



"It is nice to work for a global company where different cultures work together. It feels like being part of a big family. The company takes good care of us and pays much more attention to its employees than other employers. For example, Holland Colours has housing programs in place for employees. With all this, the company has a huge positive social impact."



CORPORATE GOVERNANCE



Holland Colours is a publicly listed, limited liability company with common shares listed on Euronext Amsterdam.

The company's management and supervision are organized under Dutch law in a two-tier structure comprising a Board of Management, supported by an Executive Committee, and a Supervisory Board.

Holland Colours promotes responsible behavior in relation to society and the environment, while at the same time taking account of the interests of its various stakeholders: employees, shareholders, other capital providers, customers, and suppliers. The Board of Management and Supervisory Board are ultimately accountable for giving due consideration to the interests of all those involved, focusing on the continuity of the company and long-term value creation for relevant stakeholders, both at present and in the longer term, and are held accountable by the Annual General Meeting of Shareholders for the performance of their duties. The risk management approach and the internal control framework play an important role in this. For a description of these systems, please refer to the section on Risk Management.

CORPORATE GOVERNANCE FRAMEWORK

Our Corporate Governance framework is based on the company's Articles of Association, the requirements of the Dutch Civil Code, the Dutch Corporate Governance Code (the *Code*) and all applicable laws and regulations. The Code was revised in 2016 and applies to financial years starting on or after January 1, 2017. The Code can be found on www.mccg.nl. The revised Code provides for a more thematically oriented code, with greater focus on culture and long-term value creation.

In view of the revised Code, the Board of Management and the Supervisory Board carefully reviewed and discussed the existing rules and regulations. The Code is reflected in the regulations of the Board of Management, the Executive Committee and the Supervisory Board. In addition, the diversity policy and a policy on bilateral contacts with shareholders were updated and the Articles of Association of Holland Colours were aligned with the Code. The updated Articles of Association are to be proposed in the next Annual General Meeting of Shareholders.

In 2013, the management structure was strengthened by installing an Executive Management Team (Executive Committee), in order to achieve alignment with and between the divisions on strategic direction, product development, central policies and procedures, and functional coordination.

The Executive Committee consists of the members of the Board of Management, the Division Directors, the Director Global Marketing and the Director Innovation and Technology. The statutory responsibilities remain unchanged and the Board of Management is held accountable by the Supervisory Board for the definition and execution of the company's strategy as well as the day-to-day operational management. The members of the Board of Management attend the periodic meetings of the Supervisory Board as well as the monthly update calls while the other members of the Executive Committee only attend when topics relevant to their area of responsibility are discussed. The CEO is the chair of the Executive Committee and is the main contact person to the Supervisory Board.

ANNUAL GENERAL MEETING OF SHAREHOLDERS

The Annual General Meeting of Shareholders (AGM) is an integral part of the governance of the company and its system of checks and balances. The AGM reviews the annual report and decides on the adoption of the financial statements, the dividend proposal and the discharge of the members of the Supervisory Board and the Board of Management of their duties performed.

The AGM is convened by public notice. The agenda, notes to the agenda and the procedure for attendance and voting at the meeting are published in advance and posted on the corporate website. Matters proposed for consideration, approval or adoption are dealt with as separate agenda items and explained in writing in advance of the meeting.

These proposals include, where applicable:

- The adoption of the financial statements;
- The dividend proposal;
- The discharge of the members of the Supervisory Board and the Board of Management of their duties performed;
- The appointment and reappointment of members of the Board of Management and the Supervisory Board;
- The remuneration of the members of the Supervisory Board;
- Material changes to the remuneration policy of the Board of Management;
- Other important matters, such as major acquisitions or the sale or demerger of a substantial part of the company, as required by law or Articles of Association;
- The authorization of the Board of Management to issue new shares;
- Amendments to the Articles of Association.



The company provides possibilities for voting by proxy to its shareholders. Holding shares in the company on the registration date determines the right to exercise voting rights and other rights relating to the AGM. All resolutions are made on the basis of the 'one share, one vote' principle. All resolutions are adopted by absolute majority, unless the law or the company's Articles of Association stipulate otherwise.

Holders of common shares in aggregate representing at least 1% of the total issued capital may submit proposals for the AGM agenda. Such proposals must be adequately substantiated and must be submitted in writing, or electronically, to the company at least 60 calendar days in advance of the meeting. The draft minutes of the AGM (in Dutch) are made available on the company's corporate website within three months of the meeting date. The final minutes will be made available on the corporate website within six months after the meeting date.

DIVERSITY POLICY

Holland Colours strongly values diversity and endeavors to reflect this in the composition of its Board of Management, Executive Committee and Supervisory Board. The objective of the Diversity Policy is to enrich the Board of Management's perspective, improve performance, increase member value and enhance the probability of achievement of Holland Colours' goals and objectives. The aim of the policy is to achieve diversity, including nationality, age, gender, education and work background. Diversity will be taken into account in succession planning. The Board of Management consists of a female CFO and a male CEO and reflects a balanced composition of men and women. Further information about the composition of the Board of Management can be found in the report of the Board of Management.

The Executive Committee currently consists of two women and three men.

The company also aims to adhere to this provision with respect to the Supervisory Board, which currently consists of one woman and four men. Further details about the composition of the Supervisory Board and its committees can be found in the report of the Supervisory Board and its profile.

ANTI-TAKEOVER PROVISIONS AND CONTROL

The company has no specific anti-takeover provisions in place. The fact that the company has a majority shareholder, Holland Pigments BV, in which the collective employees have a shareholding of approximately 25%, guarantees that in such a case the voice of the employees is heard.

CODE OF CONDUCT

The Code of Conduct of Holland Colours is a reflection of our core principles on doing business in a fair and ethical way, complying with the local rules and regulations and treating our employees and business partners with respect. It provides guidelines to avoid unfair competition and corruption or bribery. It states the conditions for a safe and healthy work environment. Partly through our HP Officials, as appointed by Holland Pigments BV, we maintain our unique employee participation model and culture. Holland Colours has a global whistleblower policy in place.

CORPORATE GOVERNANCE CODE

The Supervisory Board and the Board of Management endorse the principles of Corporate Governance as established in the principles and best practice provisions that currently apply to internationally operating listed Dutch companies. The full version of the Corporate Governance rules of Holland Colours, along with explanatory notes, can be found on the Holland Colours website: www.hollandcolours.com. Certain provisions in

the Dutch Corporate Governance Code have not been adopted as outlined below.

BOARD OF MANAGEMENT

The Code states that the main elements in the contracts of managing directors of the company must be published without delay after the contract is concluded. As we do not want to single out this type of information, Holland Colours has chosen to continue the practice of publishing this in the annual report. The remuneration policy for the Board of Management for the reporting year was formulated by the Remuneration Committee and is further described in Note 26 to the financial statements. Since Holland Colours does not offer remuneration in the form of options, the provisions governing options do not apply.

SUPERVISORY BOARD MEMBERS

As long as Holland Pigments BV holds an interest of at least one-third of the company's issued capital, it is entitled to nominate one member of the Supervisory Board.

The Supervisory Board has established a Remuneration Committee and an Audit Committee. In deviation from Article 2.3.4, the chairman of the Supervisory Board is also chairman of the Audit Committee, because of his expertise.

The duties of the selection and appointment committee are performed by the full Supervisory Board. The remuneration of the members of the Supervisory Board is determined by the General Meeting of Shareholders.



INTERNAL AUDIT FUNCTION

The internal audit function assesses the design and the operation of the internal controls and risk management tools. Due to the size of the company this function is fulfilled by the Group Controller, in deviation from Article 1.3 of the Code.

The Supervisory Board will evaluate annually if it is necessary to establish an internal audit department and will include the conclusions in the report of the Supervisory Board.

COMPANY SECRETARY

The size of Holland Colours does not justify the allocation of duties to and appointment of a Company Secretary as formulated in the Code.

CONFLICTS OF INTEREST

As Holland Pigments BV is a majority shareholder in Holland Colours, with all employees of Holland Colours having shares in Holland Pigments, transactions between Holland Pigments and the company that are of material significance are subject to approval by the Supervisory Board.

SHAREHOLDER POWERS

For practical reasons and because of the costs involved, the provision stipulating the possibility for shareholders to follow meetings with investors, analysts, presentations and press conferences in real time is not observed. All relevant information is, of course, immediately published on the company's website. There have been no substantial changes to the corporate governance structure. The alignment with the Dutch Corporate Governance Code will be published along with the meeting invites for the Annual General Meeting of Shareholders (AGM). Future substantial changes will be submitted to the AGM.

The General Meeting of Shareholders of July 11, 2017 authorized the Board of Management to acquire shares in the company for a period of 18 months, up to January 11, 2019 subject to the approval of the Supervisory Board. The acquisition price must be between the amount equal to the nominal value of the shares and the amount equal to 110% of the share price, whereby the share price will be: the highest average share price on each of the five trading days prior to the acquisition date in accordance with the Daily Official List of Euronext Amsterdam.

All documents related to the implementation of the Dutch Corporate Governance Code can be found in the Investor Relations paragraph under Corporate Governance on our website. This includes the profile, regulation and schedule of retirement by rotation for the Supervisory Board, regulations of the Audit Committee and the Remuneration Committee, the diversity policy and the policy on bilateral contacts with shareholders, the company's Articles of Association, the whistleblowing procedure, Holland Colours Insider Dealing Policy and the minutes of the General Meeting of Shareholders.

PREVENTION OF INSIDER TRADING

In compliance with the Dutch Financial Supervision Act, Holland Colours has adopted internal regulations relating to investments in the company's shares, share ownership and preventing the abuse of insider information. Moreover, the duty of disclosure and the relevant best practice provisions of the Corporate Governance Code have been incorporated in these internal regulations as far as applicable.

These internal regulations apply to the Supervisory Board, the Board of Management, the Executive Committee and local managers and a circle of employees, as well as to a number of advisors. The Central Officer maintains a register, supervises compliance with the internal regulations, and maintains contact with the Netherlands Authority for the Financial Markets (AFM).

INTERESTS OF SUPERVISORY BOARD MEMBERS AND MEMBERS OF THE EXECUTIVE COMMITTEE

As at March 31, 2018, the Supervisory Board members and the members of the Executive Committee own the following shareholdings, which are held as long-term investments:

	March 31, 2018	March 31, 2017
In Holland Colours NV		
Supervisory Board members	5.00%	5.00%
R. Harmsen*	0.12%	0.12%
M.G. Kleinsman*	0.00%	0.00%
Other members of the Executive Committee	0.00%	0.00%
In Holland Pigments BV		
Supervisory Board members	1.43%	1.43%
R. Harmsen	0.27%	0.18%
M.G. Kleinsman	0.15%	0.10%
Other members of the Executive Committee	0.02%	0.59%

* Board of Management.

GOOD INTERACTION

“Communication runs smoothly. We have internal company meetings, updates about the company are shared and we talk about customers and their applications. People can bring in their ideas, there is an open environment and good interaction with each other.”

1995

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REPORT OF THE SUPERVISORY BOARD



SUPERVISORY BOARD

From left to right: • **J.W. de Heer** (1961), Dutch citizen. Managing Director of Victron UPS (Thailand) Co., Ltd. Member since 2010; current (second) term to 2018. Appointed upon nomination by Holland Pigments BV. Additional positions: Director of ELNED Holding BV and Director of TECNED BV. • **R. Zoomers** (1950), Dutch citizen. Chair, member since 2015; current (first) term to 2019. Additional positions: Chair of Onkenhout Beheer BV Supervisory Board, member of Clean Lease

International BV Supervisory Board. • **A.R. Doornbos** (1979), Dutch citizen. President & Business Unit Director of DSM Functional Materials (Chicago, USA). Member since 2015; current (first) term to 2019. • **M.G.R. Kemper** (1968), Dutch citizen. Director of Advitronics Telecom BV. Member since 2011; current (second) term to 2018. • **J. Klaus** (1969), Dutch citizen. Managing Director of Synres BV. Member since 2017; current (first) term to 2021.

Further information on the background of the members of the Supervisory Board of Holland Colours NV is available at www.hollandcolours.com.



COMPOSITION OF THE SUPERVISORY BOARD

Jorrit Klaus was appointed as a new member of the Board at an extraordinary General Meeting of Shareholders on October 26, 2017. With 20 years of experience in the chemical sector, Jorrit Klaus has broad international and business to business experience as well as technical and general knowledge. He is Managing Director of Synres BV in Hoek van Holland.

Jan Willem de Heer's and Martin Kemper's second term of office will expire in the upcoming General Meeting of Shareholders in July 2018 and they will therefore retire from the Supervisory Board. Over the past years, they both made very valuable contributions to the Supervisory Board and the development of the company. We are grateful for their involvement and strong support over these past years. As stated earlier, it is the intention to bring back the number of seats on the Supervisory Board to four, given the company's size. The Supervisory Board proposes to the General Meeting of Shareholders to appoint Gert-Hein de Heer to the Supervisory Board. He served as CEO of Holland Colours from October 31st, 2000 until June 28th, 2006 and before that he was General Manager of the Division Americas (1995-1999) as well as the Division Europe (1999-2000). He therefore brings relevant experience. The appointment of Gert-Hein de Heer has the backing of Holland Pigments, the majority shareholder in Holland Colours. Following the abovementioned changes, the Supervisory Board will have four members, instead of five as at present.

NEW CHIEF EXECUTIVE OFFICER (CEO) / EXECUTIVE BOARD COMPOSITION

In the press release of August 21, 2017, it was announced that the Supervisory Board would start the search for a successor for the current CEO with a view to the long-term development of the company. This was done in close cooperation with the current CEO, Rob Harmsen, whose final term was due to end in December 2019. We are happy to propose to the General Meeting of Shareholders the appointment of Coen Vinke as new CEO, succeeding Rob Harmsen.

Very important changes were successfully implemented in the organization in the past 7 years, during which Rob Harmsen was CEO. These included the development of the group activities from fairly independent local centers to more coherent group activities which benefit from central expertise and support; product innovations were also successfully launched in the various markets. The group results improved considerably over these years and provide an excellent basis for further growth. We owe considerable gratitude to Rob Harmsen for his many contributions to the company.

In addition to the important change mentioned above, the Supervisory Board proposes to appoint Eelco van Hamersveld as statutory Chief Technology Officer.

The Supervisory Board strongly believes that technological expertise and developments will be key success factors for the further development of Holland Colours in its various markets. We therefore want to ensure that this important role is represented at the highest level of the company. Eelco van Hamersveld joined Holland Colours towards the end of last year, after acquiring many years of experience as technical development manager in leading industrial companies.

Following the above mentioned changes, the Board of Management will be extended from two to three members: Coen Vinke as CEO, Margret Kleinsman as CFO and Eelco van Hamersveld as CTO.

BOARD MEETINGS

The Supervisory Board met five times during the financial year. At its periodic meetings, the Supervisory Board discussed general developments at the company, including both the financial results and other matters such as relevant aspects of Corporate Social Responsibility, the filling of key positions, environmental issues, working conditions and the key risk areas. There were also extensive consultations with the Board of Management and members of the Executive Management Team concerning the company's intended strategic direction. The Supervisory Board also met on several occasions without the Board of Management being present. Furthermore, the Board devoted considerable time to the process of searching for and selecting candidates for the role of new CEO of the company. Between the periodic meetings, the Supervisory Board held frequent conference calls with the Board of Management to discuss the interim results and the progress being made on important projects.

At a special meeting, the Supervisory Board also reflected on the outcome of the employee survey with the research company and key staff.

DEVELOPMENT AND STRATEGY

The company benefitted from the fact that demand for its products in the major markets in which it operates was strong. However, the rapid price increases of important base materials



which could not sufficiently be offset by selling price increases in a timely manner had a negative impact on profitability, especially in Europe.

Achieving a substantially higher revenue level remains a key strategic priority, especially with a view to safeguarding the company's strong ambition to remain independent. This higher revenue level should be attained through the development of new technology and commercial success in selling Holland Colours' products in current and corresponding markets.

Culture is a crucial aspect for a company such as Holland Colours, in which all employees and founders together hold a majority of the share capital. The company needs to be an attractive employer for new talents in order to stimulate the development of new products and services. These ambitions are important and challenging tasks for the senior management.

RISK MANAGEMENT

The financial, operational, compliance and strategic risks were reassessed by the management and discussed with the Supervisory Board during the financial year. Particular attention was paid in these discussions to the technological position of the products in the major markets and the exposure to major accounts and customers. Please refer to the Risk Management paragraph in the report of the Board of Management for the complete overview, including risk-mitigating actions.

In view of the size of Holland Colours and following an assessment of the company's Internal Control Framework that sets out clear roles and responsibilities for the controllers for self-assessments and peer reviews, the Audit Committee has concluded that the appointment of an internal auditor is not necessary.

The Audit Committee discussed the Management Letter with the independent auditor. In this letter, which is prepared on an annual basis, the independent auditor reports his findings on the company's administrative organization and internal controls with regard to the financial reporting. There were no items in this Management Letter that were qualified as high risk by the independent auditor. A few areas of improvement were identified, which were discussed with the Audit Committee and reported to the Board of Management and are in the process of being adjusted accordingly.

PERFORMANCE EVALUATION

The Supervisory Board met after the first six months of the past financial year to evaluate its own performance and the manner in which meetings were conducted. The open exchange of ideas and experiences during this discussion demonstrated the constructive nature of the Supervisory Board meetings.

ALLOCATION OF DUTIES

The allocation of duties within the Supervisory Board and its procedures are laid down in the Regulations for the Supervisory Board. The profile required for Supervisory Board members and a schedule of retirement have also been drawn up. These documents are available on the Holland Colours website. Provision 2.1.5 of the Dutch Corporate Governance Code stipulates to draw up a diversity policy. Diversity will again be taken into consideration for future appointments, although quality will remain the most important criterion. In accordance with provision 2.1.7 of the Dutch Corporate Governance Code, all members of the Supervisory Board are independent of the company, with the exception of Jan Willem de Heer. He is the

board member proposed by Holland Pigments BV and is a director of ELNED Holding BV, which also has a direct shareholding in Holland Colours.

The Supervisory Board discussed and accepted the appointment of Mrs. Kleinsman as member of the Supervisory Board of Avantium NV in May 2017.

Both the Audit Committee and the Remuneration Committee held various meetings during the past financial year and thus constructively supported the fulfillment of the responsibilities of the Supervisory Board. The remuneration of the Board of Management consists of a fixed and a variable component. The variable component consists of a bonus scheme that is linked to financial and non-financial targets. The bonus is capped at twice the monthly salary for the Chief Financial Officer and three times the monthly salary for the Chief Executive Officer subject to achievement of the agreed targets. In addition to this bonus, the members of the Board of Management are entitled to a profit share scheme that applies to all the group's employees and is linked to the return on investment of Holland Colours NV and the net operating result of the division of the employee concerned.

The payment under the profit share scheme is capped at one and a half times the monthly salary. Variable remuneration was awarded to the Board of Management for the past financial year.

The details of the remuneration of the Executive Management Team and the Supervisory Board are stated in Note 26 Related Parties to the financial statements.

EXTERNAL INDEPENDENT AUDITOR

PricewaterhouseCoopers Accountants NV was appointed as the company's external independent auditor for another term of three years at the General Meeting of Shareholders held in 2017. The Supervisory Board is of the opinion that the independent auditor is able to arrive at independent audit opinions and has given sufficient account of this. To ensure independence, the Supervisory Board will remain alert with respect to engagements of the independent auditor for non-audit related services.

ANNUAL REPORT AND DIVIDEND PROPOSAL

The company's annual report, as presented, contains the financial statements for the 2017/2018 financial year. The financial statements were audited by PricewaterhouseCoopers Accountants NV and an unqualified independent auditor's report was issued on them, which is included on page 85 of this report. The Supervisory Board discussed and approved the annual report, the financial statements and the independent auditor's report at its meeting of May 31, 2018 in the presence of the Board of Management and the external independent auditor.

Based on this discussion, we are of the opinion that the annual report and the financial statements both meet the requirements of transparency and form a sound basis for the Supervisory Board's duty to render account of its supervisory activities.

We submit the financial statements to the General Meeting of Shareholders and recommend that they be adopted in their present form. We further request approval of the proposed dividend distribution of € 3.39 per share. We moreover recommend

to the shareholders to approve of and grant discharge to the Board of Management for the fulfillment of its tasks and to the Supervisory Board for its oversight role.

The members of the Supervisory Board have signed the financial statements and have accordingly discharged their statutory obligation pursuant to Section 2:101 paragraph 2 of the Dutch Civil Code.

A WORD OF THANKS

We believe that the fact that all employees of Holland Colours are shareholders through their shares in Holland Pigments BV provides for very strong commitment and long-term loyalty and is consequently a very sound basis for the longer-term development of the company.

But over and above this special involvement of all employees with the company, we strongly feel that at all levels there is a very high degree of loyalty and a great willingness to contribute to the success of the company.

We want to thank all employees of Holland Colours for their efforts and performance, which have resulted in a further increase in the company's results. We wish the Board of Management and the employees every success in achieving the ambitious plans and objectives for the coming financial year.

Apeldoorn, May 31, 2018

The Supervisory Board

R. Zoomers, Chairman
 J.W. de Heer, Vice-Chairman
 A.R. Doornbos
 M.G.R. Kemper
 J. Klaus



OPPORTUNITY TO EXCEL

“The culture at Holland Colours is open, structured and pleasant, offering many opportunities to excel and to serve our internal and external customers in the best way we can. We need to ensure that every newcomer understands and shares these values. There is a high level of respect throughout the organization. The open-door policy makes it easy for us to interact with our management.”

1979

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FINANCIAL STATEMENTS

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INCOME STATEMENT



FOR THE FINANCIAL YEAR ENDED MARCH 31, 2018

In thousands of euros

Note

April 1, 2017/March 31, 2018

April 1, 2016/March 31, 2017

Revenue			83,513		77,485
Direct Selling Cost and Raw Materials			(45,385)		(39,437)
Changes in Finished Product			189		38
Net Margin			38,317		38,086
Personnel Expenses	6	(17,975)		(17,700)	
Amortization and Impairments	11	(177)		(125)	
Depreciation and Impairments	12	(1,785)		(1,777)	
Other Operating Expenses	7	(10,156)		(11,251)	
Total Operating Expenses			(30,093)		(30,853)
Operating Result			8,224		7,234
Finance Income	8	20		47	
Finance Expense	8	(69)		(190)	
Finance Income and Expense			(49)		(143)
Result Before Income Tax			8,175		7,091
Income Tax	9		(2,182)		(1,699)
Net Result from continuing operations			5,993		5,392
Discontinued operations	10		(121)		(212)
Net Result after discontinued operations			5,872		5,180
Attributable to:					
• Shareholders of the Company			5,836		5,190
• Non-controlling Interest	20		36		(10)
			5,872		5,180
Earnings Per Share in euros					
Average Number of Shares Issued	19		860,351		860,351
Earnings per Share			6.78		6.03

Notes 1 to 27 are an integral part of these consolidated financial statements.

STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED MARCH 31, 2018

In thousands of euros	Note	April 1, 2017/March 31, 2018	April 1, 2016/March 31, 2017
Net Result		5,872	5,180
Items that will not be reclassified to the Income Statement			
Actuarial results on Employee Benefits, after Tax	22	(60)	(36)
Other comprehensive income that could in future be classified to the income statement			
Foreign Currency Translation Differences	18	(2,426)	467
Change in Cash Flow Hedge, after Tax	18	-	63
Other Comprehensive Income and Expenses		(2,486)	494
Total Comprehensive Income after Expenses		3,386	5,674
Attributable to:			
• Shareholders of the Company		3,350	5,684
• Non-controlling Interest		36	(10)
		3,386	5,674

Notes 1 to 27 are an integral part of these consolidated financial statements.

BALANCE SHEET

FOR THE FINANCIAL YEAR ENDED MARCH 31, 2018



In thousands of euros	Note	April 1, 2017/ March 31, 2018	April 1, 2016/ March 31, 2017
Non-Current Assets			
Intangible Assets	11	473	437
Property, Plant and Equipment	12	16,485	16,705
Deferred Tax Assets	13	1,921	2,173
		18,879	19,315
Current Assets			
Inventory	14	11,786	8,695
Trade and Other Receivables	15	14,104	13,624
Income Tax Receivables		97	258
Cash and Cash Equivalents	16	5,338	7,515
		31,326	30,091
Total Assets		50,205	49,406

In thousands of euros	Note	April 1, 2017/ March 31, 2018	April 1, 2016/ March 31, 2017
Equity			
Share Capital	17	1,953	1,953
Share Premium Reserve	17	1,219	1,219
Other Reserves	18	(1,585)	854
Retained Earnings		35,048	31,849
Equity Attributable to Shareholders of the Company		36,635	35,875
Non-Controlling Interest	20	84	7
Total Equity		36,719	35,882
Non-Current Liabilities			
Employee Benefit Obligations	22	1,224	1,264
		1,224	1,264
Current Liabilities			
Trade and Other Liabilities	24	11,779	11,874
Income Tax Liabilities		399	186
Employee Benefit Obligations	22	84	200
		12,262	12,260
Total Equity and Liabilities		50,205	49,406

Notes 1 to 27 are an integral part of these consolidated financial statements.

STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED MARCH 31, 2018

In thousands of euros

Equity attributable to Shareholders of the Company

	Share Capital	Share Premium Reserve	Foreign Currency Translation Reserve	Hedge Reserve	Legal Reserve for Intangible Assets	Retained Earnings	Total	Non-Controlling Interest	Total Equity
As at March 31, 2016	1,953	1,219	345	(416)	351	28,589	32,041	16	32,057
Net Result for the 2016/2017 Financial Year	-	-	-	-	-	5,190	5,190	(10)	5,180
Other Comprehensive Income	-	-	467	63	-	(36)	494	-	494
Total Comprehensive Income	-	-	467	63	-	5,154	5,684	(10)	5,674
Transfer of Reserve for Intangible Assets	-	-	-	-	44	(44)	-	-	-
Dividends for 2015/2016	-	-	-	-	-	(1,850)	(1,850)	-	(1,850)
As at March 31, 2017	1,953	1,219	812	(353)	395	31,849	35,875	6	35,881
Net Result for the 2017/2018 Financial Year	-	-	-	-	-	5,836	5,836	36	5,872
Other Comprehensive Income	-	-	(2,426)	-	-	(60)	(2,486)	-	(2,486)
Total Comprehensive Income	-	-	(2,426)	-	-	5,776	3,350	36	3,386
Transfer of Reserve for Intangible Assets	-	-	-	-	(13)	13	-	-	-
Change of Capital	-	-	-	-	-	-	-	42	42
Dividends for 2016/2017	-	-	-	-	-	(2,590)	(2,590)	-	(2,590)
As at March 31, 2018	1,953	1,219	(1,614)	(353)	382	35,048	36,635	84	36,719

Notes 1 to 27 are an integral part of these consolidated financial statements.

CASH FLOW STATEMENT

FOR THE FINANCIAL YEAR ENDED MARCH 31, 2018



In thousands of euros	Note	April 1, 2017/ March 31, 2018	April 1, 2016/ March 31, 2017	In thousands of euros	Note	April 1, 2017/ March 31, 2018	April 1, 2016/ March 31, 2017
Operating Result		8,224	7,234	Proceeds from Asset Disposals	12	-	1
Adjustments for:				Capital Expenditures in Intangible Assets	11	(187)	(184)
• Amortization of Intangible Assets and Impairments	11	177	125	Capital Expenditures in Property, Plant and Equipment	12	(2,274)	(3,389)
• Depreciation of Property, Plant and Equipment and Impairments	12	1,785	1,791	Cash flow from Investment Activities		(2,461)	(3,572)
• Changes in Provisions	22	(92)	(32)	Dividend Paid		(2,590)	(1,850)
• Exchange-rate Differences		3	(113)	Repayment of Long-term Finance	21	-	(1,125)
		10,097	9,005	Settlement of Derivatives		-	(48)
Changes in Working Capital		(4,672)	273	Cash Flow from Financing Activities		(2,590)	(3,023)
Income Tax Paid		(1,808)	(1,732)	Exchange-rate and Translation Differences on Cash and Cash Equivalents		(443)	144
Interest Received and Paid		(49)	(101)	Net Cash Flow		(2,177)	725
Cash Flow from Operating Activities from continuing operations		3,568	7,445	Cash and Cash Equivalents as at April 1		7,515	6,791
Cash Flow from Operating Activities from discontinued operations	10	(251)	(269)	Cash and Cash Equivalents as at March 31	16	5,338	7,515
Cash Flow from Operating Activities		3,317	7,176	Net Cash Flow		(2,177)	724

Notes 1 to 27 are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS



IN THOUSANDS OF EUROS, UNLESS STATED OTHERWISE

1. GENERAL INFORMATION

Holland Colours NV (‘the Company’) is a listed limited liability Company (‘Naamloze Vennootschap’) under Dutch law with its registered office in Apeldoorn, the Netherlands.

The Company and its subsidiaries (‘the Group’), manufacture, distribute, and sell color concentrates. As of balance sheet date, the Holland Colours Group operates through eight of its own facilities and a network of agents and distributors.

Shares of the Company are listed on the Euronext stock exchange in Amsterdam.

Since April 2, 2012 just over 50% of the shares in Holland Colours NV are held by the Dutch based investment company Holland Pigments BV, in which among others all employees of Holland Colours participate. The current and retired employees collectively hold approximately 25% of the shares in Holland Pigments BV. Participations in Holland Pigments by former directors (also being major shareholders in Holland Pigments) are excluded from this number. The Group’s financial year commences on April 1 and closes on March 31 of the following year.

The consolidated IFRS financial statements of the Company comprise the financial statements of the Company and its subsidiaries.

The 2017/2018 consolidated financial statements were discussed in the Supervisory Board meeting on May 31, 2018, and released for publication on the same day. The financial statements will be presented for approval to the General Meeting of Shareholders on July 12, 2018.

The Company financial statements form part of the 2017/2018 financial statements of the Company.

2. SUMMARY OF ACCOUNTING PRINCIPLES

GENERAL

The consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and with Title 9 Book 2 of the Dutch Civil Code.

The consolidated financial statements are presented in thousands of euros, rounded to the nearest thousand, unless stated otherwise.

The consolidated financial statements are prepared on the basis of historical cost, except for derivative financial instruments, which are stated at their fair value.

The accounting policies as detailed below are applied consistently for all periods presented in these consolidated financial statements.

The Group also applies IFRS 8 Operating Segments. The segmentation relates to the Group’s management and internal reporting structure.

No new standards became effective or were adopted by the Group for the first time in the 2017/2018 financial year. The changes in the IFRS standards shown in the table on page 55 are effective for Holland Colours from April 1, 2018. These changes do not have a material effect on the Total Equity attributable to shareholders or profit of the Group.



IFRS	Topic	Effective date
IFRS 9	Financial Instruments	January 1, 2018
IFRS 15	Revenue from Contracts with Customers	January 1, 2018

In addition, the Group has not applied the following new and revised IFRSs that have been issued but are not yet effective:

IFRS	Topic	Effective date
IFRS 16	Leases	January 1, 2019

IFRS 9 replaces the existing guidance in IAS 39 Financial Instruments on the topic Recognition and Measurement. IFRS 9 gives new guidance on:

- Classification and measurement of financial instruments;
- Recognition and measurement of impairment losses on financial assets;
- General hedge accounting requirements.

IFRS 9 applies to annual reporting periods beginning on or after January 1, 2018, but early application is permitted. An assessment done by the Group shows that there is a limited impact on the consolidated financial statements of the Group. The Group will adopt the standards for the financial year beginning as of April 1, 2018.

IFRS 15 replaces several standards related to revenue, such as IAS 11 and IAS 18. The new standard does not differentiate between different types of contracts and services, but introduces uniform criteria for the timing to recognize the revenue. The new model of revenue recognition separates the performance obligations (if applicable) out of the regular sales contract. It determines the transaction price and allocates the transaction price and timing of the performance obligations.

As such, revenues are recognized for each performance obligation as soon the good or service has been delivered and the customer accepts control over it.

IFRS 15 applies to annual reporting period beginning on or after January 1, 2018, but earlier adoption is permitted. An assessment performed by the Group shows that there is no impact on the consolidated financial statements of the Group. The Group will adopt the standards for the financial year beginning as of April 1, 2018.

IFRS 16 replaces the current accounting standards regarding leases and demands an on-balance sheet accounting model for operational leases and rental contracts, as already in place with the current financial lease accounting. As a result the Group will recognize the rights to use as an asset and the related lease liability as an obligation. As the assets will be linearly depreciated while the obligation will decrease based upon the annuities of the lease obligation, there is a timing mismatch which could impact the net result. The new standard is expected to have a limited impact on the consolidated financial statements of the Group.

The standard applies on the annual reporting periods beginning on or after January 1, 2019. The Group will adopt the standard per April 1, 2019. Transition options to apply are either a full retrospective approach or a modified retrospective approach. The Group did not make the decision yet. The impact on the consolidated financial statements of the Group is to be analyzed in the current year.

Finally, the Group has not applied the following relevant new and revised IFRSs that have been issued and are effective as of January 1, 2018.

IFRS	Topic	Effective date
Amendments to IFRS 2	Share-based Payment	January 1, 2018
Amendments to IAS28	Measuring an associate or joint venture at fair value	January 1, 2018
IFRIC 22	Foreign Currency Transactions	January 1, 2018

These changes are not expected to have a material effect on the Total Equity attributable to shareholders of profit of the Group.

Significant Estimates

In the preparation of the consolidated financial statements, the Board of Management applied estimates and assumptions to several areas that could have an impact on the amounts included in the consolidated financial statements. Changes in estimates and assumptions may affect the amounts to be reported in subsequent years, and actual outcomes may differ from the estimates made. Revisions of estimates are included in the period in which the estimates are revised and in the



future periods they might affect. The most important estimates are stated under the relevant policies, and mainly relate to the items Deferred Tax Assets based on the carry-forward of tax losses, impairment analyses of Property, Plant and Equipment, valuation of Inventories and Employee Provisions.

Consolidation Principles

The Company's consolidated financial statements for the 2017/2018 financial year include the financial data of the Company and all of the subsidiaries in which the Company directly or indirectly has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to control those returns through its power to direct the activities of the entity. Subsidiary companies are consolidated from date of acquisition, which is the date on which actual control of the acquired entity is obtained; consolidation continues until the date on which actual control ceases to exist.

The consolidated financial statements include the financial data of the following companies:

Legal structure including capital interest and division structure

Division	Subsidiaries	Interest
Europe	Holland Colours Europe BV, the Netherlands	100%
Europe	Holland Colours UK Ltd, United Kingdom	100%
Europe	Holland Colours Hungária Kft, Hungary	100%
Americas	Holland Colours Canada Inc., Canada	100%
Americas	Holland Colours Americas Inc., United States	100%
Americas	Holland Colours Mexicana SA de CV, Mexico	100%
Asia	PT Holland Colours Asia, Indonesia*	99%
Asia	Holland Colours China Ltd, China**	100%
Asia	PT Holco Indo Jaya, Indonesia***	88%

There were no significant changes to the consolidation Group from the 2016/2017 financial year.

Holland Colours NV and PT Holland Colours Asia jointly own 88% of the shares in PT Holco Indo Jaya while Italy-based Gaypa Srl holds the remaining 12% (down from 15% in 2016/2017) The results of PT Holco Indo Jaya are consolidated on an integral basis in the figures for the Group. The non-controlling interest is recognized separately in the results and equity of the Group.

The subsidiary Holland Colours Europe BV makes use of the exemption to file financial statements under Section 403 of the Dutch Civil Code. The subsidiary Holland Colours UK Ltd makes use of the exemption regarding the mandatory audit of financial statements under Section 479A of the Companies Act 2006.

In the consolidated financial statements, all intercompany receivables, payables and deliveries are fully eliminated as well as the related and not yet realized results. Unrealized losses are eliminated in the same way as unrealized profits, unless there is an indication of impairment.

FOREIGN CURRENCY

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated financial statements are presented in euros, the Company's functional and presentation currency.

Transactions in foreign currency are translated to the functional currency at the rate of exchange on the transaction date. All monetary assets and liabilities expressed in foreign currency are converted to the functional currency at the exchange rate that applies at balance sheet date. Foreign exchange differences arising from conversion and settlement are recognized in the Income Statement .

Assets and liabilities of Group companies with a functional currency other than the euro are converted at the exchange rate that applies at balance sheet date. The Income Statement

* Regarding the subsidiary in PT Holland Colours Asia in Indonesia, Holland Pigments BV holds 1% of the legal ownership. Economic ownership resides with Holland Colours NV.

** Holland Colours China Ltd in China is in liquidation as of February 15, 2017.

*** Regarding the subsidiary in PT Holco Indo Jaya in Indonesia, PT Holland Colours Asia holds 36% of the legal and economic ownership and Holland Colours NV holds 52% of the legal and economic ownership.



for these Group companies are converted at the average exchange rate during the financial year. The resulting differences are recognized in unrealized results and the foreign currency translation reserve. On sale or termination of an operation outside the Eurozone, the amount concerned is transferred from Equity to the Income Statement as part of the gain or loss on sale or termination.

The rates of the main currencies against the euro are as follows:

Exchange rates used

in EUR	At close		Average	
	March 31, 2018	March 31, 2017	2017/2018	2016/2017
US dollar	1.23	1.09	1.17	1.10
British pound	0.87	0.86	0.88	0.84
Canadian dollar	1.59	1.43	1.50	1.44
Chinese yuan	7.74	7.37	7.75	7.37
Mexican peso	22.5	19.9	21.66	21.1

Derivative Financial Instruments

Holland Colours uses Derivative Financial Instruments (derivatives), such as currency future contracts and interest rate swaps, to limit currency and interest rate risks arising from operating, financing and investing activities. Derivative Financial Instruments are not used for trading purposes. If these Derivative Financial Instruments do not meet the requirements for hedge accounting, the profits and losses on these instruments are included in the Income Statement under Other Operating Expenses. Such Derivative Financial Instruments are initially accounted for using the fair value on the date the contract is entered into, after which the fair value is re-evaluated. Derivatives are entered as an asset if the fair value is positive and as a liability if it is negative.

REVENUE RECOGNITION

Revenue comprises the fair value of the consideration or receivable for the sale of goods in the ordinary course of business. Revenue includes the proceeds of goods supplied, excluding VAT and net of price discounts and bonuses. Revenue is recognized when the goods have been delivered in the sense that risk and ownership for the goods did change effectively from Holland Colours to the customer.

Grants

Government grants to compensate for expenses incurred by the Group are systematically recognized as income in the Income Statement, if it is reasonably certain that the grant will be received and that all the conditions attached to the grant will be met.

Grants to compensate the Group for the purchase of an asset are included in the Income Statement during the useful life of the asset. If the grant relates to a (future) expense item, it is recognized as income and allocated over the same period to which the cost is spent.

Lease Payments

Operational leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operational leases. Payments made under operating leases are charged to the Income Statement on a straight-line basis over the period of the lease.

Financial leases

Leases of Property, Plant and Equipment, where the Group has assumed virtually all the risks and rewards associated with the ownership of an asset, are classified as financial leases. Financial leases are capitalized at the commencement of the lease at the fair value of the leased assets, or at the cash value

of the minimum lease payments if lower. Each lease payment is split into repayments and financing expenses so as to achieve a constant interest rate on the balance of the liability outstanding. The corresponding lease obligations, net of finance costs, are included under Non-current Liabilities. The interest element of the lease costs is charged to the Income Statement under Finance Expenses over the lease period.

Finance Income and Expense

Finance Income and Expense include the income and expenses on lent and borrowed funds and interest charges on financial lease payments. Finance Income and Expense is recognized in the Income Statement under Finance Income and Expense if no hedge accounting is applied. Profit or loss from Derivative Financial Instruments for which hedge accounting is applied is brought from Equity to net finance cost upon expiration and in relation with the hedged item.

Taxation

Income Tax Expenses represent the sum of the current tax payable and changes in the deferred tax positions.

The tax amount is calculated on the basis of the tax rates and tax legislation as applicable on the reporting date in the countries in which the Group operates and generates income subject to taxation. Current income tax relating to items recognized directly in Equity is recognized in Equity and not in the Income Statement. The Board of Management assesses the positions taken in the tax returns for those situations where the applicable tax regulations can be interpreted in different ways. Provisions are formed where deemed necessary.

Current tax receivables and liabilities for the current period are measured at the amount expected to be reclaimed from or paid to the tax authorities.



Earnings per Share

Earnings per ordinary share are calculated as the Net Result attributable to holders of ordinary shares divided by the weighted average number of outstanding shares in the period concerned.

PRINCIPLES FOR THE VALUATION OF ASSETS AND LIABILITIES

General

The valuation principles are principally based on valuation of the assets and liabilities at historical cost, with the exception of (derivative) financial instruments.

Offsetting Financial Instruments

Financial Assets and Liabilities are offset in the consolidated balance sheet only in situations of an actual legally enforceable right to offset the amounts recognized and only if it is the intention to settle these amounts on a net basis or simultaneously.

Intangible Assets

Costs of Development Activities are capitalized if the product or process is technically and commercially feasible and the Group has sufficient resources to complete its development and it is expected that future gains will be generated. The capitalized expenses comprise of direct labor cost and a surcharge for overhead costs, to the extent that these are attributable to the project. All other research and development costs are stated as an expense in the Income Statement at the time that they are incurred.

Capitalized Development Costs are valued at cost, less accumulated amortization and impairments, if applicable. Amortization costs are charged to the Income Statement over their estimated useful life, which is five years.

Intangible Assets are assessed for impairment if there are indications that an intangible asset might be subject to a loss in value. The amortization period and method for an intangible asset with a measurable useful life is assessed, at the very least, at the end of each financial year. Changes in the expected useful life of an asset or in its expected pattern of future economic benefits are accounted for by changing the amortization period or method and are treated as changes in accounting estimates.

Other Intangible Assets

The Other Intangible Assets consist of the costs of computer software and licenses, as well as the external costs related to their implementation and commissioning. Other Intangible Assets are measured at historical cost; that is, the acquisition price or production cost less cumulative amortization and any applicable impairments. Amortization is applied in the Income Statement on a straight-line basis over the estimated useful life, which is between three and five years.

Property, Plant and Equipment

Property, Plant and Equipment are stated at cost less accumulated depreciation based on the estimated useful life of the assets concerned and impairment losses. The costs of assets produced in-house comprise material costs, direct labor cost and an appropriate portion of the directly attributable overhead costs. Finance costs are added to the costs of Property, Plant and Equipment if these meet the conditions for recognition in the balance sheet. If significant parts of Property, Plant and Equipment must be replaced at regular intervals, the Group recognizes these as separate assets with their own useful life and depreciation method. All other repair and maintenance costs are recognized in the Income Statement at the time they occur.

Property, Plant and Equipment are assessed for impairment if there are indications that an item may have suffered a loss in value. The depreciation period and method for Property, Plant and Equipment with a measurable useful life is assessed, at the very least, at the end of each financial year. Changes in the expected useful life of an asset or in its expected pattern of future economic benefits are accounted for by either adjusting the depreciation period or method. These are treated as changes in accounting estimate.

Financial Non-current Assets

Loans and receivables for which the maturity date is more than 12 months after the balance sheet date are presented as financial non-current assets and on initial recognition are measured at fair value less directly attributable transaction costs. After initial recognition, interest-bearing loans are valued at amortized cost using the effective interest rate method, less any impairment. Gains or losses arising from changes in the amortized cost are accounted for in the Income Statement under Finance Expense.

Leased Assets

Lease agreements in which the Group assumes all risks and benefits of ownership are classified as financial leases. Property, Plant and Equipment acquired by means of financial leases is measured at fair value or the cash value of the minimum lease payments at the inception of the lease, whichever is lower, less accumulated depreciation and, when applicable, impairments. Lease payments are stated as described under determination of the result.

Depreciation

Depreciation is charged to the Income Statement according to the straight-line method on the basis of the estimated useful life of each component of items of Property, Plant and



Equipment. Depreciation is not applied to land. The estimated useful life is as follows:

Buildings	25–40 years
Fixtures and Installations in Buildings	10 years
Plant and Equipment	10 years
Other Non-current Assets	3–5 years

The remaining useful life, residual value and depreciation method are assessed on an annual basis.

Impairment of Non-current Assets

An asset is impaired if its realizable value is less than its carrying amount. Non-current assets are assessed on an annual basis for indications of impairment. If there are such indications, the realizable value of the asset concerned is estimated based on either the directly realizable value or the value in use to the Company. An impairment loss is reversed if there is a change to the estimates used. The reversal is done to the extent that the carrying amount of the asset does not exceed the carrying amount that would have been the case if no impairment had been recognized so after deduction of then applicable depreciation.

Deferred Income Tax

A receivable is recognized or a provision is formed for deferred tax positions using the balance sheet method for temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the carrying amount of these items for tax purposes.

The carrying amount of Deferred Tax Assets is assessed at reporting date and (partially) reduced if and when it is unlikely that sufficient taxable profit will be available to absorb these

temporary differences and/or changes incurred to the assessment base (such as a change in the corporate tax rate) and/or carry forward losses. Deferred Tax Assets not recorded are reassessed at reporting date and recorded when deemed realizable based on expected future taxable profits.

Deferred Tax Assets and Liabilities are valued at the tax rates expected to apply in the period in which the asset is realized or the liability is settled, at the tax rates (and tax law) in force at the time the reporting process is definitively completed.

Under certain circumstances, current and deferred tax is recognized outside profit or loss either in Other Comprehensive Income or directly in Equity, depending on the item the tax relates to.

Deferred Tax Assets and Liabilities shall be offset if, and only if there is a legally recognized right to set off current tax assets and liabilities, and the Deferred Tax Assets and Liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity, or different taxable entities which intend to settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

There is certain uncertainty around the correct interpretation of complex tax regulations and the amount and timing of future taxable profits. The Group considers each uncertain tax treatment separately or together with one or more uncertain tax treatments.

Given the huge diversity of tax authorities and tax laws, discrepancies between the assumptions made and the actual outcomes, or future changes in such assumptions, this could

lead to future changes in the tax payments and returns already recognized.

Inventories

Inventories are valued at the lower of cost and net-realizable value. The cost price for inventories is based on the FIFO principle (first in, first out). Finished product is valued at production cost including costs of raw materials and a surcharge for direct and indirect production costs based on normal capacity, or at realizable value if lower. The net-realizable value comprises the estimated selling price in the normal course of the business, less the estimated costs for completion and estimated costs necessary to make the sale.

Trade and Other Receivables

Trade and Other Receivables are recognized initially at fair value and subsequently at amortized cost. A provision for uncollectability is established when it is foreseen that a receivable cannot be collected in full.

Cash and Cash Equivalents

Cash and Cash Equivalents comprises cash balances and deposits that are available on call.

Share Capital

Share Capital is classified as Equity.

Dividends

Dividends payable to shareholders are recognized as a liability to shareholders once the proposed profit appropriation has been approved by the General Meeting of Shareholders.

Employee Benefit Obligations

Holland Colours has a number of pension plans in accordance with local conditions and practices.



The voluntarily pension plans of the subsidiaries are in line with local legislation and regulation and are included in the financial statements as defined contribution plans. These involve payment of predetermined premiums to an insurance company. Under these pension plans Holland Colours has no legal or factual obligation to pay additional premiums if the insurance company has insufficient means to fund current or future pensions.

Other Employee Benefits

As a consequence of the termination of the pre-pension plan (including the transitional arrangement) for employees in the Netherlands, the originally agreed conditional financing of past service years was converted into an annual payment in the same amount, which is also conditional. The most important conditions for this payment are that an employee must still be in the Company's service at the time of the annual payment and that the Group's financial results are assessed by the Board of Management as being sufficient to cover this payment. The Group has included a provision for this future liability, which will end in September 2037. Any revaluation of this future liability is recognized in the profit and loss account.

The Group has also included a provision for other long-term obligations regarding employee benefits, including jubilee payments, earned by employees for their service in the current and previous reporting periods.

The obligations are calculated partly on the basis of actuarial principles and based on a discount rate of 1.5% (2016/2017: 1.5%) in accordance with the Markit IBoxx Index of high-value corporate bonds, and are recognized under Non-current Liabilities. The expenses are reported in the Income Statement under Personnel Expenses. All assumptions are reassessed at balance-sheet date.

Provisions

A provision is recognized in the balance sheet when there is a legal or constructive obligation for the Group as a result of a past event and it is probable that an outflow of economic benefits will be required to settle this obligation.

Interest-bearing Loans

Interest-bearing Loans are recognized initially at fair value, less attributable transaction costs. Subsequent to initial recognition, Interest-bearing Loans are valued at amortized cost, whereby a difference between the cost and the repayment value is recognized in the Income Statement on the basis of the effective interest method over the term of the loan.

Trade and Other Payables

Trade and Other Payables are recognized initially at fair value and subsequently measured at amortized cost.

Determination of Fair Value

Certain accounting policies as well as disclosures by the Group require fair value assessments of financial and non-financial assets and liabilities. Further information on the principles used in these assessments is provided in the notes relating to the specific asset or liability.

Long-term Receivables

Long-term Receivables at fixed and variable interest rates are assessed by the Group on the basis of factors such as the applicable interest rate and the borrower's individual creditworthiness. When necessary a provision is formed for losses expected on these receivables on the basis of this assessment. As at March 31, 2018, the carrying amount of these receivables did not vary materially from their fair value.

Trade and Other Receivables

The fair value of Trade Debtors and Other Receivables is estimated as the net present value of the future cash flows based on market interest rates as at the reporting date. This fair value is determined for informative purposes.

3. FINANCIAL RISK MANAGEMENT

As part of the normal conduct of its business, the Group is exposed to a variety of financial risks such as credit risk, liquidity risk, interest rate risk and currency risks. In terms of risk management policy, it is recognized that the financial markets are volatile and that the aim should be to limit the potential negative effects of this on the Group's financial results as much as possible. The Board of Management determines principles for overall risk management and provides policies for specific areas, such as currency risk, credit risk, liquidity risk, interest rate risk and translation risk, and the use of Derivative and Non-Derivative Financial Instruments. These principles or methods may vary by Group Company as a result of differing local market circumstances.

CURRENCY RISK

The functional and reporting currency of the Group is the euro. Being a global operation, the Group is exposed to a variety of foreign currencies. Currency risk arises from engaging in commercial transactions in non-functional currencies (mainly USD and GBP). Holland Colours aims to limit the effect of the transaction related exchange-rate exposure on the Group by a preference for invoicing in the functional currency of the supplying (in most cases regional) entity. Currency hedging on outstanding AR or projected sales is not in place at balance sheet date. The Group participates in several foreign subsidiaries of which the net equity is mainly USD nominated.



This is subject to currency translation risk in the consolidation process. The impact varies over the years and is more complicated to mitigate due to the long term fluctuations in the EUR-USD rate. This risk is monitored but not hedged at balance sheet date.

The table below shows the sensitivity of the net result after tax and the equity (including translation effects) to the US dollar with all other variables kept constant:

CREDIT RISK

Credit risk is the risk of financial loss by the Group in the event a customer fails to meet their contractual obligations. Credit risk mainly arises from receivables from customers. Holland Colours follows an active policy to minimize credit risk. This policy includes strict internal guidelines regarding overdue payments, the use of sales information systems, the consultation of external sources and, where necessary, requesting security for payment. Thanks to the distribution over a large number of customers and geographical areas,

there is no significant concentration of credit risk. There is no insurance for credit risk in place. The total carrying amount of the financial assets, € 19,450 (March 31, 2017: € 21,138), indicates the maximum exposure to credit risk.

LIQUIDITY RISK

Liquidity risk is the risk that Holland Colours is unable to meet its obligations when they are due. Holland Colours' policy with regard to liquidity risk is to ensure to the best of its ability that sufficient committed credit facilities are available to meet its payment obligations in time, in both normal and exceptional situations. The Trade and Other Liabilities all fall due within one year.

Based on the current situation, the Board of Management assesses the risk that Holland Colours will not be able to meet its liabilities as low.

INTEREST RATE RISK

At the end of the fiscal year, there were no current or non-current borrowings. As the Group has no significant interest-bearing assets and liabilities, the direct impact of changes in the market rates to the Group's income and operating cash flow is limited.

FAIR VALUE OF FINANCIAL INSTRUMENTS

The Group applies the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities;
- Level 2: Valuation techniques whereby the lowest-level input as significant for valuation at fair value is directly or indirectly observable;
- Level 3: Valuation techniques whereby the lowest level input as significant for valuation at fair value is not observable.

2017/2018

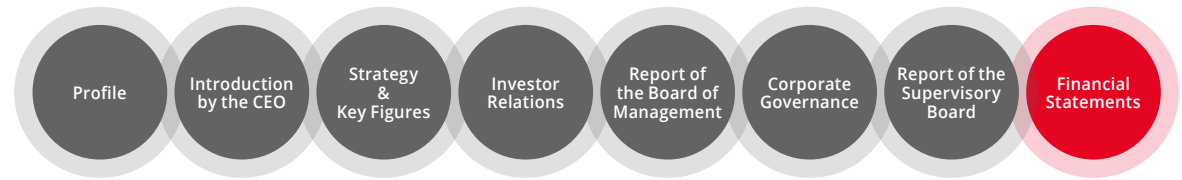
2016/2017

	Increase EUR-USD 10%	Decrease EUR-USD 10%	Increase EUR-USD 10%	Decrease EUR-USD 10%
Net Result after Tax	(360)	457	(305)	373
Equity	(1,720)	2,123	(2,605)	2,705

Revenue

Expenses

	2017/2018	2016/2017	2017/2018	2016/2017
Euro	46%	44%	46%	45%
US dollar	36%	36%	39%	39%
Other	18%	20%	15%	16%
Total	100%	100%	100%	100%



Changes in the fair value of the above-mentioned liabilities are recognized in the Income Statement unless hedge accounting is applied.

The fair value of long-term loans is calculated on the basis of the net present value of the expected future cash flows by virtue of repayment and interest payments, and is not based on observable market data (unobservable input).

Trade and Other Receivables, Trade and Other Liabilities, Credit Institutions and Other Debt due to expire within one year are included in the financial statements at amortised cost. The carrying amount is considered to be a reflection of fair value due to the short duration.

4. CASH FLOW STATEMENT

The cash flow statement is presented using the indirect method. Cash flows in foreign currencies are converted at the exchange rate on the date of the cash flow, or based on averages. A distinction is made in the cash flow statement between cash flows from operating, investment, and financing activities.

5. SEGMENT INFORMATION

The Group is divided into geographical segments for management as well as business purposes. The segment information contained in the financial statements is therefore presented based on the organizational structure of the Group with three operating units, each representing a region and the holding under 'Other' representing General management, Innovation and Technology and other central functions.



Segments 2017/2018	Europe	Americas	Asia	Other	Adjustments and eliminations	Total
Revenue	42,626	28,969	11,918	-	-	83,513
Intersegmental Transactions	1,229	162	52	-	(1,443)	-
Revenue Including Intersegmental Transactions	43,856	29,132	11,970	-	(1,443)	83,513
Depreciation, Amortization and Impairments	956	518	217	280	(9)	1,962
Operating Result from continued operations	532	3,823	2,101	1,768	-	8,224
Operating Result from discontinued operations	-	-	(121)	-	-	(121)
Operating Result after discontinued operations	532	3,823	1,979	1,768	-	8,103
Net Financial Expense	-	-	-	-	(49)	(49)
Tax	-	-	-	-	(2,182)	(2,182)
Net Result	-	-	-	-	5,872	5,872
Non-Current Assets	8,354	5,177	2,249	39,428	(36,336)	18,872
Current Assets	10,759	10,948	5,811	7,136	(3,321)	31,333
Liabilities	9,187	3,298	1,876	2,777	(3,652)	13,486
Total Investments	1,111	902	198	413	-	2,624
Average Number of Employees (in FTE)	201	90	98	19	-	408

Segments 2016/2017	Europe	Americas	Asia	Other	Adjustments and eliminations	Total
Revenue	38,207	28,756	10,522	-	-	77,485
Intersegmental Transactions	876	39	96	-	(1,011)	-
Revenue Including Intersegmental Transactions	39,083	28,795	10,628	-	(1,011)	77,495
Depreciation, Amortization and Impairments	(831)	(562)	(275)	(244)	10	(1,902)
Operating Result from continued operations	1,087	3,288	1,257	1,602	-	7,234
Operating Result from discontinued operations	-	-	(520)	-	-	(520)
Operating Result after discontinued operations	1,087	3,288	737	1,558	-	6,714
Net Financial Expense	-	-	-	-	(143)	(143)
Tax	-	-	-	-	(1,699)	(1,699)
Net Result	-	-	-	-	5,180	5,180
Non-Current Assets	8,261	5,629	2,197	31,336	(28,108)	19,315
Current Assets	9,363	9,510	6,161	6,023	(965)	30,092
Liabilities	8,011	3,258	2,283	1,342	(1,370)	13,524
Total Investments	2,708	458	149	322	-	3,637
Average Number of Employees (in FTE)	197	87	106	21	-	411

The Board of Management monitors the operating result of the geographic segments to facilitate the decision-making process in relation to the allocation of resources and the performance evaluation. The operating result of the segments are determined and based on the same accounting principles as the operating result shown in the consolidated financial statements.

The funding of the Group, including loan structure and dividend policy as well as the current income tax, deferred income tax and certain financial assets and liabilities are also not allocated to the segments since these items are supervised at Group level.

Transfer prices for transactions and services between the operating segments are set on an arm's-length basis.

Revenue in the USA, included in the Americas segment, accounted for 23% (2016/2017: 25%) of total revenue of the Group. There are no other significant revenue concentrations in specific countries. The Group companies in the identified segments are to a limited extent dependent on certain large customers.



6. PERSONNEL EXPENSES

The table below shows the breakdown for Personnel Expenses.

	April 1, 2017/ March 31, 2018	April 1, 2016/ March 31, 2017
Wages and Salaries	(15,288)	(15,059)
Social Security	(1,744)	(1,707)
Pension Costs	(944)	(934)
Personnel Expenses	(17,976)	(17,700)

For the 2017/2018 financial year, an accrual for profit sharing of €1,305 is included (2016/2017: € 1,444). This is included under Wages and Salaries. All employees in the Group are eligible to the profit sharing plan. Payments depend on the Group's ROI and the operating result of the Division in which the individual employee works.

The remuneration of the Executive Management Team and the Supervisory Board is shown in Note 26: Related Parties. The pension costs relate to defined contribution plans.

Wages and salaries in the 2017/2018 financial year include € 164 of government grants (2016/2017: € 74). A total of € 134 of the Personnel Expenses is capitalized (2016/2017: € 178); see also Notes 11 and 12.

In the 2017/2018 financial year, the average number of employees was 408 FTEs (2016/2017: 411 FTEs).

7. OTHER OPERATING EXPENSES

The table below shows the main components of the Other Operating Expenses.

	April 1, 2017/ March 31, 2018	April 1, 2016/ March 31, 2017
Other Personnel	(2,116)	(2,404)
Travel and Accommodation	(1,574)	(1,754)
Maintenance	(1,312)	(1,265)
Energy	(1,073)	(1,089)
Consulting	(1,115)	(874)
Materials	(889)	(915)
Insurance	(505)	(523)
Other Costs	(1,571)	(2,427)
Other Operating Expenses	(10,155)	(11,251)

The exchange-rate differences recognized in the Income Statement under Other Operating Expenses came to € 10 in 2017/2018 (2016/2017: € 123).



8. FINANCE INCOME AND EXPENSE

	April 1, 2017/ March 31, 2018	April 1, 2016/ March 31, 2017
Finance Income	20	47
Finance Expense	(69)	(190)
Finance Income and Expense	(49)	(143)

9. INCOME TAX

The main components of the Tax charge in the 2017/2018 financial year are shown in the table below.

	April 1, 2017/ March 31, 2018	April 1, 2016/ March 31, 2017
Consolidated Income Statement		
Corporate Income Tax due this year:		
• Current Income Tax	(2,219)	(2,228)
• Tax Incentive Programs	255	211
• Other Taxes, including Applied Withholding Tax	34	(15)
Deferred Tax:		
• In relation to the existence and reversal of temporary differences	(252)	333
Income tax recognized in the consolidated income statement	(2,182)	(1,699)

The Corporate Income Tax due this year is in line with the (restated) amount of prior year. The tax as recognized in the consolidated Income Statement was favorably impacted last year with € 333 from additions to the Deferred Tax Assets and negatively this year by € 252 (also see note 13 for details). The impact from the Dutch innovation box was comparable to prior year. The Other Taxes of € 34 favorable versus € 15 unfavorable last year mainly relate to local applied

Withholding Taxes on dividends and royalties paid to the Company by the operating entities in Indonesia, Canada and Mexico. With the tax losses absorbed in Europe, these accumulated charges are gradually applied against the Dutch corporate income tax.

Calculation of effective tax rate starting at statutory tax rate in the Netherlands:

	April 1, 2017/ March 31, 2018		April 1, 2016/ March 31, 2017	
Result Before Income Tax		8,175		7,091
At the rate legally applicable in the Netherlands of 25%	(25.0%)	(2,044)	(25.0%)	(1,773)
Effect of different tax rates in countries in which the Group operates (incl. DTA adjustments for new tax rates)	(4.8%)	(391)	(3.6%)	(256)
Adjustment of tax recorded in previous years	(1.5%)	(120)	(0.1%)	(9)
Tax Incentive Programs	3.1%	255	3.0%	211
Other Differences	1.4%	118	1.8%	(128)
	(26.8%)	(2,182)	(24.0%)	(1,699)



10. DISCONTINUED OPERATIONS

It was decided to close down the China production per December 31, 2016 and supply China from Indonesia. The main components of the result of discontinued operations are:

	April 1, 2017/ March 31, 2018	April 1, 2016/ March 31, 2017
Revenue	-	-
Direct Selling Cost and Raw Materials	(42)	(265)
Personnel Expenses	(3)	(102)
Depreciation and Impairments	-	(15)
Other Operating Expenses	(76)	(138)
Operating Result from discontinued operations	(121)	(520)
Result from sale of operations	-	-
Result before Income Tax from discontinued operations	(121)	(520)
Income Tax	-	308
Net Result from discontinued operations	(121)	(212)

11. INTANGIBLE ASSETS

	Development costs	Other	Assets under Construction	Total
As at March 31, 2016				
Cost	1,554	1,697	-	3,251
Accumulated Amortization	(1,203)	(1,672)	-	(2,875)
Carrying Amount	351	25	-	376
Change in Asset Value				
Capital Expenditures	149	35	-	184
Amortization	(111)	(14)	-	(125)
Exchange-rate Differences	-	2	-	2
Balance	38	23	-	61
As at March 31, 2017				
Cost	1,703	1,734	-	3,437
Accumulated Amortization	(1,314)	(1,686)	-	(3,000)
Carrying Amount	389	48	-	437
Change in Asset Value				
Capital Expenditures	143	17	53	213
Carrying Amount of Disposals	-	(1)	-	(1)
Impairments	(25)	-	-	(25)
Amortization	(125)	(25)	-	(150)
Balance	(7)	(9)	53	36
As at March 31, 2018				
Cost	1,846	1,749	53	3,649
Accumulated Amortization	(1,464)	(1,711)	-	(3,176)
Carrying Amount	382	38	53	473



The Company's total expenses for research and development were € 1,579 in the financial year (2016/2017: € 1,597). Of this amount, € 143 is capitalized (2016/2017: € 149), while the rest is included under Personnel Expenses, Depreciation, Amortization and Other Operating Expenses.

The amortization amounting to € 150 (2016/2017: € 125) is recognized under Amortization and Impairments in the consolidated Income Statement.

The impairment amounting to € 25 in the 2017/2018 financial year in relation to the capitalized development costs (2016/2017: € -).

The Other Intangible Assets consist of the costs of computer software and licenses, as well as the external costs related to their implementation and commissioning.

12. PROPERTY, PLANT AND EQUIPMENT

	Land and Buildings	Machinery and Equipment	Other	Assets under Construction	Total
As at March 31, 2016					
Cost	22,853	25,219	6,277	314	54,663
Accumulated Depreciation	(12,650)	(21,496)	(5,557)	-	(39,723)
Carrying Amount	10,203	3,723	700	314	14,940
Change in Asset Value					
Capital Expenditures	400	2,322	462	270	3,454
Carrying Amount of Disposals	-	(45)	(23)	-	(68)
Depreciation	(643)	(842)	(306)	-	(1,791)
Exchange-rate Differences	143	25	2	-	170
Balance	(100)	1,460	135	270	1,765
As at March 31, 2017					
Cost	23,396	27,521	6,718	584	58,219
Accumulated Depreciation	(13,293)	(22,338)	(5,883)	-	(41,514)
Carrying Amount	10,103	5,183	835	584	16,705
Change in Asset Value					
Capital Expenditures	437	1,495	288	191	2,411
Carrying Amount of Disposals	-	(2)	(44)	-	(46)
Depreciation	(574)	(939)	(272)	-	(1,785)
Exchange-rate Differences	(569)	(153)	(54)	(23)	(799)
Balance	(707)	402	(82)	167	(220)
As at March 31, 2018					
Cost	23,264	28,862	6,908	751	59,784
Accumulated Depreciation	(13,867)	(23,277)	(6,155)	-	(43,299)
Carrying Amount	9,396	5,585	753	751	16,485



The capital expenditures include € 21 (2016/2017: € 29) of capitalized Personnel Expenses. No impairments occurred in the 2017/2018 financial year (2016/2017: € -). The Group has provided collateral with a maximum of € 688 (2016/2017: € 793) in the form of mortgage rights on buildings in Indonesia. The Depreciation for the year did not include Depreciation of discontinued operations (2016/2017: €15).

13. DEFERRED INCOME TAX ASSETS AND LIABILITIES

Deferred Income Tax resulting from temporary differences between the fiscal and commercial value of assets and liabilities is accounted for in the nominal tax rate applicable in the country concerned but only if realization is likely from future taxable profits. This likelihood assessment is based on projections of the future taxable results of the relevant entities in the Group. These projections are partly based on approved budgets.

The Deferred Tax Assets and Liabilities stated in the balance sheet can be attributed to the following items:

	April 1, 2017/ March 31, 2018		April 1, 2016/ March 31, 2017	
	Assets	Liabilities	Assets	Liabilities
Intangible Assets	-	-	-	3
Property, Plant and Equipment	317	-	466	-
Financial Non-current Assets	292	-	308	-
Inventories	174	-	165	-
Other Receivables	621	-	658	-
Employee Benefits	365	-	489	-
Other Liabilities	77	-	90	-
Tax Loss Carry-Forward	75	-	-	-
Balance of Assets and Liabilities	1,921	-	2,176	3
Settlement	-	-	(3)	(3)
Balance of Assets and Liabilities	1,921	-	2,173	-

	April 1, 2017/ March 31, 2018	April 1, 2016/ March 31, 2017
Change in net deferred tax		
Opening Balance	2,173	1,821
Recognized in Income Statement	(252)	333
Recognized in Other Comprehensive Income	-	19
Deferred Tax Assets/Liabilities	1,921	2,173

The € 252 reduction in deferred tax assets mainly relates to the downward adjustment of the position in the United States due to the lowering of the corporate income tax rate from 34% to 21% as well as the devaluation of the USD. Next to that, the tax loss carry forward effect on accumulated start-up losses in the joint-venture in Indonesia have been added.

On March 31, 2018, the tax potentially due on the undistributed profits of the subsidiaries in Canada and Indonesia amounted to € 643 (March 31, 2017: € 353).

14. INVENTORY

	April 1, 2017/ March 31, 2018	April 1, 2016/ March 31, 2017
	Raw Materials	5,371
Finished Goods	6,415	4,592
Inventory	11,786	8,695

The Income Statement includes an amount of € 42,093 (2016/2017: € 36,729) under the direct selling cost and raw materials for usage of inventory goods.



At March 31, 2018, the Provision for obsolete Inventory amounts to €1,114 (March 31, 2017: € 1,137). Movements in the provision for obsolete Inventory are shown below.

	April 1, 2017/ March 31, 2018	April 1, 2016/ March 31, 2017
Opening Balance	(1,137)	(1,010)
Plus: Additions to the Provision	(94)	(112)
Less: Impairments Charged to the Provision	63	-
Exchange-rate Differences	54	(15)
Closing Balance	(1,114)	(1,137)

15. TRADE AND OTHER RECEIVABLES

	April 1, 2017/ March 31, 2018	April 1, 2016/ March 31, 2017
Trade Debtors	13,067	12,604
Tax-related Receivables	213	101
Other Receivables and Prepaid Items	824	919
Trade and Other Receivables	14,104	13,624

The aging specification of Trade Debtors is shown in the table below.

	March 31, 2018	March 31, 2017
Not yet due	10,817	10,678
Overdue 0–30 days	1,836	1,646
Overdue 31–60 days	524	184
Overdue 61 days or more	(111)	96
Total	13,067	12,604

Trade Debtors by Currency

	March 31, 2018	March 31, 2017
Euro	7,889	6,311
US dollar	3,663	3,159
British pound	505	592
Other currencies	1,010	2,542
Total	13,067	12,604

Trade and Other Receivables with less than one year to maturity are recognized initially at fair value and subsequently at amortized cost. A provision for doubtful debts is established when it is foreseen that a receivable cannot be collected in full. Additions to the Provision for Doubtful Debts are included in the Income Statement under Other Operating Expenses.

The table below shows movements in the Provision for Doubtful Debts.

	April 1, 2017/ March 31, 2018	April 1, 2016/ March 31, 2017
Opening Balance	(55)	(77)
Less: Releases from or additions to the provision	19	18
Less: Write-off of trade debtors	(28)	-
Closing Balance	(64)	(59)

16. CASH AND CASH EQUIVALENTS

	March 31, 2018	March 31, 2017
Bank Balances	5,334	7,508
Cash Balances	4	7
Cash in Cash Flow Statement	5,338	7,515



The Cash and Cash Equivalents are freely available to the Company.

The credit risk on Cash and Cash Equivalents is limited, since the counterparties are generally banks with high credit ratings as assigned by international credit rating agencies.

17. SHARE CAPITAL

ISSUED SHARE CAPITAL

The registered capital of Holland Colours NV is € 6,810 divided into 3,000,000 ordinary shares with a face value of € 2.27 per share. Of this registered total, an amount of 860,351 shares are issued and fully paid up. The total issued share capital is € 1,953. There were no changes to the issued capital in either the 2017/2018 or the 2015/2016 financial year.

SHARE PREMIUM RESERVE

The Share Premium Reserve of € 1,219 is available for distribution to shareholders and is unchanged relative to the last financial year.

18. OTHER RESERVES

FOREIGN CURRENCY TRANSLATION RESERVE

The Foreign Currency Translation Reserve relates to all exchange-rate differences that originate from the translation of the financial statements of the subsidiaries with a functional currency other than the euro. This only applies to the non-monetary accounts. These translation results are directly allocated to Equity via Other Comprehensive Income. This practice was initiated on April 1, 2004, in accordance with the exception allowed in IFRS 1.

NET INVESTMENT HEDGE

Hedge accounting is applied to the net investment hedge of a USD 2.5 million loan which was redeemed as of March 2016. Hedge accounting results are included in Other Comprehensive Income until the net investment is sold. At that time, the results are recognized in the Income Statement. The net investment reserve is reduced by Deferred Taxes.

LEGAL RESERVE FOR INTANGIBLE ASSETS

A statutory reserve for development costs is formed in the Company financial statements, although not specifically required under IFRS. This statutory reserve is formed within equity, to maintain alignment with Equity in the Company financial statements.

The above-mentioned reserves may not be distributed freely to shareholders. Negative amounts reduce the amount available for distribution and positive amounts are non-distributable.

DIVIDEND

The dividends paid in 2017/2018 amounted to € 3.01 per share (2016/2017: € 2.15). A dividend in respect of the year as ended March 31, 2018 of € 3.39 per share will be proposed at the General Meeting to be held on July 12, 2018. These financial statements do not reflect this dividend payable.

19. EARNINGS PER SHARE

Earnings per share allocated to shareholders (ordinary and diluted) in the 2017/2018 financial year amounted to € 6.78 (2016/2017: € 6.03). The calculation of the earnings per share at March 31, 2018 is based on the net result attributable to shareholders of € 5,836 (2016/2017: € 5,190) and the average number of shares issued in the 2017/2018 financial year of 860,351. The total number of issued shares did not change relative to March 31, 2017.

20. NON-CONTROLLING INTEREST

This concerns a non-controlling interest of 12% in the net asset value at March 31, 2018 of PT Holco Indo Jaya (2016/2017: 15%).

21. CREDIT FACILITY

The company has access to current account credit facilities of € 7,900 per balance sheet date (March 31, 2017: € 8,351). These facilities are provided by various international and local banks and have no expiration date. At the March 31st balance sheet date for both 2018 and 2017 the amount drawn was nil.

The bank agreements and collateral provided in relation to the Group's financing is limited to mortgage rights on real estate in Indonesia with a maximum of € 688 (March 31, 2017: € 793).



22. EMPLOYEE BENEFIT OBLIGATIONS

PRE-PENSION PLAN IN THE NETHERLANDS

The pre-pension plan in the Netherlands relates to the obligation to issue a conditional annual payment.

As explained in Note 2, the originally agreed conditional financing of past service years in the pre-pension plan has been converted into an equivalent annual payment, which is also conditional. At March 31, 2018 the resulting liability amounts to € 527. On March 31, 2017 the liability was € 601.

LEGAL LIABILITY ON TERMINATION OF EMPLOYMENT - INDONESIA

This mainly relates to the legal liability for the payout in the event of termination of employment of Indonesian personnel. As of the reporting date, the primary actuarial assumptions are:

	March 31, 2018	March 31, 2017
Discount Rate	7.0%	7.8%
Expected Return Fund Capital Expenditures	7.0%	7.8%
Future Salary Increases	7.0%	7.0%
Average Remaining Period of Employment	15.46	17.17

Assumptions relating to future mortality rates are based on published statistical data and mortality tables. The mortality table used is the TMI 2011 (2016/2017: TMI 2011) table with a correction factor varying for age and gender. The total expected long-term Return on Investment amounts to 7% (March 31, 2017: 7.8%).

OTHER EMPLOYEE BENEFITS

The Other Employee Benefits item also includes a provision for future jubilee payments of € 263 (March 31, 2017: € 243) and other future payments of € 45 (March 31, 2017: € 116).

Movements in the Employee Benefit Obligations are shown in the table below.

	Pre-pension plan the Netherlands	Statutory Termination Employment plan Indonesia	Other Employee Benefits	Total
As at March 31, 2016	609	434	403	1,446
Additions	73	56	123	252
Withdrawals/Releases	(81)	-	(167)	(248)
Exchange-rate Differences	-	15	-	15
As at March 31, 2017	601	505	359	1,465
Additions	3	31	39	73
Withdrawals/Releases	(77)	-	(89)	(166)
Exchange-rate Differences	-	(63)	(2)	(65)
As at March 31, 2018	527	473	307	1,307

Of this total, the following amounts have been accounted for under current liabilities:

	Pre-pension plan the Netherlands	Statutory Termination Employment plan Indonesia	Other Employee Benefits	Total
As at March 31, 2018	21	-	63	84
As at March 31, 2017	75	-	125	200



23. DERIVATIVE FINANCIAL INSTRUMENTS

At March 31, 2018, there are no outstanding loans or derivatives.

The Group did not hold any financial instrument at March 31, 2018 versus € – per the end of March 2017.

24. TRADE AND OTHER LIABILITIES

	March 31, 2018	March 31, 2017
Trade Creditors	7,630	7,002
Payables Regarding Other Taxes	397	618
Other Liabilities and Accruals	3,752	4,254
Trade and Other Payables	11,779	11,874

The Payables regarding Other Taxes mainly relates to sales tax.

For PT Holco Indo Jaya, the entity established in Indonesia in the 2012/2013 financial year, the Dutch government granted a subsidy on the basis of the Private Sector Investment (PSI) program.

The advance of € 377 as received in 2013/2014 has been included since then under Other Liabilities and Accruals (March 31, 2017: € 377). Early 2018 the Dutch Government completed an update audit on PT Holco Indo Jaya and provided verbal consent that the majority of the conditions have been fulfilled. Therefore, the Board of Management has decided to release € 340 in the results of in this financial year.

The Trade and Other Payables item also includes profit share to be paid to employees of € 1,444 (March 31, 2017: € 1,488).

OTHER DISCLOSURES

IN THOUSANDS OF EUROS, UNLESS STATED OTHERWISE



25. COMMITMENTS AND CONTINGENCIES

CAPITAL COMMITMENTS

The Group had entered into capital commitments regarding Property, Plant and Equipment as at balance sheet date of € 350 (March 31, 2017: € 195).

PURCHASE CONTRACTS

The total commitment resulting from raw material purchase contracts was € 1,488 (March 31, 2017: € 1,895).

LEASE AND RENTAL OBLIGATIONS

At balance sheet date the Group had outstanding commitments regarding leases and rentals, which are shown in the table below.

	March 31, 2018	March 31, 2017
Less than 1 year	518	497
Between 1 and 5 years	813	685
Longer than 5 years	1	9
Total	1,332	1,191

The Group rents buildings, vehicles and office equipment which can be classified as operational leases. The building leases have a maximum term of five years.

The total costs of lease as included in the Income Statement are € 480 (2016/2017: € 455).

26. RELATED PARTIES

IDENTITY OF RELATED PARTIES

The related parties can be divided into the relations between the Group on the one hand and its subsidiary companies, the members of the Board of Management, Supervisory Board, and the Dutch based investment company Holland Pigments BV.

REMUNERATION OF KEY OFFICERS OF THE GROUP

The key officers are the members of the Group's Executive Management Team.

REMUNERATION POLICY

The remuneration policy for the Board of Management, which consists of the Chief Executive Officer and the Chief Financial Officer, is set by the Supervisory Board. A separate Remuneration Committee was formed at the start of the 2017/2018 financial year. Holland Colours strives to pay remuneration in line with the market for a company of its size, and in proportion to its overall salary structure. The remuneration package consists of a fixed element and a variable element. Fixed salaries are adjusted annually in line with inflation.

The variable payment for the Board of Management consists of a bonus plan based on achieving financial and non-financial targets. For the Chief Executive Officer, the bonus is up to three times the monthly salary in the event that 100% of the targets are achieved. For the Chief Financial Officer, the bonus is up to twice the monthly salary in the event that 100% of the targets are achieved. The Board of Management also participates in the profit-sharing plan, under which Holland Colours pays up to 1.5 months' salary. For the Board of Management, the profit-sharing plan depends on the ROI realized by Holland Colours whereby 75% of this part of the bonus is paid in shares of Holland Pigments.

Based on the results for the 2017/2018 financial year the Board of Management will receive such a payment. A bonus was also paid to the Board of Management for the 2017/2018 financial year.

The Company does not offer an option plan.

The contracts with the Chief Executive Officer and the Chief Financial Officer state a term of appointment of four years and a severance payment which is in accordance with the recommendations of the Dutch Corporate Governance Code.



The breakdown of the remuneration for the Board of Management, Executive Management Team, and Supervisory Board is listed in the table below.

Board of Management and Executive Management Team

	R. Harmsen		M.G. Kleinsman		Other members of the Executive Management Team*		Total	
	2017/2018	2016/2017	2017/2018	2016/2017	2017/2018	2016/2017	2017/2018	2016/2017
Fixed Salary	357	354	216	215	271	660	844	1,229
Pension Expenses	26	21	15	15	14	95	55	131
Variable Element	96	67	47	42	51	46	194	155
Non-recurring Payment	480	-	-	-	-	123	480	123
Total	959	442	278	272	336	924	1,573	1,638

Transactions with Key Officers

No transactions with key officers took place during the financial year.

Other Interests of Members of the Board of Management

No transactions were effectuated during the financial year with parties in which any of the Supervisory Board Members, Members of the Board of Management or their partners have an interest.

Supervisory Board

The General Meeting of Shareholders determines the remuneration of the Supervisory Board Members. The fixed remuneration is intended to be in line with the market given the size of the Company.

	2017/2018	2016/2017
R. Zoomers	38	38
A.R. Doornbos	26	26
J.W. de Heer	26	26
M.G.R. Kemper	26	26
J.D. Kleyn**	7	26
J. Klaus**	11	-
Total	134	142

Holland Pigments BV

At balance sheet date the Dutch based Investment Company Holland Pigments held 432,402 (March 31, 2017: 432,397) shares in Holland Colours NV. Within Holland Pigments BV the active and retired employees collectively held approximately 25% of the shares of Holland Pigments.

The costs incurred by Holland Pigments BV in connection to activities relating to the employee participation are partly reimbursed by Holland Colours NV. An amount of € 97 was accordingly paid to Holland Pigments BV in the 2017/2018 financial year (2016/2017: € 103).

At balance sheet date, there is no outstanding material position with Holland Pigments BV. Receivables from and payables to Holland Pigments BV are not covered by commercial collateral, are non-interest-bearing and are settled in cash.

* Other members of the Executive Management Team: Technical Director J. Leugs till November 30th, 2017 and E.M.S. van Hamersveld as of December 1st, 2017. The Divisional Manager Asia S. Kho-Pangkey till September 30th, 2016. The Divisional Manager Americas J. Gomez till February 2017 and J. Bauer as of January 1st, 2018. The Director Global Marketing, G. Provó Kluit-Gonesh as of May 1st, 2016.

** Mr. J.D. Kleyn stepped down from the Supervisory Board on July 11, 2017. Mr. J. Klaus was appointed on October 26, 2017.



27. OTHER DISCLOSURES

PROFIT-SHARING PLAN

Holland Colours Group operates a profit-sharing plan for its employees. The plan is the same for all Group employees and may, depending on the ROI and operating result of the Division, result in a payment of up to 1.5 months' salary. Depending on the position of the individual employee, 25% to 75% of this payment is made in Holland Pigments BV shares in recognition of the employee participation model. Settlement to the employees will take place after the financial statements have been adopted by the General Meeting of Shareholders of Holland Colours. The applicable shares in Holland Pigments BV will be purchased for the employee at the last calculated price of Holland Pigments BV shares. The remainder of the profit-sharing payment will be paid in cash to the employees by Holland Colours NV after the relevant statutory deductions are made.

A profit-sharing payment is applicable to the employees on the basis of the results in the 2017/2018 financial year.

The shares held by Holland Pigments BV in Holland Colours NV are specified below.

	2017/2018	2016/2017
Number of shares in Holland Colours NV held by Holland Pigments BV		
Situation at April 1	432,397	430,286
Purchased by Holland Pigments BV	5	2,111
Situation at March 31	432,402	432,397
In euros		
Share price of Holland Colours NV at balance sheet date	89.00	69.14
Value	38,483,778	29,895,929

SUBSEQUENT EVENTS

No events took place after the reporting period that could materially affect the financial statements.

EMPLOYEE NUMBERS

During the 2017/2018 financial year, the Company employed an average of 408 FTEs (2016/2017: 411 FTEs). Of these, 140 FTEs (2016/2017: 138 FTEs) are employed in the Netherlands.

INCOME STATEMENT

FOR THE FINANCIAL YEAR ENDED MARCH 31, 2018



In thousands of euros	Note	April 1, 2017/March 31, 2018	April 1, 2016/March 31, 2017
Management Fees		5,962	5,793
Personnel Expenses	31	(2,714)	(2,344)
Amortization	33	(168)	(112)
Depreciation	34	(112)	(133)
Other Costs		(1,083)	(1,581)
Operating Result		1,862	1,623
Net Interest Income/Expenses		40	(70)
Result before Tax		1,902	1,553
Income Tax	32	(327)	258
Result Subsidiaries	30	4,238	3,379
Net Result		5,836	5,190



BALANCE SHEET

FOR THE FINANCIAL YEAR ENDED MARCH 31, 2018
BEFORE PROPOSED PROFIT APPROPRIATION

In thousands of euros	Note	March 31, 2018	March 31, 2017	In thousands of euros	Note	March 31, 2018	March 31, 2016
Non-current Assets				Equity			
Intangible Assets	33	469	424	Share Capital	36	1,953	1,953
Property, Plant and Equipment	34	1,646	1,558	Share Premium Reserve	36	1,219	1,219
Financial Non-current Assets	35	29,725	28,730	Legal Reserves	36	(1,585)	854
		31,840	30,712	Retained Earnings	36	29,212	26,659
				Result for the Year	36	5,836	5,190
						36,635	35,875
Current Assets				Provisions			
Receivables from Group Companies		5,566	4,773	Employee Benefit Obligations	39	113	130
Other Receivables and Prepayments		120	92				
Income Tax Receivables		-	-	Current Liabilities			
Cash and Cash Equivalents		1,950	1,637	Payables to Group Companies		10	33
		7,636	6,502	Income Tax Liabilities		274	85
				Other Liabilities and Accrued Income		2,444	1,091
						2,728	1,209
Total Assets		39,476	37,214	Total Equity and Liabilities		39,476	37,214

NOTES TO THE COMPANY FINANCIAL STATEMENTS



IN THOUSANDS OF EUROS, UNLESS STATED OTHERWISE

28. GENERAL INFORMATION

The Company financial statements are part of the financial statements of Holland Colours NV and are prepared in accordance with the legal requirements of Title 9, Book 2 of the Dutch Civil Code. Holland Colours NV applies the same accounting policies to the Company financial statements as those used in the consolidated financial statements per possibility given in Article 2:362, paragraph 8 of the Dutch Civil Code to apply. The only exception relates to the accounting standards relating to participation in Group companies. Investments in consolidated subsidiaries are measured at net asset value.

The 2017/2018 Company financial statements have been presented to the Supervisory Board to be approved for publication on May 31, 2018. The financial statements will be presented to the General Meeting of Shareholders for adoption on July 12, 2018.

29. SUMMARY OF ACCOUNTING PRINCIPLES

The accounting policies used for the Company financial statements are the same as those used for the consolidated financial statements. Unless other standards are stated, the reader is referred to the standards stated in the consolidated financial statements.

30. SUBSIDIARIES

INVESTMENTS IN SUBSIDIARIES

Investments in subsidiaries and other companies over which the Company has controlling interest or exercises central management, are measured at net asset value. The net asset value is based on the measuring of assets, provisions and liabilities and determination of net profit in accordance with the accounting policies used in the consolidated financial statements.

31. PERSONNEL EXPENSES

	April 1, 2017/ March 31, 2018	April 1, 2016/ March 31, 2017
Wages and Salaries	2,118	1,916
Social Security	183	172
Pension Costs	313	256
Total Personnel Expenses	2,714	2,344

The average number of employees in the Company in the 2017/2018 financial year was 19 FTEs (2016/2017: 21 FTEs. For an explanation of the remuneration of management, please refer to Note 26, Related Parties, of the consolidated financial statements.

32. INCOME TAX

	April 1, 2017/ March 31, 2018	April 1, 2016/ March 31, 2017
Current Tax		
Current Year	(275)	60
Prior Years	13	25
Deferred Tax	(65)	173
Total Income Tax	(327)	258



33. INTANGIBLE ASSETS

	Development costs	Other	Assets under Construction	Total
As at March 31, 2016				
Cost	1,554	1,291	-	2,845
Accumulative Amortization	(1,203)	(1,291)	-	(2,494)
Carrying Amount	351	-	-	351
Change in Asset Value				
Capital Expenditures	149	35	-	184
Amortization	(111)	-	-	(111)
Balance	38	35	-	73
As at March 31, 2017				
Cost	1,703	1,326	-	3,029
Accumulative Amortization	(1,314)	(1,291)	-	(2,605)
Carrying Amount	389	35	-	424
Change in Asset Value				
Capital Expenditures	143	17	53	213
Impairments	(25)	-	-	(25)
Amortization	(125)	(18)	-	(143)
Balance	(7)	(1)	53	45
As at March 31, 2018				
Cost	1,846	1,343	53	3,242
Accumulative Amortization	(1,464)	(1,309)	-	(2,773)
Carrying Amount	382	34	53	469

The Company's total expenses for research and development were € 985 in the financial year (2016/2017: € 1,033). Of this amount € 143 (2016/2017: € 149) is capitalized, whereas the remainder is reported under Other Income and Expenses after Tax in the Company financial statements.

The costs of Amortization and Impairments of € 150 (2016/2017: € 111) are included in the Amortization item in the Company financial statements. Of this amount € 25 relates to impairments of capitalized development costs (2016/2017: € -).

The Other Intangible Assets consist of the costs of computer software and licenses, as well as the external costs related to their implementation and commissioning.



34. PROPERTY, PLANT AND EQUIPMENT

	Land and Buildings	Machinery and Equipment	Other Capital Assets	Assets under Construction	Total
As at March 31, 2016					
Cost	3,802	1,551	374	121	5,848
Accumulative Depreciation	(2,747)	(1,207)	(331)	(11)	(4,296)
Carrying Amount	1,055	344	43	110	1,552
Change in Asset Value					
Capital Expenditures	-	-	154	(15)	139
Reclassification	(24)	(46)	70	-	-
Depreciation	10	(25)	(119)	-	(134)
Balance	(14)	(71)	105	(15)	5
As at March 31, 2017					
Cost	3,778	1,505	598	106	5,987
Accumulative Depreciation	(2,737)	(1,232)	(450)	(11)	(4,430)
Carrying Amount	1,041	273	148	95	1,557
Change in Asset Value					
Capital Expenditures	27	243	27	(96)	201
Depreciation	(12)	(66)	(34)	-	(112)
Balance	15	177	(7)	(96)	89
As at March 31, 2018					
Cost	3,805	1,748	625	10	6,188
Accumulative Depreciation	(2,749)	(1,298)	(484)	(11)	(4,542)
Carrying Amount	1,056	450	141	(1)	1,646



35. FINANCIAL NON-CURRENT ASSETS

The financial non-current assets can be specified as follows:

	March 31, 2018	March 31, 2017
Investments in Subsidiaries	28,491	27,431
Other Financial Assets and Deferred Tax Assets	1,234	1,299
Financial Non-current Assets	29,725	28,730

The table below shows movements in the investments in subsidiaries.

	April 1, 2017/ March 31, 2018	April 1, 2016/ March 31, 2017
Opening Balance Movements	27,431	25,298
• Capital Payments to Subsidiaries	363	-
• Result from Subsidiaries	4,243	3,379
• Change in Equity	(60)	(36)
• Dividends Declared	(1,060)	(1,678)
• Currency Translations	(2,426)	467
Closing Balance	28,491	27,431

Movements in the Other Financial Assets and Deferred Tax Assets are shown below.

	Deferred tax assets	Other financial assets	Total
As at March 31, 2016	1,116		1,116
Additions	420	-	420
Withdrawals	(237)	-	(237)
As at March 31, 2017	1,299	-	1,299
Withdrawals	(65)	-	(65)
As at March 31, 2018	1,234	-	1,234

36. EQUITY

For a clarification on the Share Capital and Share Premium, as well as the movement of the Foreign Currency Translation Reserve, Hedge Reserves and Other Reserves, please refer to Notes 17 and 18 of the consolidated balance sheet, as there are no differences between Company Equity and consolidated Equity.



37. STATUTORY PROVISIONS REGARDING THE APPROPRIATION OF PROFITS

REGARDING THE APPROPRIATION OF PROFITS, THE FOLLOWING IS DETERMINED IN THE ARTICLES OF ASSOCIATION

Article 21

1. From the profit established in the approved financial statements, reserves are formed as determined by the Board of Management with the approval of the Supervisory Board.
2. The profit remaining after the transfer to the reserves and distribution as stated in paragraph 1 is at the disposal of the General Meeting of Shareholders, with due regard to the provisions of Section 105, Book 2 of the Dutch Civil Code.
3. The Board of Management, with the approval of the Supervisory Board, is authorized to decide on the distribution of an interim dividend with due regard to the provisions of Article 105 Book 2 of the Dutch Civil Code.
4. The dividend will be made payable within one month after it has been set, in the manner and at the place determined by the Board of Management.
5. Claims for profit distribution expire after a period of five years from the date on which the dividends were made payable.
6. A resolution regarding the disposal of any reserve may be adopted by the General Meeting of Shareholders with due regard to the legal and statutory provisions.

PROPOSAL FOR THE APPROPRIATION OF PROFIT

In compliance with Article 21 of the Articles of Association and the Dividend Policy as discussed in the General Meeting of Shareholders of last year, and set out on page 18 under Investor Relations, it is proposed to distribute the profit as follows:

- A cash dividend of € 3.39 per share with a nominal value of € 2.27, leading to a dividend distribution of € 2,918 in total.
- Transfer to the other reserves: € 2,918.

The proposal for appropriation of profit has not been included in the balance sheet.

38. CREDIT FACILITY

The Company has a credit facility in the Netherlands of € 7,000 (March 31, 2017: € 7,000). Per end of March 2018, no collaterals have been provided.

39. EMPLOYEE BENEFIT OBLIGATIONS

This employee benefits provision relates to the obligation to issue a conditional annual payment.

The liabilities regarding employee benefits also include the item Other Employee Benefits, which relates to a provision for future jubilee payments of € 11 (March 31, 2017: € 7) and other future payments of € – (March 31, 2017: € –).

Movements in the Employee Benefit Obligations were as follows:

	Pre-pension plan the Netherlands	Other Employee Benefits	Total
As at March 31, 2016	170	6	176
Additions	–	1	1
Withdrawals	(26)	–	(26)
As at March 31, 2017	144	7	151
Additions	–	7	7
Withdrawals	(24)	–	(24)
As at March 31, 2018	120	14	134



The following amounts have been accounted for as current under Other Liabilities and deferred charges:

	Pre-pension plan the Netherlands	Other Employee Benefits	Total
As at March 31, 2018	21	–	21
As at March 31, 2017	21	–	21

40. DERIVATIVE FINANCIAL INSTRUMENTS

Like prior year, the company did not have any derivative financial instruments per March 31, 2018.

41. AUDIT FEES

In the 2017/2018 financial year, the following audit fees were charged by the independent auditor, PricewaterhouseCoopers Accountants NV to the Income Statement in accordance with Section 382a Title 9 Book 2 of the Dutch Civil Code.

	2017/2018	2016/2017
Audit of the Financial Statements	213	183
Other Audit Services	–	–
Tax Advisory Services	–	–
Other non-audit Services	–	–
Audit Fees	213	183

The total costs of PricewaterhouseCoopers Accountants NV amount to € 135 (previous year: € 59). The remaining balance relates to costs of the other PricewaterhouseCoopers Accountants NV network.

42. OTHER INFORMATION

LEASE AND RENTAL OBLIGATIONS

At balance sheet date the Company had outstanding commitments regarding leases and rents, as shown in the table below.

	March 31, 2018	March 31, 2017
Less than 1 year	70	99
Between 1 and 5 years	92	178
Longer than 5 years	–	–
Lease and Rental Obligations	162	277

The Group rents vehicles and office equipment which are classified as leases. The terms of the lease contracts are generally up to five years.

The total costs of lease agreements as included in the Income Statement is € 110 (2016/2017: € 105).

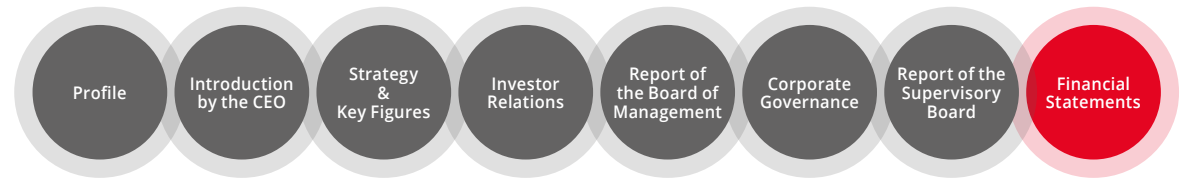
SUBSEQUENT EVENTS

No events took place after the reporting period that could materially affect the financial statements.

WRITTEN GUARANTEE

Holland Colours NV has given a guarantee for its subsidiary Holland Colours Europe BV in accordance with Section 403, Title 9, Book 2 of the Dutch Civil Code, and according to Section 479A of the Companies Act on behalf of its subsidiary Holland Colours UK Ltd.

Holland Colours NV has not issued any other written guarantee as security for the payment obligations of foreign companies.



OTHER INFORMATION

The Company forms a tax unity together with Holland Colours Europe BV with regard to income tax and sales tax. Both the Company and its subsidiary are jointly and severally liable for tax payable by all companies that are part of the tax entity.

Apeldoorn, May 31, 2018

Board of Management

R. Harmsen
M.G. Kleinsman

Supervisory Board

R. Zoomers
J.W. de Heer
A.R. Doornbos
M.G.R. Kemper
J. Klaus

OTHER INFORMATION



INDEPENDENT AUDITOR'S REPORT

To: the general meeting and supervisory board of Holland Colours N.V.

REPORT ON THE FINANCIAL STATEMENTS 2017/2018

Our opinion

In our opinion:

- Holland Colours N.V.'s consolidated financial statements give a true and fair view of the financial position of the Group as at 31 March 2018 and of its result and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code; and
- Holland Colours N.V.'s company financial statements give a true and fair view of the financial position of the Company as at 31 March 2018 and of its result for the year then ended in accordance with Part 9 of Book 2 of the Dutch Civil Code.

What we have audited

We have audited the accompanying financial statements 2017/2018 of Holland Colours N.V., Apeldoorn ('the Company'). The financial statements include the consolidated financial statements of Holland Colours N.V. and its subsidiaries (together: 'the Group') and the company financial statements.

The consolidated financial statements comprise:

- the consolidated balance sheet as at 31 March 2018;
- the following statements for 2017/2018: the consolidated income statement, the consolidated statements of comprehensive income and changes in equity and the consolidated cash flow statement; and
- the notes, comprising a summary of significant accounting policies and other explanatory information.

The Company financial statements comprise:

- the company balance sheet as at 31 March 2018;
- the company income statement for the year then ended;
- the notes, comprising a summary of the accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is EU-IFRS and the relevant provisions of Part 9 of Book 2 of the Dutch Civil Code for the consolidated financial statements and Part 9 of Book 2 of the Dutch Civil Code for the company financial statements.

The basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the section 'Our responsibilities for the audit of the financial statements' of our report.

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

Independence

We are independent of Holland Colours N.V. in accordance with the European Regulation on specific requirements regarding statutory audit of public interest entities, the 'Wet toezicht accountantsorganisaties'(Wta, Audit firms supervision act), the 'Verordening inzake de onafhankelijkheid van accountants bij assuranceopdrachten' (ViO – Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence requirements in the Netherlands. Furthermore, we have complied with the 'Verordening gedrags- en beroepsregels accountants' (VGBA – Code of Ethics for Professional Accountants, a regulation with respect to rules of professional conduct).

Our audit approach

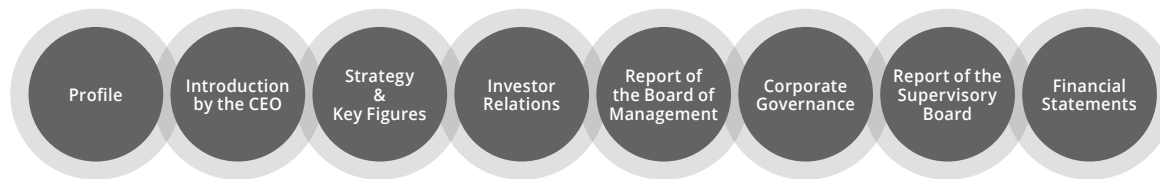
Overview and context

Holland Colours N.V. manufactures, distributes and sells colour concentrates. The Group comprises of several components and therefore we considered our group audit scope and approach as set out in the scope of our group audit section. We paid specific attention to the areas of focus driven by the operations of the Group, as set out below.

The financial year 2017/2018 was characterised by revenue growth due to increased volumes and increased prices of raw material. Specifically the latter affected our audit of the inventory balances as the raw material inventory increased as described in the section 'Key audit matters'.

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where management made important judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. In note 2 of the financial statements the Company describes the areas of judgement in applying accounting policies and the key estimates in the financial statements. Given the estimation uncertainty and the related inherent risks of material misstatement in the valuation of inventories, we considered this to be a key audit matter as set out in the 'Key audit matters' section of this report. Furthermore, we have identified revenue recognition as a key audit matter because of the various terms and conditions for invoicing and delivery of the products to customers.

Besides the key audit matters, taxes (both deferred and current) were an area of focus in our audit. As in all of our audits, we also addressed the risk of management override of internal controls,



including evaluating whether there was evidence of bias by the board of management that may represent a risk of material misstatement due to fraud.

We ensured that the audit teams both at group and at component levels included the appropriate skills and competences which are needed for the audit of a production company. We therefore included specialists in the areas of IT and taxes in our team.

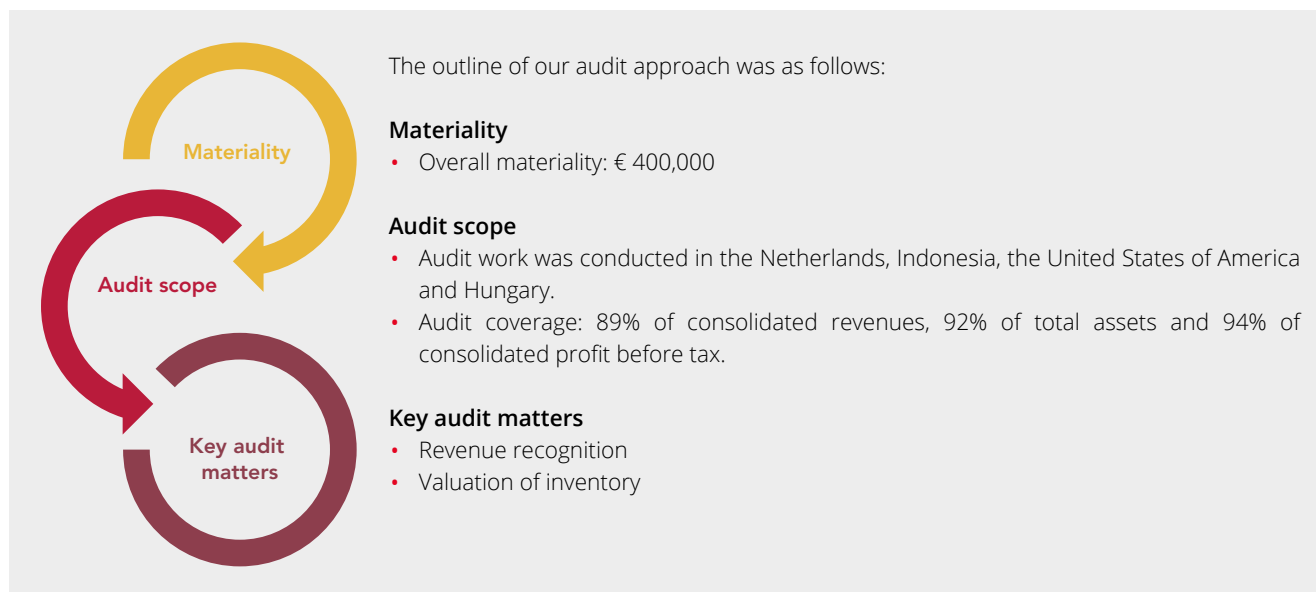
Materiality

The scope of our audit is influenced by the application of materiality which is further explained in the section 'Our responsibilities for the audit of the financial statements'.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole as set out in the table below. These, together with qualitative considerations,

helped us to determine the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and to evaluate the effect of identified misstatements, both individually and in aggregate, on the financial statements as a whole and on our opinion.

We determined materiality for the financial statements as a whole as follows:



Overall group materiality	€ 400,000 (2016/2017: € 355,000).
Basis for determining materiality	We used our professional judgement to determine overall materiality. As a basis for our judgement, we used 5% of profit before tax.
Rationale for benchmark applied	We used profit before tax as the primary benchmark, a generally accepted auditing practice, based on our analysis of the common information needs of users of the financial statements. On this basis we believe that profit before tax is an important metric for the financial performance of the Company.
Component materiality	To each component in our audit scope, we, based on our judgement, allocate materiality that is less than our overall group materiality. The range of materiality allocated across components was between € 240,000 and € 340,000.



We also take misstatements and/or possible misstatements into account that, in our judgement, are material for qualitative reasons.

We agreed with the supervisory board that we would report to them misstatements identified during our audit above € 20,000 (2016/2017: € 20,000) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

The scope of our group audit

Holland Colours N.V. is the parent company of a group of entities. The financial information of this group is included in the consolidated financial statements of Holland Colours N.V.

We tailored the scope of our audit to ensure that we performed sufficient work to be able to give an opinion on the financial statements as a whole, taking into account the management structure of the Group, the nature of operations of its components, the accounting processes and controls, and the markets in which the components of the Group operate. In establishing the overall group audit strategy and plan, we determined the type of work required to be performed at the component level by the group engagement team and by each component auditor.

The group audit primarily focussed on the significant components Holland Colours N.V. (stand-alone), Holland Colours Europe B.V., Holland Colours Americas Inc. and PT Holland Colours Asia. Due to their significance and risk profile within the Group, an audit of the complete set of financial information was performed for these components.

In total, in performing these procedures, we achieved the following coverage on the financial line items:

Revenue	89%
Total assets	92%
Profit before tax	94%

None of the remaining components represented more than 4% of total group revenue or total group assets. For those remaining components we performed, among other things, analytical procedures to corroborate our assessment that there were no significant risks of material misstatements within those components.

For the components Holland Colours N.V. and Holland Colours Europe B.V. we, as the group audit team, performed the audit work. For the components Holland Colours Americas Inc. and PT Holland Colours Asia, as well as for the stock count procedures relating to the inventory of Holland Colours Europe B.V. in Hungary, we used component auditors.

Where the work was performed by component auditors, we determined the level of involvement we needed to have in their audit work to be able to conclude whether sufficient appropriate audit evidence had been obtained as a basis for our opinion on the consolidated financial statements as a whole. In this context, in prior years the group audit team visited the plants in the US and Indonesia and met with local management as well as with the component auditor. In the current year, our involvement in the audit of the components concerned a planning call and a closing call via modern communication technologies.

The group consolidation, financial statement disclosures were audited by the group engagement team at the head office.

By performing the procedures above at components, combined with additional procedures at group level, we have been able to obtain sufficient and appropriate audit evidence on the Group's financial information, as a whole, to provide a basis for our opinion on the financial statements.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements. We have communicated the key audit matters to the supervisory board. The key audit matters are not a comprehensive reflection of all matters that were identified by our audit and that we discussed. In this section, we described the key audit matters and included a summary of the audit procedures we performed on those matters.

The key audit matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon. We do not provide separate opinions on these matters or on specific elements of the financial statements. Any comments or observations we make on the results of our procedures should be read in this context.

The key audit matters have remained unchanged to the key audit matters that we reported in previous year: 'Revenue recognition' and 'Valuation of inventory'. Both key audit matters are inherently related to the nature of the Company. The development of the Company's business and results of the Company do not give rise to additional key audit matters.



Key audit matter	How our audit addressed the matter
<p>Revenue recognition <i>Refer to the accounting principles for revenue recognition within the financial statements note 2</i></p> <p>The Group applies various terms and conditions for invoicing and delivery of its products to customers. Because of the wide variety of customer contracts, cut-off and accuracy of invoiced revenues is inherently more complex and, given the size of transactions, could potentially lead to materially misstated revenue.</p> <p>The Group monitors the actual transfer of risks and rewards of the sold products and adjusts revenue to comply with IFRS for goods that are still in transit per year-end.</p> <p>Therefore we considered this to be a key audit matter.</p>	<p>We evaluated the design of the internal control procedures performed by management to ensure adequate revenue recognition and tested the operating effectiveness of internal controls with regard to data-analytical procedures on the revenue cycle as well as credit notes issued during the year. We determined that we could rely on the control with regard to credit notes for the purpose of our audit. The control with respect to data-analytics was not considered effective. We have used the assessment made by management and performed substantive audit procedures ourselves. We audited the reliability of the data used and have substantively tested the noted exceptions.</p> <p>We tested the accuracy of revenue recorded by performing substantive audit procedures on the sales prices of revenue invoices. This included reconciling revenues to sales contracts, contracts on discounts, bank receipts and other supporting documentation. We tested the cut-off of revenues by performing substantive audit procedures on the credit notes issued after year-end, the manual revenue recognition adjustment regarding goods in transit to customers per year-end for which the risks and rewards have not yet been transferred and other manual journal entries on revenue accounts.</p> <p>Our procedures did not result in material findings.</p>



Key audit matter	How our audit addressed the matter
<p>Valuation of inventory <i>Refer to note 14 of the financial statements</i></p> <p>With a value of € 11.7 million, inventory is one of the significant assets of the Group and subject to market developments and management estimates. On the one hand this relates to the accuracy of the inventory costing, that for an important part is related to the developments in key raw material prices. On the other hand, this is due to raw materials being subject to obsolescence, which is reflected in the valuation against the net realisable value, through recognition of an inventory allowance (€ 1.1 million). Marking products as (partly) obsolescent is based on inventory aging and turnover and the assessment whether inventory will be sold is subject to management's judgement. Inaccurate pricing and/or obsolescence assessment may, given the significant balance of inventories, result in the inventory being materially misstated. Therefore we considered this to be a key audit matter.</p>	<p>We tested the design and operating effectiveness of internal controls, put in place by management of the Company, to determine and adjust its inventory costing. We determined that we could rely on these controls for the purpose of our audit.</p> <p>Furthermore, we performed substantive audit procedures on the calculation of the standard cost prices against which the inventory is valued. This included testing a sample of inventory items against historical cost by reconciliation to purchase invoices, testing of the surcharge for overhead within finished goods and performing an overall analysis of price- and efficiency variances recorded during the year to validate the accuracy of the costing method used for finished products.</p> <p>Additionally, we assessed management's assumptions with regard to the inventory allowance by performing looking-back procedures, by assessing the condition of the inventory, to the extent possible, by attending stock counts and by considering developments in the product portfolio and pricing.</p> <p>Our procedures did not result in material findings.</p>

REPORT ON THE OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

In addition to the financial statements and our auditor's report thereon, the annual report contains other information that consists of: Our identity: colouring your success, profile, employee participation, our DNA, in memoriam Jan de Heer, core values, global company, local service, introduction by the CEO, strategy 2020 progress, progress on our objectives, five-year summary, investor relations, report of the board of management, corporate governance, report of the supervisory board and the other information pursuant to Part 9 of Book 2 of the Dutch Civil Code, overview of sales offices / agents and distributors, our organization and contact.

Based on the procedures performed as set out below, we conclude that the other information:

- is consistent with the financial statements and does not contain material misstatements;
- contains all information that is required by Part 9 of Book 2 of the Dutch Civil Code.

We have read the other information. Based on our knowledge and understanding obtained in our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements.

By performing our procedures, we comply with the requirements of Part 9 Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of such procedures was substantially less than the scope of those performed in our audit of the financial statements.

The board of management is responsible for the preparation of the other information, including the report of the board of management and the other information pursuant to Part 9 Book 2 of the Dutch Civil Code.



REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Our appointment

We were appointed as auditors of Holland Colours N.V. on 10 July 2014 by the supervisory board following the passing of a resolution by the shareholders at the annual meeting held on 10 July 2014 and the appointment has been renewed in the annual meeting held on 11 July 2017 by shareholders representing a total period of uninterrupted engagement appointment of 4 years.

No prohibited non-audit services

To the best of our knowledge and belief, we have not provided prohibited non-audit services as referred to in Article 5(1) of the European Regulation on specific requirements regarding statutory audit of public interest entities.

Services rendered

The services, in addition to the audit, that we have provided to the Company and its controlled entities, for the period to which our statutory audit relates, are disclosed in note 41 to the financial statements.

RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS AND THE AUDIT

Responsibilities of the board of management and the supervisory board for the financial statements

The board of management is responsible for:

- the preparation and fair presentation of the financial statements in accordance with EU-IFRS and with Part 9 of Book 2 of the Dutch Civil Code; and for
- such internal control as the board of management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, the board of management is responsible for assessing the Company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, the board of management should prepare the financial statements using the going-concern basis of accounting unless the board of management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so. The board of management should disclose events and circumstances that may cast significant doubt on the Company's ability to continue as a going concern in the financial statements.

The supervisory board is responsible for overseeing the Company's financial reporting process.

Our responsibilities for the audit of the financial statements

Our responsibility is to plan and perform an audit engagement in a manner that allows us to obtain sufficient and appropriate audit evidence to provide a basis for our opinion. Our audit opinion aims to provide reasonable assurance about whether the financial statements are free from material misstatement. Reasonable assurance is a high but not absolute level of assurance which makes it possible that we may not detect all misstatements. Misstatements may arise due to fraud or error. They are considered to be material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

A more detailed description of our responsibilities is set out in the appendix to our report.

Amsterdam, May 31, 2018

PricewaterhouseCoopers Accountants N.V.

Original has been signed by F.S. van der Ploeg RA



APPENDIX TO OUR AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS 2017/2018 OF HOLLAND COLOURS N.V.

In addition to what is included in our auditor's report we have further set out in this appendix our responsibilities for the audit of the financial statements and explained what an audit involves.

THE AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

We have exercised professional judgement and have maintained professional scepticism throughout the audit in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error. Our audit consisted, among other things of the following:

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the intentional override of internal control.
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the board of management.
- Concluding on the appropriateness of the board of management's use of the going concern basis of accounting, and based on the audit evidence obtained, concluding whether a material uncertainty exists related to events and/or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report and are made in the context of our opinion on the financial statements as a whole. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures, and evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Considering our ultimate responsibility for the opinion on the Company's consolidated financial statements we are responsible for the direction, supervision and performance of the group audit. In this context, we have determined the nature and extent of the audit procedures for components of the Group to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole. Determining factors are the geographic structure of the Group, the significance and/or risk profile of group entities or activities, the accounting processes and controls, and the industry in

which the Group operates. On this basis, we selected group entities for which an audit or review of financial information or specific balances was considered necessary.

We communicate with the supervisory board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit. In this respect we also issue an additional report to the audit committee in accordance with Article 11 of the EU Regulation on specific requirements regarding statutory audit of public-interest entities. The information included in this additional report is consistent with our audit opinion in this auditor's report.

We provide the supervisory board with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

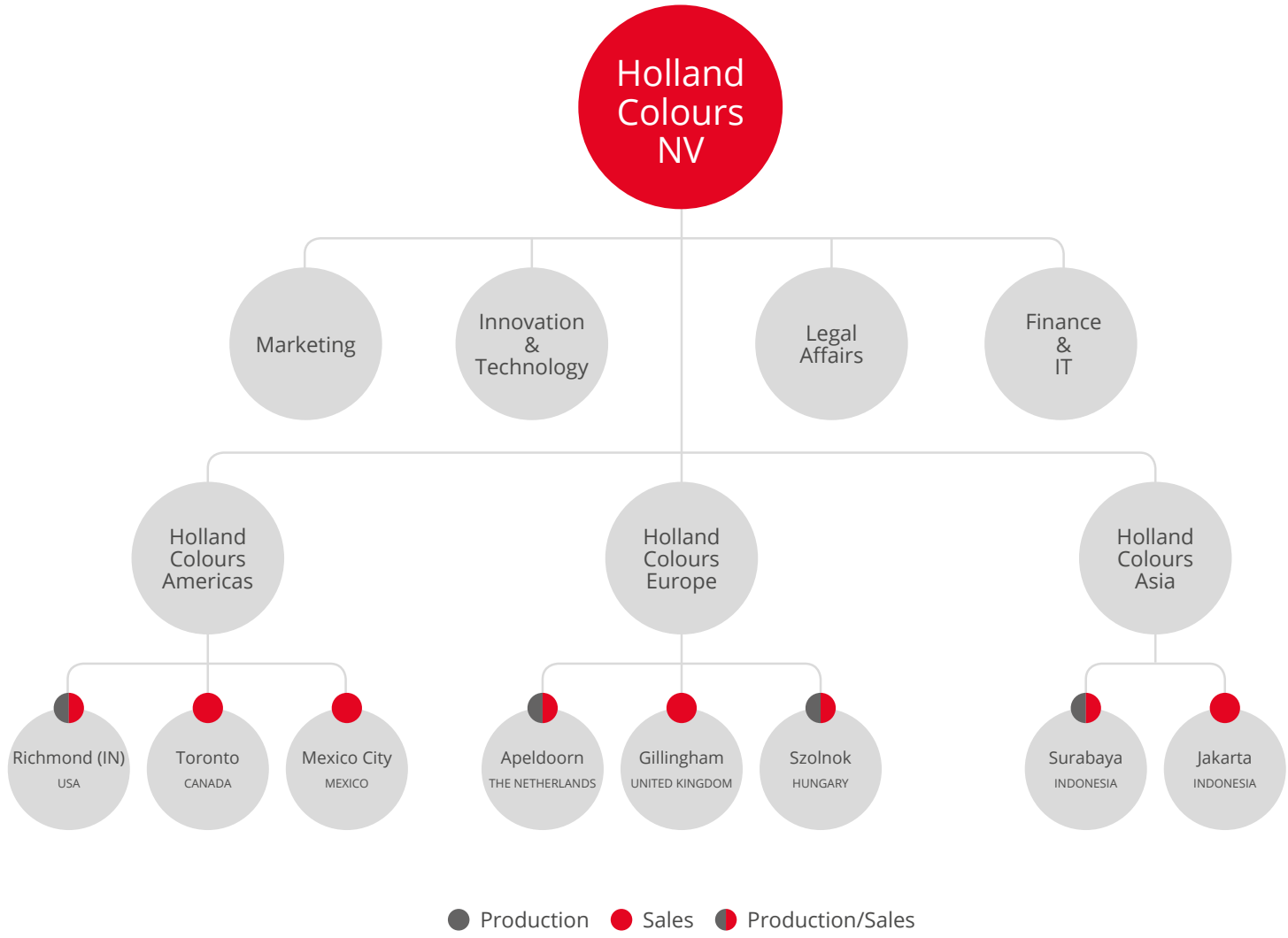
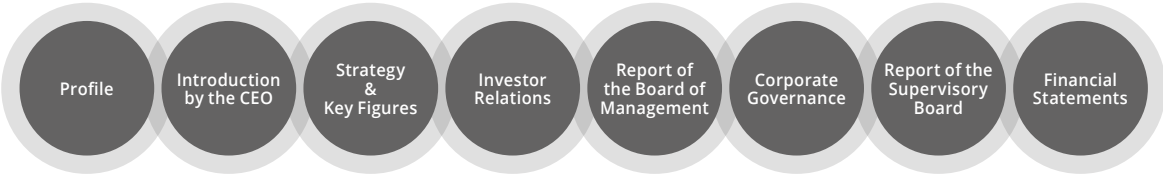
From the matters communicated with the supervisory board, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, not communicating the matter is in the public interest.

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GLOBAL PRESENCE

OUR ORGANIZATION



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