COLORING YOUR SUCCESS

ANNUAL REPORT 2016/2017

OUR IDENTITY: COLORING YOUR SUCCESS

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.

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.

We have a tradition of working with our customers. Customers and our experts collaborate regularly to create tailormade 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 to grow 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!

CONTENTS

PROFILE

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 have a go at doing things differently and better. After working closely together 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 covers the world. We have manufacturing and/or sales operations in the Netherlands, the United States, United Kingdom, Hungary, Indonesia (two facilities), Canada, and Mexico. From here more than 400 Holland Colours employees serve local and global customers.

Holland Colours employees are engaged and experienced. They 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. Collectively owning the company means we all share the same goals: *Growth & Operational Excellence through customer intimacy*.

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 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 reheat 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 extensive global team of people to staff our Product Stewardship department.

OUR MARKETS

Our roots are in colorants for pipes, but our products for Building & Construction 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 area of our expertise. In this market we see a trend towards thinner wall bottles. Next, food safety has become increasingly important as well as the use of bio-based material. With our strong knowledge base we are well equipped to serve this market. We partner with small, medium, and large customers to produce packaging for water, carbonated soft drinks, fruit juices, dairy, beer, wine, detergents, pharmaceutical and personal care products.

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. Also to that 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.
Employee participation encourages teamwork, commitment, 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.

Approximately 25% of the shares in Holland Pigments are held by our (retired) employees.

INTRODUCTION BY THE CHIEF EXECUTIVE OFFICER

DEAR STAKEHOLDER,

During the financial year we worked further on achieving our strategic objectives by implementing our HolcoMORE 2.0 strategy.

Revenue growth was achieved in all divisions. Total revenue grew by 5% to € 77.5 million. Operating result increased to € 7.2 million, 26% higher than in the previous year. Due to a lower average tax rate, the net result improved to € 5.2 million. The effect of exchange rates was very limited. Our overall financial position remained sound.

STRATEGY – 'HOLCOMORE 2.0'

In our HolcoMORE 2.0 strategic program we are focusing on defending and building our position in our traditional markets, particularly in Building & Construction (B&C) (mainly PVC) and Packaging (mainly PET). Given our position in these niche markets, it is, however, important to develop new markets and introduce new products. Our new technological developments are focused mainly on other polymers used in the B&C and Packaging markets. This enables us to diversify, while remaining close to our core products and markets. We must broaden our technology base in order to do this. Developing and introducing new products for polymers other than PVC and PET takes time and this is why we are keeping our eyes open for third-party partnerships or acquisitions. The driver for acquisitions will be technology rather than acquiring market share.

Besides the top-line growth, we will also continue projects aimed at improving operational efficiency. Within this context, we have upgraded and optimized our Holcoprill production across our two production sites in Europe. We have also invested in improving the Apeldoorn application lab.

We participated in the K-show for the first time in nine years. This tri-annual trade show in Düsseldorf, Germany, is the world's largest plastics exhibition. Through our participation we reinforced our continued commitment to the market, which was well received by our current and potential customers.

The corporate branding project that started late last financial year resulted in a completely new website and a clearer understanding of how to position our company in the market. In our role as Caregiver, we are committed to working closely with our customers to help them succeed in their markets. To achieve this, ongoing attention will be paid to ensure customer care remains an integral part of our DNA.

We undertook a renewed risk assessment to realign the risk map with our strategic ambitions. Challenges and risk mitigating actions were identified and will be given continual attention.

BUSINESS UPDATE

Revenue increased by 5% to € 77.5 million. The impact of exchange rates was very limited. All divisions and all reporting markets contributed to this growth.

We are pleased with the growing contribution of newly introduced products (the Innovation Index increased to 7%).

In Division Europe, we successfully entered new markets with both existing and new products. The development and introduction of new products for polyolefins is, however, taking longer than expected. We also encountered some headwind in the Packaging market and projects are now being undertaken to rise to the challenges. The findings of the Activity Based Costing (ABC) study were implemented. Measures will continue to be taken in the next financial year 2017/2018.

In Division Americas, revenue improved across the board, supported by strong economies and a new colorant for adhesives. We are seeing slower developments in the area of polyolefins than anticipated here as well.

In Division Asia, we investigated various options for our Chinese legal entity. As the entity lacked critical mass to continue on its own we have closed down local production and currently rely on agents and distributors to serve our Chinese customers, supported by our regional Sales and Marketing Manager. Indonesia posted healthy revenue growth. Both new trading products and growth in sales from our Holco Indo Jaya joint venture contributed to this.

We held our first stakeholder meeting on Corporate Social Responsibility in June 2016. A broad group of suppliers, customers, shareholders and government agencies participated. One of the conclusions reached at this meeting was that we need to provide a better explanation of what we are already doing and make social responsibility a more integral part of our reporting. Our new approach will be set out later in this report.

ORGANIZATION

Having an effective organization is key to addressing all the challenges and projects at hand. We have accordingly strengthened our project management skills and processes.

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.

Some of the recent new employees at the executive level left the company for various reasons during the financial year. The resulting vacancies for positions such as Directors of the Division Americas and the Division Asia and the Director Innovation and Technology did not result in any operational issues because other employees assumed responsibility for these positions on an interim basis. We are focusing on filling these and other vacancies at the senior management level.

We took the opportunity to determine if the current organization structure is still the right one for growth. We decided to make some changes to the organization structure in Asia. The Indonesian sales organization now reports directly to the newly appointed Sales and Marketing Manager Division Asia and no longer to the General Manager Indonesia.

Zero harm is a key goal for the company. Over the previous years we have been able to demonstrate significant improvement. We unfortunately deviated from this positive trend last year. We had three lost time incidents caused by the employees concerned not adhering to the working instructions. Measures have been taken to avoid such accidents going forward, including awareness campaigns.

PROPOSED DIVIDEND

The net result per share amounts to € 6.03 compared to € 4.23 in the previous year. In line with our policy, it will be proposed to the General Meeting of Shareholders that a cash dividend of € 3.01 per share be distributed (2015/2016: € 2.15)

OUTLOOK FOR 2017/2018

We expect to benefit from the strengthening of the global economy. Much depends however on the political climate in the countries in which we operate and the developments of the related exchange rates.

In addition, we experience margin pressure from an upward trend in raw material prices, especially in Europe. Actions to compensate for this through price increases in the market are underway.

The continuing focus on market research, development, introduction and growth of new products will require additional capital expenditure. We expect to be able to fund this from our operational cash flow.

Based on the above as well as the general volatility in our markets, Holland Colours will not issue an outlook for the 2017/2018 financial year.

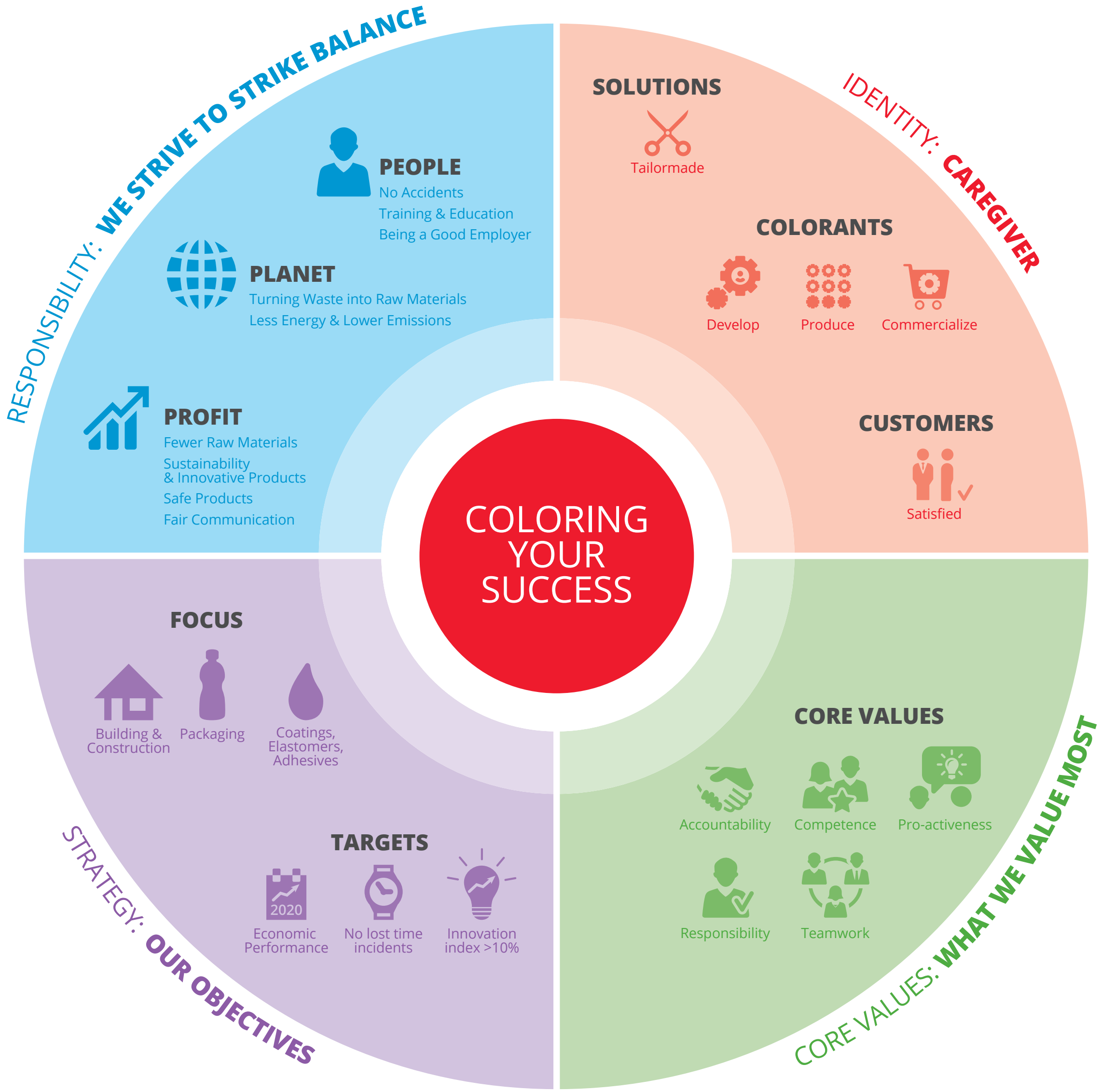
On behalf of the Executive Management Team, I would like to thank our employees for their efforts, contribution and commitment during the past year.

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

Apeldoorn, May 30, 2017

Rob Harmsen
Chief Executive Officer Holland Colours NV

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 14). Our Strategy (page 12) 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 25.

STRATEGY 2020

The strategic ambitions for Holland Colours have been re-established over the past year.

THE MARKETS WE SERVE

Our focus remains to serve the Building and Packaging markets where it relates to their coloring needs. In addition to our global strong-holds in flexible and rigid PVC (for B&C) and transparent PET (in Packaging), we are targeting an expansion of our carrier base to offer improved color solutions to other polymers in Packaging and B&C. In doing so we stay close to our core to encapsulate and enhance the performance of pigments.

Customer feedback and market research did confirm that we are considered as a Caregiver. We provide integrated solutions to the coloring challenges of our customers. Within that concept we develop color matches for our customers that are compatible with their target polymer and also comply to other requirements such as regulatory demands, machine efficiencies at the customer as well as additional functional aspects, where applicable, such as UV absorption.

Our 38 years of color history also positions us well to further strengthen the business areas we already serve for Coatings, Elastomers and Adhesives by supplying color concentrates to the various players in those markets.

Lastly, we continue to be open to special requests in adjacent markets such as car-wrapping and cheese coatings, to name just a few.

THE PRODUCTS WE OFFER

Our original Holcobatch® product based on non-traditional, bio-based carriers is still a major product line with unique characteristics to especially PVC and transparent PET-based applications.

This product line has been enhanced over time which resulted in other products such as Holcoprill, with a different finish suited for other types of dosing techniques. Another product is Holcomer, a patented product with daylight barrier, targeted for the packaging of UHT milk.

In addition, to these product families, we produce and deliver custom-made color concentrates, mostly delivered as a liquid to serve the color needs of the Coatings, Elastomers and Adhesives markets.

PRODUCT DEVELOPMENT

We are proud that our product lines have been developed in house and we continue to work on next generations such as the launch of Holcomer III in 2016/2017 (See page 18 for the full story).

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

OUR STRATEGIC AMBITIONS

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

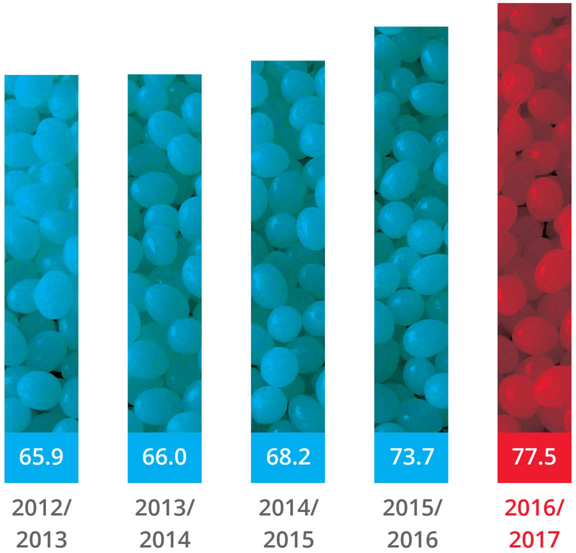
OUR OVERALL OBJECTIVES

- 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 (defined as debt as % of balance sheet total is 40% or less)

PROGRESS ON OUR OBJECTIVES

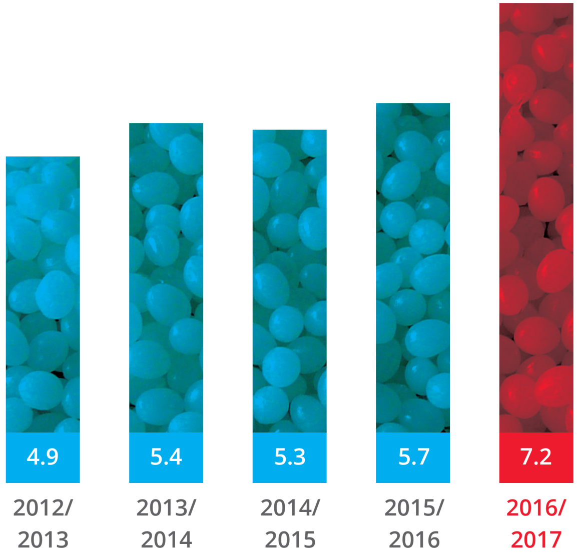
REVENUE

In million euros



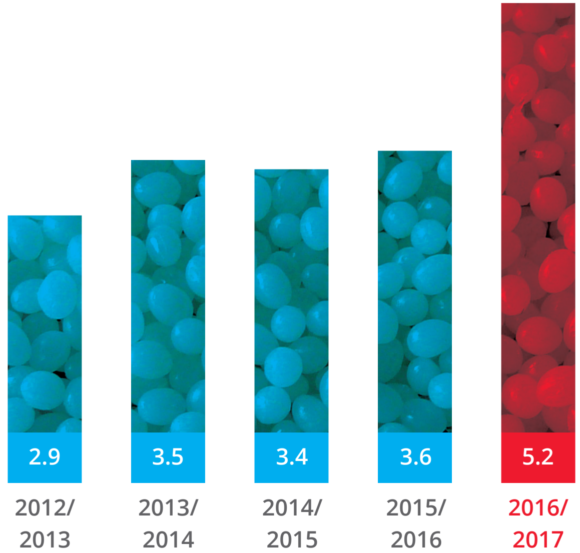
OPERATING RESULT

In million euros



NET RESULT

In million euros



RETURN ON SALES

2016/2017	**9.3%**
2015/2016	7.8%

RETURN ON INVESTMENT

2016/2017	**22.7%**
2015/2016	20.0%

EARNINGS PER SHARE

2016/2017	**6.03**
2015/2016	4.23

INNOVATION INDEX

2016/2017	**6.7%**
2015/2016	4.4%

OWC AS % OF REVENUE

2016/2017	**18.5%**
2015/2016	18.1%

SOLVENCY

2016/2017	**73.0%**
2015/2016	71.0%

CORE VALUES

The market for colorants is becoming more competitive. Differentiation only in terms of products therefore is not enough. Our service and positioning will become more important. This will be supported by a strong company brand. Having recognized this, we ran a company branding exercise.

This exercise also resulted in the launch of new marketing communication tools. Next, a fully updated visual identity was introduced to reflect and emphasize our focus on delivering service leadership. Along with the rebranding, we introduced our new tagline: 'Coloring Your Success', also used as our theme for this year's annual report. 'Coloring Your Success' captures in three words the essence of our company's purpose: 'To create customized and effective color solutions that bring our customers a competitive advantage and peace of mind.'

Even though we changed our look and feel, our DNA remains the same. A company with over 400 employees who share the same core values: Accountability, Competence, Pro-activeness, Responsibility and Teamwork. That's us!

In this report we describe our core values through case stories.

ACCOUNTABILITY
(p. 15)

COMPETENCE
(p. 18)

PRO-ACTIVENESS
(p. 33)

RESPONSIBILITY
(p. 36)

TEAMWORK
(p. 42)

CORE VALUES

ACCOUNTABILITY

COMPETENCE

PRO-ACTIVENESS

RESPONSIBILITY

TEAMWORK

PROJECT MANAGEMENT: THE GLUE THAT TIES ACCOUNTABILITY TO SUCCESS

In 2016, as part of our strategy update, HolcoMORE 2.0, we identified a number of projects to support our common goal: to grow the success of our company.

We refreshed our project management skills by providing global and local training to the members of the project teams. We demand clearly written and pre-approved project briefs for each project with realistic goals and timelines. To help us keep our projects on track, we implemented a PMO (Project Management Office) and introduced a project management tool that also serves as a communication platform to the teams. It is our objective that the projects are carried out on time, within budget and with minimal disruption of our day-to-day business.

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

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 to propose a deviation from this base line.

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 will not publish updates of the first and the third quarter. 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 development of the stock 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.

SHARE OWNERSHIP

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

Shares trades on Euronext Amsterdam	425,365
Holland Pigments BV[1]	432,397
Registered shares	2,589
Total	860,351

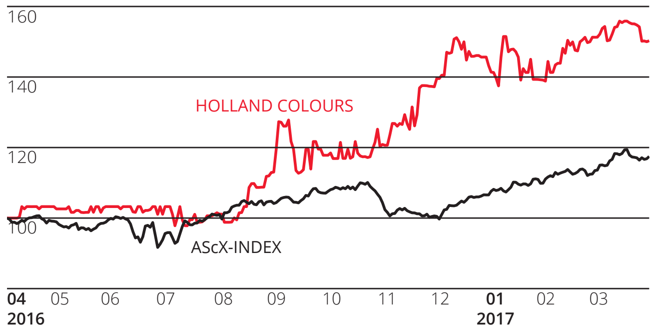
As at March 31, 2017, the following substantial interests (>3%) were recorded in the registers of the AFM (Netherlands Authority for the Financial Markets) on the basis of the Decree on the Disclosure of Major Holdings and Capital Interests in Issuing Institutions in accordance with the Netherlands Financial Supervision Act. A list of shareholdings in excess of 3% is available on the AFM website.

Disclosures	%	Date
OtterBrabant Beheer BV	9.08	November 9, 2010
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.	3.67	August 24, 2016
Waag & Zübert Value AG	3.84	August 24, 2016
IP Concept Luxembourg S.A.	3.14	August 24, 2016

1 Please refer to page 7 Employee Participation. As per our internal register Holland Pigments 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.

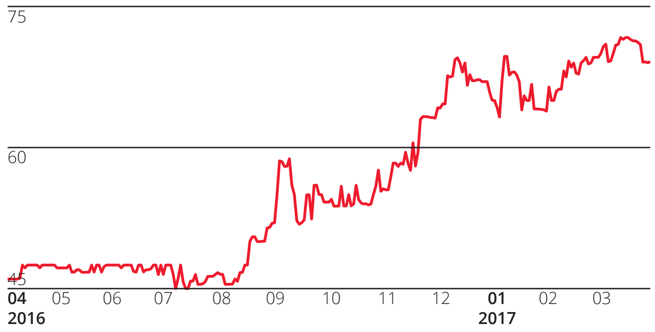
SHARE PRICE DEVELOPMENT HOLLAND COLOURS VERSUS ASCX

April 1, 2016 = 100



SHARE PRICE DEVELOPMENT HOLLAND COLOURS

In euros



PUBLICATIONS

Holland Colours published the following press releases in the 2016/2017 financial year:

May 26, 2016	Publication of 2015/2016 financial statements
July 7, 2016	Resolutions adopted by the General Meeting of Shareholders
August 16, 2016	Interim statement for first quarter 2016/2017
August 22, 2016	The amendment of the Articles of Association adopted by the Extraordinary Shareholders Meeting
October 27, 2016	Publication half year figures 2016/2017
February 9, 2017	Interim statement for third quarter 2016/2017

KEY DATA PER SHARE

In euros, unless otherwise stated	2016/2017	2015/2016	2014/2015	2013/2014	2012/2013
Net result	6.03	4.23	4.02	4.12	3.40
Dividend (proposal 2016/2017)	3.01	2.15	2.00	2.12	1.75
Equity	41.71	37.26	35.64	30.09	29.13
Highest share price	71.71	52.30	48.50	34.60	24.24
Lowest share price	45.00	39.90	28.20	21.70	16.39
Number of shares outstanding	860,351	860,351	860,351	860,351	860,351

KEY DATES

July 11, 2017	General Meeting of Shareholders
July 13, 2017	Listing of ex-dividend
July 14, 2017	Dividend record date
August 11, 2017	Dividend payable
October 26, 2017	Publication half year figures 2017/2018
May 31, 2018	Publication of 2017/2018 financial statements
July 12, 2018	General Meeting of Shareholders

CORE VALUES

ACCOUNTABILITY

COMPETENCE

PRO-ACTIVENESS

RESPONSIBILITY

TEAMWORK

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

HOLCOMER: WHERE COMPETENCE AND MARKET ORIENTATION COME TOGETHER

Holland Colours is continuously looking for opportunities to answer market needs and achieve breakthroughs, but we also believe that incremental improvements of known technologies can help to produce improved products in a better way. The development of our Holcomer product line is a good example.

Consumer trends demand continuous change in material performance and color technology. Holland Colours produces and commercializes customer-specific coloring products. In this context, we were the first to create a breakthrough in the dairy packaging market by combining light barrier technology with a white PET-colorant for UHT milk packaging, called Holcomer. Soon after the launch of the first generation of Holcomer around ten years ago, an improved version, Holcomer II, was developed. Last year, we introduced the even more cost-effective Holcomer III.
With this third-generation Holcomer, we can help UHT milk brands save money on the switch from traditional carton packs and three-layer HDPE bottles, with their limited design freedom, to the latest monolayer dairy PET packaging. Further we can help them save on printing costs too, since additional laser-marking additives in PET are no longer needed with the use of Holcomer III. This third generation of Holcomer again underlines our commitment to giving our packaging industry customers competitive advantages. Besides freedom of design, it provides beautiful high-gloss finishes, without deformation or delamination.

We have a broad network throughout the value chain and partnerships with universities and research institutions that enables us to provide industry-leading solutions and project support.

COLORING YOUR SUCCESS

REPORT OF THE BOARD OF MANAGEMENT

EXECUTIVE MANAGEMENT TEAM

The Board of Management consists of the CEO and CFO. The Board of Management together with the Director Innovation and Technology, the Directors of the Divisions and the Directors of Global Operations and of Global Marketing form the Executive Management Team. In the photograph, from left to the right: • R. Harmsen (1957), Chief Executive Officer • M.G. Kleinsman (1963), Chief Financial Officer • R.P. Karrenbeld (1973), Director Global Operations • G. Provó Kluit-Gonesh (1973), Director Global Marketing.

Please refer to page 90 for an overview of the organizational structure and to www.hollandcolours.com for more information on the members of the Executive Management Team.

WORLD MAP

AMERICAS

USD millions	2016/ 2017	2015/ 2016	%
Revenue third-party	31.6	29.6	7%
Operating result	3.6	2.7	34%
CAPEX	0.5	0.7	(33%)
Average FTE	87	88	(1%)

EUROPE

Euro millions	2016/ 2017	2015/ 2016	%
Revenue third-party	38.2	37.1	3%
Operating result	1.1	2.1	(45%)
CAPEX	2.6	1.0	159%
Average FTE	197	194	2%

ASIA

USD millions	2016/ 2017	2015/ 2016	%
Revenue third-party	11.6	11.0	6%
Operating result	0.8	1.1	(26%)
CAPEX	0.2	0.2	(15%)
Average FTE	106	107	(1%)

Please note that results are presented in the functional currency of the region. Royalty fees as charged by Holland Colours NV have been aligned to the industry standard as of April 2016. Therefore the operating results are not comparable on a year-over-year basis.

For the full picture at consolidated level, please refer to the table Segment Information on page 59 of the financial statements.

FINANCIAL PERFORMANCE

Key figures euro mln	2016/2017	2015/2016	Difference
Revenue	77.5	73.7	5%
Operating result	7.2	5.7	26%
Net result	5.2	3.6	43%

Holland Colours realized 5% organic growth over prior year on the revenue line, with all three regions contributing. The growth was driven by stronger economies in the USA, Canada and Indonesia as well as new business with existing accounts in Europe and the USA and the successful launch of new products.

The net margin was up 7% versus prior year as a result of the revenue growth combined with a favorable product mix. Production and purchasing efficiencies also added to this positive result. Operating costs increased by € 1.1 million, mainly due to higher labor costs, including some incidentals.

Top line growth and a good product mix were the main drivers behind the 26% increase in operating result, ending up in a return on sales of 9.3% versus 7.8% in 2015/2016. The return on investment increased to 23%.

The net result ended € 1.6 million above previous year which is also driven by an improved effective tax rate for the year. The base for revenue and operating income is comparable with prior year while net result includes € 0.2 million incidental costs – after tax – from discontinued operations in China. This facility was closed on December 31, 2016. The Chinese market is now served from Indonesia.

Please refer to page 13 for a complete overview of these developments relating to our strategic objectives.

REVENUE UP 5% – ALL FROM ORGANIC GROWTH

The 5% growth in third-party revenue was led by a 7% increase in the Americas from good economic development as well as new business. Asia also realized 7% growth due to factors including good economic development in Indonesia while Europe booked a more modest 3% growth where certain anticipated business losses were more than compensated by new business.

It is noteworthy that the USD currency translation hardly played a role this year, so the 5% growth for the group is all based on organic growth.

Revenue third-party euro mln	2016/2017	2015/2016	2014/2015	2013/2014	2012/2013
Europe	38.2	37.1	35.8	35.5	34.6
Americas	28.8	26.8	22.5	21.1	21.1
Asia	10.5	9.8	9.9	9.4	10.2
Total revenue third-party	77.5	73.7	68.2	66.0	65.9

REVENUE GROWTH IN EACH OF THE FOCUS SEGMENTS

We have sharpened the definition of our strategic markets in line with the reconfirmed strategy. The table below identifies the share of our strategic focus markets as part of the total business.

Revenue euro mln	2016/2017	2015/2016
Focus markets	69.5	66.0
Others	8.0	7.7
Revenue	77.5	73.7

It is of key importance that we realize growth in our re-confirmed and slightly re-defined strategic target markets. The B&C business was up 7% amongst others from new business at an existing account who outsourced their regular in-house color development work to Holland Colours to successfully establish a complete new product line. In Packaging we experienced a mixed bag: we had good results from recently launched products but also some business losses netting to a 2% growth over prior year. Last but not least, our liquid solutions to the Coatings, Elastomers and Adhesives markets realized 4% growth.

DEVELOPMENTS PER DIVISION

Please refer to the Worldmap (on page 21) for an overview of the key data per region in their functional currency and to Note 5, Segment Information, of the financial statements for the segment profitability in Euros. Please note that as of April 2016 the royalty fees as charged by Holland Colours NV to the Divisions were increased to reflect the overall industry standard. As such, the operating results are not comparable on a year-over-year basis. To understand the impact, we also refer to Note 5 of the financial statements.

Europe

About 50% of revenue growth in Europe was realized in B&C, despite a negative currency impact from the GBP. The Packaging segment stayed behind prior year. We are active to reverse this development by focusing on new products and business development. The Coatings, Elastomers and Adhesives segment performed well due to new business with existing customers and new accounts.
On the margin side, we experienced price pressure on certain raw materials which could be offset via efficiency gains in production and purchasing. As a result, the net margin as a percentage of sales ended almost at par with the previous year.
Operating expenses were up 4% on a comparable basis due to higher labor costs, mainly relating to the full-year effect of vacancies filled during the previous financial year.

Focus on product and business development

A significant amount of time was spent on the introduction of new products in the market, such as the new slip-agent and Holcomer III and on broadening of our carrier base. We furthermore followed the Caregiver approach with respect to cooperating with key customers in the Packaging industry to address new Non-Intentionally Added Substances (NIAS) regulations. Much time was spent on completing a new palette of colors for a flooring customer (also see page 42). The findings of the Activity Based Costing study have been applied on an ongoing basis, for example in making early assessments of the real potential of new business opportunities before starting extensive lab work to develop new colors.

Americas

For the sake of year-over-year comparison, the results of the Americas are presented and reviewed on a USD base.

The Division Americas showed excellent revenue growth last year, with all regions (USA, Canada, Mexico and Latam) contributing. Packaging was the segment in which the largest proportion of the increase was realized. The B&C segment also posted revenue growth, which was very much driven by the Canadian economy. The Coatings, Elastomers & Adhesives business contributed favorable, amongst others by a new account in Adhesives.
Net margin as % of sales ended ahead of last year, primarily owing to a favorable product mix. Operating expenses, on a comparable basis, ended 1% up on the previous year, mainly due to labor costs.

Focus on on-boarding new managers

Last calendar year we appointed three new members to the Divisional Management Team of which two have left the company for various reasons. The new recruitment process is in progress and in the meantime an interim Division Director has been appointed.

Asia

For the sake of year-over-year comparison, the results of the division Asia are presented and reviewed on a USD base.

Third-party revenue in the Asian region ended USD 0.7 million above the previous year despite some negative impact from the closing of our entity in China. Top-line growth was driven by stronger business in B&C. Packaging also did well, partly due to business gains on new products. Net margin as a percentage of sales ended somewhat below the previous year due to a change in product mix and some incidentals.
Operating expenses, on a comparable basis, ended 2% up on the previous year, mainly due to higher labor costs.

Work is ongoing in creating a new base

In September 2016, our Division Director Asia and co-founder of the company in Asia, Sylvia Kho-Pangkey, retired after 26 years of service to the company. Henri Jacobs, the Finance Director, is currently acting as interim General Manager. The on-boarding of the new Regional Sales and

Marketing Manager appointed in December 2016 is taking place according to plan with an initial focus on the review of our export strategy, including the approach to the Chinese market. The first steps have been taken towards implementing Activity Based Costing for this region as well.

EFFECTIVE TAX RATE

The effective tax rate came down to 24% versus an exceptionally high 36% in the previous financial year. The drop relates to the progression in the Dutch Innovation Box and a change in the corporate income tax law in the State of Indiana.

CAPITAL EXPENDITURES

Holland Colours spent € 3.6 million on capital projects in 2016/2017 compared to € 2.1 million in the year before. A significant part of the capital was spent on moving some of the Apeldoorn production capacity to Hungary and investing in new Holcoprill product lines in Apeldoorn. Through this move, we also extended the back-up possibilities in the event of production disruptions and improved the logistic flow in each factory.

The average level of capital expenditure over the past 5 years is € 2.2 million per year.

CASH FLOW AND FINANCE

Net cash flow stood at € 0.7 million compared to € 1.5 million in the previous year. This was impacted favorably by the improved operating result of € 1.5 million, lower tax payments (€ 0.2 million) and a further reduction of working capital by € 0.5 million (versus € 2.1 million reduction in the prior year).

Investment activity amounted to € 3.6 million versus € 2.1 million prior year. The incremental amount was driven by the capacity expansion and partial relocation of the Holcoprill equipment in and between Apeldoorn and Hungary, as well as improvements to the lab in Apeldoorn.

The last part of the term loan of € 1.1 million was paid off, versus € 2.2 million loan pay-off in the prior year. Overdraft facilities are the only credit lines remaining for Holland Colours at the end of March 2017. Solvency of the company is 73%.

NEW PRODUCTS

The innovation index includes the revenue on new products as developed by Holland Colours that have been commercially launched in the market during the past five years. Over 2016/2017, the index ended at 7% of total revenue compared to 5% in the prior year.

Please note that many products require lengthy approval routes and any sales during the approval period is 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. As an example, the High Temperature Vulcanization (HTV) color concentrate for silicone rubber applications was launched in 2010 and contributed to the index up to 2015 but is still a successful product in the market.

We launched several innovations in 2016/2017, with the most important ones listed below:

- Holcomer third generation for protection of dairy drinks in PET packaging (global launch);
- Slip agent for producing scratch-free premium preforms in a more economical way (region Europe);
- A palette of natural colors, The Natural Collection, was introduced to the Packaging market (region North America).

Current patent applications were continued during the 2016/2017 financial year.

Our pipeline is continuously filled with new ideas and project proposals.

MAKING CORPORATE SOCIAL RESPONSIBILITY A STRATEGY DRIVER

At Holland Colours we are dedicated to meet our customers' expectations of product performance. In our role as Caregiver, we also value our environment, human health and safety and promote social and economic development in the countries and communities in which we operate.

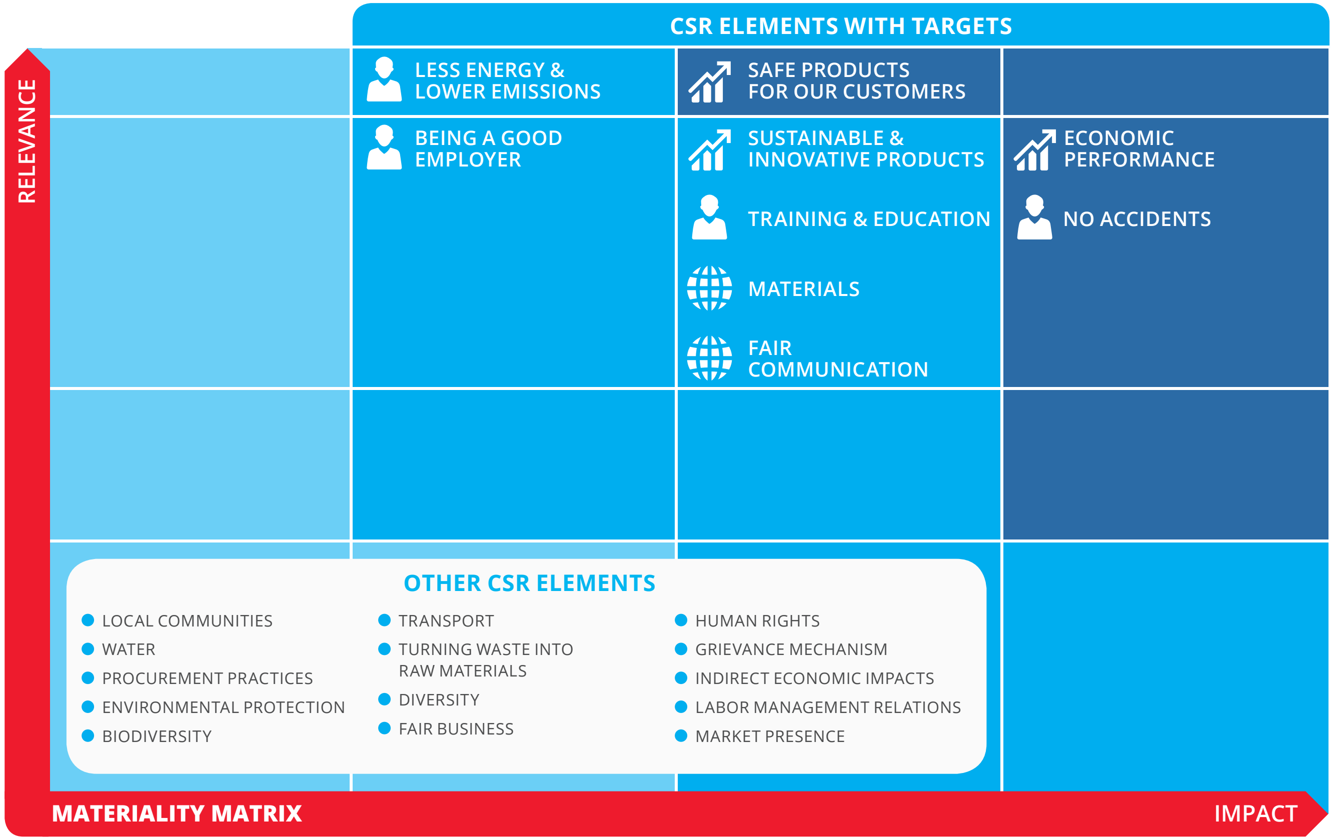
It is our belief that genuine Corporate Social Responsibility (CSR) is an integral element in ensuring business continuity and business success and consequently serves the interests of our internal and external stakeholders.

We carried out a materiality study four years ago in order to prioritize the various aspects that underpin a sustainable business operation. We have since then adopted and followed the guidelines of the Global Reporting Initiative (GRI) for measuring and communicating our Corporate Social Responsibility practices and policies.

We organized a stakeholder meeting involving customers, shareholders, suppliers and government agencies in June 2016. The feedback we received at this meeting – the first of its kind for Holland Colours – made us realize that we could be more active in communicating our accomplishments.

In addition, we re-conducted a materiality assessment to balance the most important topics for our stakeholders against the impact these subjects currently have on our business. The materiality matrix shown here presents the outcome of our 2017 materiality assessment. This will help us to focus on the right aspects of Corporate Social Responsibility. 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' as shown in the chart below. These aspects will be given our full attention. Other topics will be given less attention for various reasons, such as the relevance or progress already achieved.

Nevertheless, we assess our actions in all of these fields and report through GRI. The most recent report can be found on our website www.hollandcolours.com.



We have targets in place for several of the Corporate Social Responsibility elements, while we still need to set 2020 targets for a few others. These targets will be pursued by following a clear CSR strategy as part of our wider business and brand strategy. The CSR strategy will be further developed and rolled out in 2017/2018.

Note: The data in the tables below (including previous financial years) have been adjusted to account for the closing of the plant in China.

PEOPLE

NO ACCIDENTS

We believe in fostering a safe and healthy working environment for our employees. 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	2016/ 2017	2015/ 2016	2014/ 2015
Near accidents	10	3	7
Accidents	3	0	1

Our approach unfortunately did not lead to the expected results this year, with three lost time accidents occurring despite all the precautions. This brought the previous declining trend to an end. We are committed to taking effective measures to reach our zero-accidents goal. We will continue supporting this with investments where needed and we will raise general safety awareness across all functions.

TRAINING AND EDUCATION

We strongly believe in training and education. In order to be successful in the markets we serve, we need a skilled workforce that can translate the changing needs of the markets and always unique color requests into the products and services we deliver. We secure these skills by hiring at the right levels and by providing training on the job, in combination with third-party education when relevant.

Inneke Indriati of Holland Colours Surabaya – Indonesia is an excellent example. She joined our company as Lab Manager in 1992. She then became our R&D Manager, followed by R&D & Quality Compliance Manager. But we saw even greater potential in her, so we gave her the opportunity to study for an MBA, which she successfully completed in February 2015. Today she is our Operations Manager. 'Holland Colours gave me the opportunity to grow,' she says.

BEING A GOOD EMPLOYER

Holland Colours provides employment on a global basis. And 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 by country depending on local pay rates, legislation, and culture. We are committed to being an all-round good employer.

Ever since our foundation in 1979, all Holland Colours employees with a permanent contract have participated in a profit-sharing plan. The amounts paid vary in line with both the Group's results and those of the Division in which the employee works. When profit sharing applies, a part of this is paid in Holland Pigments shares.

ENERGY AND EMISSIONS

We strive to achieve an annual reduction of 2% in the use of CO_2 per kilogram of end product. As our production processes hardly produce any greenhouse gasses, our policy on energy efficiency focuses on the indirect emissions. The majority of the indirect emissions originates from the usage of natural gas and electricity, mainly for the temperature control of office and production facilities.

CO_2 in tons	2016/ 2017	2015/ 2016	2014/ 2015
Scope 1 – Direct emissions	812	721	834
Scope 2 – Indirect emissions	5,004	4,532	4,551
Scope 3 – Other emissions	982	909	865
Total	6,798	6,162	6,250

CO_2 emissions	2016/ 2017	2015/ 2016	2014/ 2015
CO_2 emissions per kg product	710	671	692

The previous decreasing trend has come to an end with this year's figures. We will closely track future developments in this field and aim at reducing them.

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 processing of products. This has a plural benefit: many top-grade colorants are expensive, so reusing them saves money, boosts our efficiency and avoids the environmental impact that would otherwise result from them being thrown away.

Waste in tons	2016/ 2017	2015/ 2016	2014/ 2015
Product waste	296	220	243
Cleaning waste	176	156	179
Packaging waste	287	259	186
Other waste	79	73	69
Total	838	707	677

The higher waste figure in 2016/2017 goes hand in hand with the one off extra reduction of obsolete stock and the increase in production volume.

PROFIT

ECONOMIC PERFORMANCE

Holland Colours believes CSR 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' was not on most people's minds. Despite this, we introduced a highly concentrated, dust-free product, our 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 Building and Construction. Holcobatch® and all our other color granules that were introduced at a later stage are more advanced. They feature specific concentrations of pigments and additives, but the key difference is that these are all encapsulated by a renewable sourced product – different from competitive products that use a polymer. This is why we can say that at Holland Colours sustainability and economic performance have gone hand in hand 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 solutions and anticipate and meet their needs. Earning and keeping the trust of our customers is the foundation for this. It forms the basis for our existence. We give our customers peace of mind by reassuring them that the products they buy are safe for their process workers.

The dedicated Product Stewardship departments at our facilities oversee regulatory compliance for our entire product range. They communicate with customers, suppliers, and officials in order to ensure that correct declarations are issued according to relevant regulations. This includes both SDS (Safety Datasheet), RoHS (Restriction of Hazardous Substances), European and FDA (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.

CUSTOMERS DEMAND SUSTAINABLE AND INNOVATIVE PRODUCTS

We bring new products and solutions to the market by focusing on our areas of expertise and 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 add to the recyclability of the end products whenever possible. However, as the percentage of colorants in the final products is relatively low, our impact is limited.

The main cause of unsightly scratched and scuffed PET bottles is not handling at the point of sale, but during production and transport – particularly at the moment when a preform is released from the molding machine. Friction causes the preforms to stick a little, which causes small marks. These marks then scale up proportionally when the preform is later blown into a bottle. Holland Colours' Holcoslip for PET ensures the preforms release more easily. This reduces scratching and scuffing and consequently in turn reduces the number of rejected bottles, i.e. waste. A further benefit of using Holcoslip is that it makes it possible to store around 10% more preforms in every bin, which cuts both storage and transportation costs and emissions.

PLANET

RAW MATERIALS

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

By targeting new markets with different needs, we are required to offer a different range of products. Our products – made of renewable or bio-based materials – are not always suitable for these new applications. Offering quality to our customers remains our number one goal. This is why in some cases we had to compromize by using classic alternatives. The increase in raw materials is explained by an increase in production volume and the trend of smaller batches per order.

Raw materials in tons	2016/2017	2015/2016	2014/2015
Carrier materials and additives	1,683	1,606	1,671
Colorants	4,771	4,445	4,270
Other non-renewable materials	1,333	961	792
Total renewable raw materials for production	2,721	2,760	2,562
Total	10,508	9,772	9,295

HONEST COMMUNICATIONS

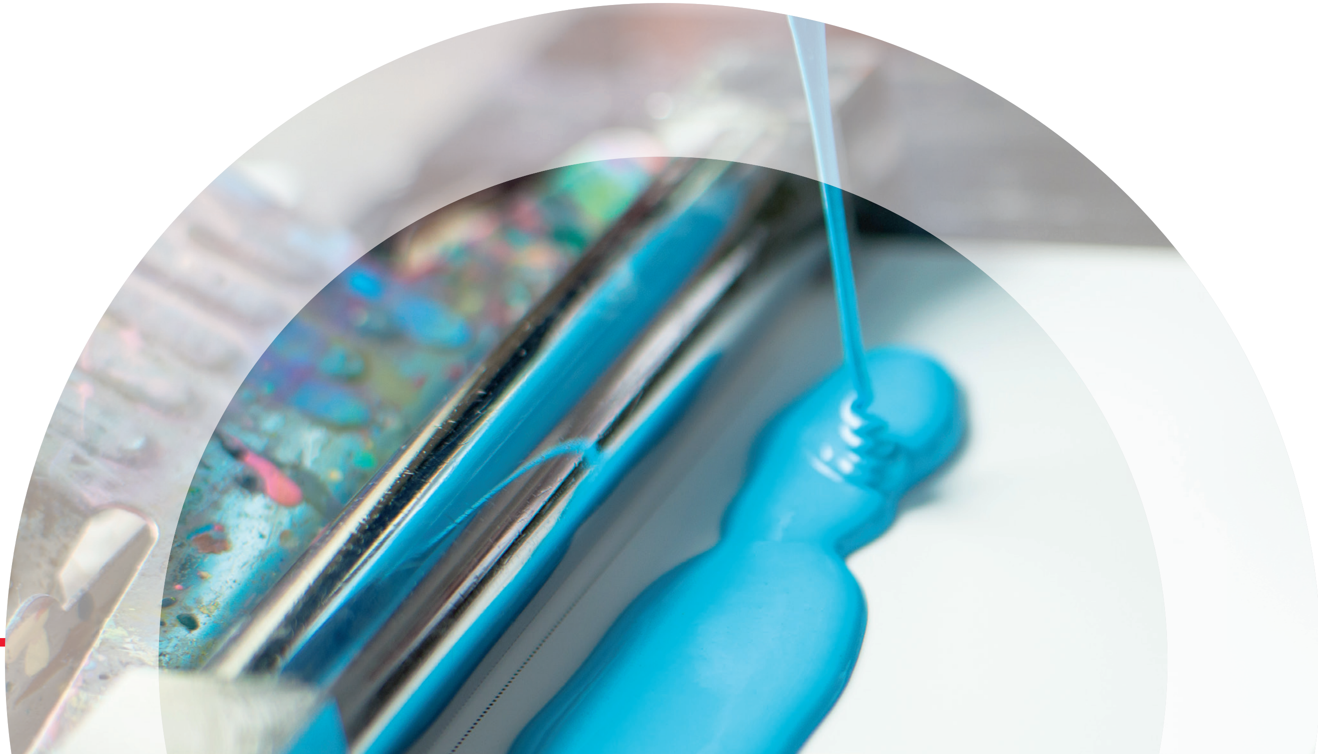
Open and honest communication about our products and the added value they provide is key. We help customers when necessary to use our products more efficiently and provide them with detailed documentation. It is furthermore vital to listen to our customers' needs through regular contact and surveys.

In the run-up to the launch of our new product line for polyolefins, we have been conducting face-to-face interviews with customers and prospects. This enables us to understand the existing needs of the market and to analyze current and future trends, which will help us ensure that our new product line addresses the important issues.

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 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 partnership.

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 updated strategy is well focused, stays close to an already 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 to bridge 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' behaviors.

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

All 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 2016/2017 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 a risk management session with senior managers to re-assess the potential risks to our company's future, culture, strategy and the chosen CSR values. We set a 5-year horizon for this process.

Each participant submitted as many risks as they saw applicable in the form of a description of the risk, the reasons it might materialize and the consequences for Holland Colours if it were to occur. The risk definitions were discussed in a plenary session, facilitated by a risk management consultant from BDO. The voting on impact and likelihood of the collectively defined risks was done digitally and on an individual basis with a feedback session on outliers in the voting patterns. The team then jointly decided on the top risks we should focus on. The summary below captures the main risks identified and discussed, summarized along four main categories, followed by our conclusion:

- Strategic
- Compliance
- Financial
- Operational

STRATEGIC

These risks refer to elements or trends that could hinder us in reaching 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 (environmental legislation, REACH, FDA, NIAS). The risk is that Holland Colours is (or is perceived as being) too small to handle 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). As part of the strategic re-focus, 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. Please refer to the New Products paragraph. In order to stay aligned with market needs during the sometimes long development phases, we make use of the stage-gate process.

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 provides both challenges and opportunities for smaller players like Holland Colours who do have a global reach serving niche markets from a Caregiver approach. Additionally, apart from North America, we still see limited concentration trends on 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. Lastly, we experience the impact of supplier consolidation, which drives up the cost of our raw materials. In some cases we are able to reformulate our products yet 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 thin while at the same time being unable to reach local markets. We believe that with the different go-to-market models we spread 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 different 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 past 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. Please refer to the Corporate Social Responsibility paragraph to read about the measures in place to safeguard a safe environment to work 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 point of view, 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 we are valued for our active approach to find solutions. This is done by either re-formulating 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 learn from any incidents that occur. The complaints registration and handling system has been given outstanding notes 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 complaint 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 paragraph 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. Currently there is no need for long-term funding as needs for capital investments, changes in operating working capital and dividend payments are typically covered by the operational cash flow supported by current account credit facilities in the various regions.

OPERATIONAL

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

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

We have therefore appointed an experienced Global Marketing Director in the Executive Management Team who sees to it that we follow a structured approach in new product launches, that we dare to talk about successes and improve the sharing of important market information.

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 the size and global reach of Holland Colours, to find and successfully on-board new directors. This process does have 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

The strategy update resulted in a project portfolio of nine global and ten divisional projects, aimed at either sales growth and/or operational excellence. The risk of ineffective execution has been mitigated by installing a Project Management Office (PMO) combined with formal project management training. The project sponsor typically is a member of the divisional or global 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 sees to it 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 certainty or any kind of guarantee with respect to the realization 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 certainty that the financial reporting does not contain any material misstatements.
- The risk management and control systems performed 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 30, 2017

Board of Management Holland Colours NV
Rob Harmsen
Margret Kleinsman

CORE VALUES

ACCOUNTABILITY

COMPETENCE

PRO-ACTIVENESS

RESPONSIBILITY

TEAMWORK

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

THE NATURAL COLLECTION: A BREAKTHROUGH IN ECO-FRIENDLY PACKAGING MATERIAL

Holland Colours has been ahead of the curve in bio-responsibility by using renewably sourced carriers. A logical step in taking care of our customers and the earth was to find fully non-petroleum based products to produce beautiful colorants for the Packaging market.

Through a broad team effort of several departments within Holland Colours Americas, Richmond, we were able to create The Natural Collection. This collection not only offers a visually impressive, non-petroleum-based colorant pallet, but handles well with a low-dosing rate just like other Holcobatch® and Holcoprill offerings. The Natural Collection combines easy processing with taking care of the earth.

CORPORATE GOVERNANCE

GOVERNANCE CODE

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 to give due consideration to the interests of all those involved, focusing on the continuity of the company and the creation of shareholder value, both now and in the longer run. The internal risk management and control systems play an important role in this. For a description of these systems, please refer to the section on Risk Management.

Holland Colours is committed to doing business fairly and ethically, complies with the law and ensures that every employee and business partner is treated with respect. Therefore, Holland Colours has drafted a Code of Conduct that includes key rules for ethical behavior, including strict compliance with legislation. The Code furthermore focuses on guidelines that regulate unfair competition and compliance with anti-corruption legislation, honest and timely publication of information, dealing responsibly with suppliers, responsible conduct at work and corporate social responsibility. The Code also states the conditions for a safe and healthy work environment, and business integrity, honest business dealings without bribery, corruption, and fraud. Holland Colours has a global whistleblower policy in place.

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 (www. commissiecorporategovernance.nl).

In 2016, the Monitoring Committee worked on an update to the Dutch Corporate Governance Code, which was published on December 8, 2016 and will be effective as of the financial year 2017/2018. Holland Colours will ensure its continued compliance with the Dutch Corporate Governance Code. In general terms, Holland Colours complies with the provisions of the Dutch Corporate Governance Code. For instance, a Remuneration Committee and an Audit Committee were appointed since the Supervisory Board consists of five members.

Information on the members of the Supervisory Council as well as 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.
The deviation from the Code relate to the subjects outlined below.

BOARD OF MANAGEMENT

The Dutch Corporate Governance Code states that the key elements in the contracts of managing directors of the company must be published on conclusion without delay. In deviation from this and in accordance with the historical policy of Holland Colours, information about a new director is published in the annual report. The remuneration policy for the Board of Management for the reporting year was formulated by the Supervisory Board as a whole and is further described in Note 26 to the financial statements (page 71). Holland Colours does not offer remuneration in the form of options. The provisions governing options therefore 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 appoint one member of the Supervisory Board. The General Meeting of Shareholders may revoke the binding nature of this right of appointment with a majority of at least two-thirds of the votes casted, which votes must represent more than half of the issued capital.

In the financial year 2016/2017 the Supervisory Board appointed a Remuneration Committee and an Audit Committee. In deviation of Article III.5.6., 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 exercised by the full Supervisory Board. The remuneration of the members of the Supervisory Board is determined by the General Meeting of Shareholders.

COMPANY SECRETARY

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

CONFLICTS OF INTEREST

These provisions are observed and implemented in spirit, given the special position of Holland Pigments BV as a holding company in which all employees of the worldwide Holland Colours Group participate. In line with the Dutch Corporate Governance Code, 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 simultaneously attend meetings with investors, analysts, presentations and press conferences is not observed. All relevant information is, of course, immediately published on the company's website. Any substantial changes to the policy regarding the Dutch Corporate Governance Code are submitted to the General Meeting of Shareholders.

The General Meeting of Shareholders of July 7, 2016 authorized the Board of Management to acquire shares in the company for a period of 18 months, i.e., up to January 7, 2018, other than for no consideration and 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 the www.hollandcolours.com website. Here you will find further information, including the profile, regulation and schedule of retirement by rotation for the Supervisory Board, regulations of the audit or remuneration committee, the company's Articles of Association, the whistleblower policy, the regulation on ownership and transactions in shares and other financial instruments, and the minutes of the General Meeting of Shareholders.

PREVENTION OF INSIDER TRADING

In compliance with the Dutch Financial Supervision Act, Holland Colours has instituted a directive 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 this directive as far as applicable.

This directive applies to the Supervisory Board, the Board of Management, Division Directors and local managers and a wide circle of employees, as well as to a number of advisers. The Central Officer maintains a register, supervises compliance with the directive, and maintains contact with the Netherlands Authority for the Financial Markets (AFM).

THE MANAGEMENT AND SUPERVISION (PUBLIC AND PRIVATE COMPANIES) ACT

This Act includes a provision regarding a balanced composition of men and women in Boards of Management and Supervisory Boards. Holland Colours strongly values diversity and endeavors to reflect this in its Board composition. The Board of Management consists of a female and a male member, and thus fully complies with the Act's provision that at least 30% of the positions should be held by women and at least 30% by men.
The company also aims to adhere to this provision with respect to the Supervisory Board. A first step to become compliant was taken by the appointment of Aukje Doornbos as a member of the Supervisory Board in 2015. When searching for a new member the provision will be taken into account, although any candidate must meet the requirements.

INTERESTS OF SUPERVISORY BOARD MEMBERS AND MEMBERS OF THE BOARD OF MANAGEMENT

As at March 31, 2017, the Supervisory Board members and the members of the Executive Management Team own the following shareholdings, which are held as long-term investments:

	March 31, 2017	March 31, 2016
In Holland Colours NV		
Supervisory Board members	5.00%	5.00%
Rob Harmsen	0.12%	0.12%
Margret Kleinsman	0.00%	0.00%
Other members of the Executive Management Team	0.00%	0.00%
In Holland Pigments BV		
Supervisory Board members	1.43%	1.81%
Rob Harmsen	0.18%	0.00%
Margret Kleinsman	0.10%	0.05%
Other members of the Executive Management Team	0.59%	8.71%

CORE VALUES

ACCOUNTABILITY

COMPETENCE

PRO-ACTIVENESS

RESPONSIBILITY

TEAMWORK

EMBRACING OUR SOCIAL RESPONSIBILTY

At Holland Colours we consider it important to support the environment and the social wellbeing of people in the direct proximity of Holland Colours. Already for a number of years our employees are involved in projects to support the local community or environment.

The start of this year's Corporate Social Responsibility (CSR) activity of Holland Colours Asia (Indonesia) was done by asking employees to nominate projects that meet our CSR criteria and can be supported by Holland Colours Asia. Every year a relatively long list of possible CSR activities is brought forward, and this year too there was a wide variety in projects.

For 2016/2017 a project in Waru was selected, a district of Desa Berbek, the neighboring village. They were in need of additional waste bins, to prevent waste from ending up on the street, unused land or in the river that flows along the borders of the district. After collection the waste is sorted and – when possible – recycled and the remaining waste is sent to an incinerator.

Eighty drums with the Holland Colours logo were handed over to the district head by a delegation of Holland Colours Asia

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

COLORING YOUR SUCCESS

REPORT OF THE SUPERVISORY BOARD

SUPERVISORY BOARD

From left to right: • 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 Eurotech Group BV Supervisory Board and Member of Clean Lease International BV Supervisory Board.• A.R. Doornbos (1979), Dutch citizen. President & Business Unit Director DSM Functional Materials. 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.D. Kleyn (1949), Dutch citizen. Lawyer. Member since 2011; current (second) term to 2017. Additional positions: Member of the Foundation Het Grachtenhuis NV Board of Trustees, Member of M&A Course VU Law Centre Management Board, Chairman of Impatients NV. • J.W. de Heer (1961), Dutch citizen. Managing Director Victron UPS (Thailand) Co., Ltd. Member since 2010; current (second) term to 2018. Appointed under nomination of Holland Pigments BV. Additional positions: Director of ELNED Holding BV and Director of TECNED BV.

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 BOARD

There were no changes in the composition of the Supervisory Board during the past financial year. The second term for Johan Kleyn ends in July 2017 and he will consequently step down from the Supervisory Board at that time. His specialist knowledge and broad experience have been instrumental to the Supervisory Board's functioning and the company's development over the past years. We are extremely grateful to Johan Kleyn for his outstanding contribution to our board. The general intention is to reduce the number of seats on the Supervisory Board given the company's size. The Supervisory Board has, however, decided to begin recruiting a new board member to fill the vacant seat at this time in order to ensure both an adequate number of experienced board members and sufficient overlap. In addition, the Supervisory Board wishes to strengthen the level of specific industrial experience on the board.

MEETINGS

The Supervisory Board met six 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 items 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, usually prior to its meetings with the Board of Management. The Chairman furthermore visited Holland Colours Asia to meet with its local board members and management team.

Between the periodic meetings, the Supervisory Board had frequent conference calls with the Board of Management to discuss the interim results and the progress being made with respect to important projects.

DEVELOPMENT AND STRATEGY

The company benefitted from the fact that demand for its products in the major markets in which it operates was clearly better than in the previous year.

We strongly believe that achieving a substantially higher revenue level is of key strategic importance, also with a view to safeguarding the company's independent status. This higher revenue level should be attained through the development of new technology and commercial success in selling it in corresponding markets. This is a process that requires investments in R&D and the commercial organization.

Culture is a crucial aspect for a company such as Holland Colours, in which all its employees and founders hold a majority of the share capital. Also we attract 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 advised the Supervisory Board that the appointment of an internal auditor is not necessary.

The Audit Committee discussed the Management Letter with the auditor. In this letter, that is prepared on an annual basis, the auditor reports their findings on the company's administrative organization and internal controls where it relates to the financial reporting. Per the auditor, there were no items in this Management Letter that were qualified as high risk. A few areas of improvement were mentioned. These 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 early in the past financial year to evaluate its own performance and the manner in which the 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 method of operation are established in the Regulations for the Supervisory Board. The profile required of Supervisory Board members and a schedule of retirement have also been established. These documents are available on the Holland Colours website. The Dutch Management & Supervision Act stipulates that there must be a balanced allocation of seats between men and women on the Supervisory Board. Diversity will again be taken into consideration for future appointments, although quality will remain the most important criterion. In accordance with provision III.2.2 of the Dutch Corporate Governance Code, all the 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 decided, in line with the Corporate Governance Code, to appoint an Audit Committee and Remuneration Committee. Both committees have taken up their duties in the past financial year. The relevant regulations have been amended accordingly. 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 realization 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. A 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 on page 71 of the financial statements.

EXTERNAL AUDITOR

PricewaterhouseCoopers Accountants NV (PwC Accountants) was appointed as the company's external auditor for a term of three years at the General Meeting of Shareholders held in 2014. The Supervisory Board is of the opinion that the 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 engagement of the auditor for non-audit related services.

ANNUAL REPORT AND DIVIDEND PROPOSAL

The company's annual report, as presented, contains the financial statements for the 2016/2017 financial year. The financial statements have been audited by PwC Accountants and an unqualified auditor's report has been attached. This auditor's report is included on page 83 of this report. The Supervisory Board discussed and approved the annual report, the financial statements and the auditor's report at its meeting of May 30, 2017 in the presence of the Board of Management and the external 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 give 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 € 3.01 per share. We moreover recommend to the shareholders to approve off and grant discharge to the Board of Management for the fulfillment of their tasks and to the Supervisory Board for their 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 the employees of Holland Colours are indirect 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.

We want to thank all the employees of Holland Colours for their efforts and performance that 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 and wish to express our confidence in the strategy pursued by the Board of Management.

Apeldoorn, May 30, 2017

The Supervisory Board
R. Zoomers, Chair
J.W. de Heer, Vice-Chair
A.R. Doornbos
M.G.R. Kemper
J.D. Kleyn

CORE VALUES

ACCOUNTABILITY

COMPETENCE

PRO-ACTIVENESS

RESPONSIBILITY

TEAMWORK

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

WITH GOOD TEAMWORK, NO CHALLENGE IS TOO GREAT

Our customer, a global provider of premium commercial and residential floor coverings decided to start the manufacturing of homogeneous flooring in-house. They were considering three options: working with dry pigments, with a masterbatch, or with our Holcoprill.

Given the urgency of the project, we had only 24 hours to prove that Holcoprill from Holland Colours was the right choice. We pointed to our expertise, the color strength of our product and other benefits like less waste, less cleaning and easy handling.

Their plan was to start with 12 to 15 so called 'mother' colorants to give them maximum flexibility to make their own colors. But the reproduction of the colors turned out to be a challenge. Together, we worked it out.

We agreed that we would mix their entire color palette in-house at Holland Colours, with them doing only the final dosing. Not only did we offer our customer's convenience, but this also eliminated the need for expensive enhancements in their own color kitchen. To help us better translate their color ideas into our terminology, we worked together extensively to develop the various colors in time for the launch of their new flooring collection. Together with our customer, we worked to achieve one common goal: to color their success!

HCA
HOLLAND COLOURS

COLORING YOUR SUCCESS

FINANCIAL STATEMENTS

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CONSOLIDATED

INCOME STATEMENT

FOR THE FINANCIAL YEAR ENDED MARCH 31, 2017

In thousands of euros	Note	April 1, 2016/ March 31, 2017		April 1, 2015/ March 31, 2016	
Revenue			77,485		73,732
Direct Selling Cost and Raw Materials			(39,437)		(38,322)
Changes in Finished Product			38		58
Net Margin			**38,086**		**35,468**
Personnel Expenses	6	(17,700)		(16,810)	
Amortization and Impairments	11	(125)		(116)	
Depreciation and Impairments	12	(1,777)		(1,911)	
Other Operating Expenses	7	(11,251)		(10,883)	
Total Operating Expenses			(30,853)		(29,720)
Operating Result			**7,234**		**5,748**
Finance Income	8	47		156	
Finance Expense	8	(190)		(289)	
Finance Income and Expense			(143)		(133)
Result Before Income Tax			7,091		5,615
Income Tax	9		(1,699)		(1,998)
Net Result from continuing operations			**5,392**		**3,617**
Discontinued operations, after Tax	10		(212)		–
Net Result after discontinued operations			**5,180**		**3,617**
Attributable to:					
• Shareholders of the Company			5,190		3,643
• Non-controlling Interest	20		(10)		(26)
			5,180		3,617
Earnings Per Share in Euros					
Average Number of Shares Issued	19		860,351		860,351
Earnings per Share			6.03		4.23

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

CONSOLIDATED

STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED MARCH 31, 2017

In thousands of euros	Note	April 1, 2016/ March 31, 2017		April 1, 2015/ March 31, 2016	
Net Result			5,180		3,617
Items that will not be reclassified to the Income Statement					
Actuarial results on Employee Benefits, after Tax	22	(36)		6	
Other comprehensive income that could in future be classified to the income statement					
Foreign Currency Translation Differences	18	467		(657)	
Change in Net Investment Hedge, after Tax	18	–		54	
Change in Cash Flow Hedge, after Tax	18	63		56	
Other Comprehensive Income and Expenses			495		(541)
Total Comprehensive Income after Income Tax			**5,675**		**3,076**
Attributable to:					
• Shareholders of the Company			5,685		3,103
• Non-controlling Interest	20		(10)		(27)
			5,675		**3,076**

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

CONSOLIDATED

BALANCE SHEET

FOR THE FINANCIAL YEAR ENDED MARCH 31, 2017

In thousands of euros	Note	April 1, 2016/ March 31, 2017	April 1, 2015/ March 31, 2016
Non-Current Assets			
Intangible Assets	11	437	376
Property, Plant and Equipment	12	16,705	14,940
Deferred Tax Assets	13	2,173	1,859
		19,315	**17,175**
Current Assets			
Inventory	14	8,695	7,958
Trade and Other Receivables	15	13,624	13,197
Income Tax Receivables		258	159
Cash and Cash Equivalents	16	7,515	6,791
		30,091	**28,105**
Total Assets		**49,406**	**45,280**

In thousands of euros	Note	April 1, 2016/ March 31, 2017	April 1, 2015/ March 31, 2016
Equity			
Share Capital	17	1,953	1,953
Share Premium Reserve		1,219	1,219
Other Reserves	18	854	280
Retained Earnings		31,849	28,589
Equity Attributable to Shareholders of the Company		35,875	32,041
Non-Controlling Interest	20	7	16
Total Equity		**35,882**	**32,057**
Non-Current Liabilities			
Long-Term Debt	21	–	875
Employee Benefit Obligations	22	1,264	1,190
Deferred Tax Liabilities	13	–	38
Derivative Financial Instruments	23	–	79
		1,264	**2,182**
Current Liabilities			
Credit Institutions	16	–	–
Repayment Obligations for Long-Term Debt	21	–	250
Trade and Other Payables	24	11,874	10,451
Income Tax Liabilities		186	84
Employee Benefit Obligations	22	200	256
		12,260	**11,041**
Total Equity and Liabilities		**49,406**	**45,280**

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

CONSOLIDATED

STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED MARCH 31, 2017

In thousands of euros	Equity attributable to Shareholders of the Company								
	Share Capital	Share Premium Reserve	Foreign Currency Translation Reserve	Hedge Reserve	Reserve for Intangible Assets	Retained Earnings	Total	Non-Controlling Interest	Total Equity
As at March 31, 2015	1,953	1,219	1,001	(526)	343	26,669	30,659	43	30,702
Net Result for the 2015/2016 Financial Year	–	–	–	–	–	3,643	3,643	(26)	3,617
Other Comprehensive Income	–	–	(656)	110	–	6	(540)	(1)	(541)
Total Comprehensive Income	–	–	(656)	110	–	3,649	3,103	(27)	3,076
Transfer of Reserve for Intangible Assets	–	–	–	–	8	(8)	–	–	–
Change of Capital	–	–	–	–	–	–	–	–	–
Dividends for 2014/2015	–	–	–	–	–	(1,721)	(1,721)	–	(1,721)
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)	495	–	495
Total Comprehensive Income	–	–	467	63	–	5,154	5,684	(10)	5,674
Transfer of Reserve for Intangible Assets	–	–	–	–	44	(44)	–	–	–
Change of Capital	–	–	–	–	–	–	–	–	–
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	7	35,882

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

CONSOLIDATED

CASH FLOW STATEMENT

FOR THE FINANCIAL YEAR ENDED MARCH 31, 2017

In thousands of euros	Note	April 1, 2016/ March 31, 2017	April 1, 2015/ March 31, 2016
Operating Result		7,234	5,748
Adjustments for:			
• Amortization of Intangible Assets and Impairments	11	125	116
• Depreciation of Property, Plant and Equipment and Impairments	12	1,791	1,911
• Changes in Provisions	22	(32)	(92)
• Exchange-rate Differences		(113)	155
Cash flow from Operating Activities before Changes in Working Capital, Tax and Interest		**9,004**	**7,683**
Changes in Working Capital		273	2,105
Income Tax Paid		(1,732)	(1,970)
Interest Received and Paid		(101)	(174)
Cash Flow from Operating Activities from continuing operations		**7,444**	**7,644**
Cash Flow from Operating Activities from discontinued operations	10	(269)	–
Cash Flow from Operating Activities		**7,175**	**7,644**

In thousands of euros	Note	April 1, 2016/ March 31, 2017	April 1, 2015/ March 31, 2016
Proceeds from Asset Disposals	12	1	17
Capital Expenditures in Intangible Assets	11	(184)	(128)
Capital Expenditures in Property, Plant and Equipment	12	(3,389)	(1,969)
Receipts from Financial Non-Current Assets	12	–	231
Cash flow from Investment Activities		**(3,572)**	**(1,694)**
Dividend Paid		(1,850)	(1,721)
Repayment of Long-term Finance	21	(1,125)	(2,484)
Settlement of Derivatives		(48)	–
Cash Flow from Financing Activities		**(3,023)**	**(4,205)**
Exchange-rate and Translation Differences on Cash and Cash Equivalents		144	(259)
Net Cash Flow		**724**	**1,486**
Cash and Cash Equivalents as at April 1		6,791	5,305
Cash and Cash Equivalents as at March 31		7,515	6,791
Net Cash Flow	16	**724**	**1,486**

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 holding 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. 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 2016/2017 consolidated financial statements were discussed in the Supervisory Board meeting on May 30, 2017, and released for publication on the same day. The financial statements will be presented for approval to the General Meeting of Shareholders on July 11, 2017.

The Company financial statements form part of the 2016/2017 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.

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.

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 2016/2017 financial year. The changes in the IFRS standards shown in the table below are effective from April 1, 2016. These changes do not have a material effect on the Total Equity attributable to shareholders or profit of the Group.

IFRS	Topic	Effective date
Amendments to IAS 1	Disclosure Initiative	January 1, 2016
Amendments IAS 16 en IAS 38	Clarification of Acceptable Methods of Depreciation and Amortization	January 1, 2016
Amendments to IAS 27	Equity method in separate financial statements	January 1, 2016
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	January 1, 2016
Amendments to IFRS 11	Accounting for Acquisitions of Interest in Joint Operations	January 1, 2016
Amendments to 10, FRS 12 and IAS 28	Investment Entities: Applying the Consolidation Exception	January 1, 2016
Amendments to IFRSs	Annual Improvements to IFRSs 2010-2014 cycle	January 1, 2016

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 9	Financial Instruments	January 1, 2018
IFRS 15	Revenue from Contracts with Customers	January 1, 2018
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 initial assessment done by the Group shows that there is a limited impact on the consolidated financial statements of the Group. A more detailed assessment will be made in the coming years. 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 as 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 initial assessment performed by the Group shows that there is a limited impact on the consolidated financial statements of the Group. A more detailed assessment will be made in the coming years. The Group will adopt the standards for the financial year beginning as of April 1, 2018.

IFRS 16 replaces the current accounting standards regarding to leases and demands an on-balance sheet accounting model, 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 impact certain financial key figures.

The standard applies on the annual reporting periods beginning on or after January 1, 2019, with earlier adoption permitted. Transition options to apply are either a full retrospective approach or a modified retrospective approach. The Group did not yet make the decision. The impact on the consolidated financial statements of the Group is to be analyzed in the coming years.

Finally, the Group has not applied the following new and revised IFRSs that have been issued and are effective as of April 1, 2017.

IFRS	Topic	Effective date
Amendments to IAS 7	Disclosure initiative	January 1, 2017
Amendments to IAS 12	Recognition of Deferred Tax Assets for Unrealized Losses	January 1, 2017

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

Consolidation Principles

The Company's consolidated financial statements for the 2016/2017 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 majority of the financial statements prepared by the subsidiary companies are for the same reporting year as that of the parent Company, with application of consistent valuation principles. The exceptions are the financial statements of the entities in Mexico and China. These will be drawn up for a calendar year based on the same valuation principles. 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***	85%

There were no changes to the consolidation Group from the 2015/2016 financial year.

Holland Colours NV and PT Holland Colours Asia jointly own 85% of the shares in PT Holco Indo Jaya while the Italy-based Gaypa Srl holds the remaining 15%. 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 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

* Regarding the subsidiary in PT Holland Colours Asia in Indonesia, Holland Pigments BV holds 1% of the legal ownership. Full beneficial 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 35% of the legal and economic ownership and Holland Colours NV holds 50% of the legal and economic ownership.

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, 2017	March 31, 2016	2016/ 2017	2015/ 2016
US dollar	1.09	1.12	1.10	1.10
British pound	0.86	0.79	0.84	0.73
Canadian dollar	1.43	1.47	1.44	1.45
Chinese yuan	7.37	7.33	7.37	6.99
Mexican peso	19.9	19.5	21.1	18.3

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.

The hedging of risks is classified as follows:

Cash Flow Hedge

The Group applied hedge accounting to interest rate contracts. Where specific conditions are met (IAS 39), Cash Flow Hedge accounting can be applied. Briefly, these specific conditions state that a demonstrable one-to-one relationship must exist between the variability of cash flows caused by a certain risk relating to an entered asset or liability, that this relationship must be documented and that the hedge must be sufficiently effective. In such a situation, the gain or loss is stated directly in the consolidated statement of Other Comprehensive Income during the term of the risk and the hedge instrument. When hedge accounting is applied, a Cash Flow Hedge Reserve is formed in equity. This hedge reserve is reduced by the deferred tax applicable. If the hedge instrument expires or is sold, terminated or exercised, without replacement, or if its designation as a hedge is revoked, any accumulated gain or loss initially included in the unrealized results will remain in the unrealized results of the hedge reserve until the expected transaction or agreed commitment takes place. At that time, the hedged transaction is recognized in the Income Statement and the transfer from Equity to the Income Statement is effectuated. Cash Flow Hedge accounting is not applied to currency contracts. Gains or losses on these hedge instruments are therefore presented in the Income Statement under Finance Income and Expense.

Hedging a net investment

Hedges of net capital expenditures in foreign operations are treated in a similar way to Cash Flow Hedges. A gain or a loss on the effective portion of the hedge instrument is recognized in the statement of Other Comprehensive Income; the gain or loss on the ineffective portion is recognized immediately in the Income Statement under Other Operating Expenses.

Gains and losses accumulated in the statement of Other Comprehensive Income are recognized in the Income Statement at the time of the full or partial closure or sale of the foreign operation.

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 deferred tax.

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. 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.

Given the huge diversity of international business relations, 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.

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% (2015/2016 3.7%) 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, 2017, 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 profit before tax and the equity (including translation effects) to both the US dollar and the British pound, with all other variables remaining constant:

	2016/2017		2015/2016	
	Increase EUR-USD 10%	Decrease EUR-USD 10%	Increase EUR-USD 10%	Decrease EUR-USD 10%
Net Result	(890)	990	(849)	911
Equity	(2,605)	2,705	(2,341)	2,268
	Increase EUR-GBP 10%	Decrease EUR-GBP 10%	Increase EUR-GBP 10%	Decrease EUR-GBP 10%
Net Result	(283)	283	(298)	297
Equity	(307)	307	(269)	265

In relative terms, the various foreign currencies affected the Group's net sales and expenses as follows:

	Revenue		Expenses	
	2016/2017	2015/2016	2016/2017	2015/2016
Euro	44%	43%	50%	49%
US dollar	36%	37%	35%	35%
British pound	5%	6%	2%	2%
Other	15%	14%	13%	14%
Total	100%	100%	100%	100%

The exchange rate differences recognized in the Income Statement under note 7: Other Operating Expenses in 2016/2017 were € 123 (2015/2016: € 305).

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, € 21,190 (March 31, 2016: € 19,854), 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.

There are no bank covenants and/or collaterals provided in relation to the Group's funding needs as Holland Colours repaid their long-term debts in 2016/2017.

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.

The table below shows the fair value and carrying amount of financial assets and liabilities included in the balance sheet.

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, Payables to Suppliers, Credit Institutions and Other Debt due to expire within one year are included in the financial statements at nominal value. The nominal value is considered to be a reflection of fair value due to the short duration.

		March 31, 2017		March 31, 2016	
	Level	Carrying amount	Fair value	Carrying amount	Fair value
Assets Measured at Amortized Costs					
Other Long-term Receivables	3	–	–	–	–
Trade and Other Receivables	3	13,675	13,675	13,197	13,197
Cash and Cash Equivalents	3	7,515	7,515	6,791	6,791
		21,190	21,190	19,988	19,988
Liabilities Measured at Fair Value					
Interest rate swaps for which hedge accounting is applied	2	–	–	(79)	(79)
		–	–	(79)	(79)
Liabilities Measured at Amortized Costs					
Bank Loans	3	–	–	(1,125)	(1,162)
Credit Institutions	3	–	–	–	–
Trade and Other Payables	3	(11,874)	(11,874)	(10,451)	(10,451)
		(11,874)	(11,874)	(11,576)	(11,613)

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. Movements not resulting in cash flows are excluded from this statement.

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 as depicted in the Organization schedule on page 90. For key data in the functional currency of the region, please refer to the world map on page 21.

Please note that the royalty fees charged by the NV (classified as 'Other') to the divisions, based on revenues, were increased with € 1,678 as of the beginning of the financial year 2016/2017 to reflect the overall industry standard.

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	10,618	–	(1,011)	77,485
Depreciation, Amortization and Impairment	(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	1,131	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 Capital Expenditures	2,708	458	149	322	–	3,638
Average Number of Employees (in FTE)	197	87	106	21	–	411

Segments 2015/2016	Europe	Americas	Asia	Other	Adjustments and eliminations	Total
Revenue	37,127	26,764	9,848	(7)	–	73,732
Intersegmental Transactions	723	33	72	–	(828)	–
Revenue Including Intersegmental Transactions	37,850	26,797	9,920	(7)	(828)	73,732
Depreciation, Amortization and Impairment	(821)	(573)	(280)	(360)	7	(2,027)
Operating Result	2,065	2,410	929	344	–	5,748
Net Financial Expense	–	–	–	–	(133)	(133)
Tax	–	–	–	–	(1,998)	(1,998)
Net Result	–	–	–	–	3,617	3,617
Non-Current Assets	6,398	5,451	2,364	28,394	(25,432)	17,175
Current Assets	9,401	7,963	5,551	6,415	(1,225)	28,105
Liabilities	6,778	2,629	2,999	2,914	(2,097)	13,223
Total Capital Expenditures	1,019	682	173	223	–	2,097
Average Number of Employees (in FTE)	194	88	107	20	–	409

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 dividends policy and 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 accounted for 25% (2015/2016: 24%) of total revenue. 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, 2016/ March 31, 2017	April 1, 2015/ March 31, 2016
Wages and Salaries	(15,059)	(14,320)
Social Security	(1,707)	(1,685)
Pension Costs	(934)	(805)
Personnel Expenses	(17,700)	(16,810)

For the 2016/2017 financial year, an accrual for profit sharing of € 1,444 is included (2015/2016: € 1,190). This is included under Wages and Salaries. The profit-sharing plan is the same for all employees in the Group and 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 2016/2017 financial year include € 74 of government grants (2015/2016: € 38). A total of € 178 of the Personnel Expenses is capitalized (2015/2016: € 155); see also Notes 11 and 12.

In the 2016/2017 financial year, the average number of employees was 411 FTEs (2015/2016: 409 FTEs).

7. OTHER OPERATING EXPENSES

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

	April 1, 2016/ March 31, 2017	April 1, 2015/ March 31, 2016
Other Personnel	(2,404)	(2,274)
Travel and Accommodation	(1,754)	(1,604)
Maintenance	(1,265)	(1,166)
Energy	(1,089)	(1,087)
Consulting	(874)	(1,158)
Materials	(915)	(861)
Insurance	(523)	(512)
Other Costs	(2,427)	(2,221)
Other Operating Expenses	(11,251)	(10,883)

The exchange-rate differences recognized in the Income Statement under Other Operating Expenses came to € 123 in 2016/2017 (2015/2016: € 305).

8. FINANCE INCOME AND EXPENSE

	April 1, 2016/ March 31, 2017	April 1, 2015/ March 31, 2016
Finance Income	47	156
Finance Expense	(190)	(289)
Finance Income and Expense	(143)	(133)

Finance Expense does not include any result in relation to the ineffectiveness of cash flow hedges. Finance Expense includes the settlement of the interest rate swap in 2016/2017 for an amount of € 48.

9. INCOME TAX

The main components of the Tax charge in the 2016/2017 financial year are shown in the table below.

	April 1, 2016/ March 31, 2017	April 1, 2015/ March 31, 2016
Consolidated Income Statement		
Corporate Income Tax due this year:		
• Current Income Tax	(1,562)	(1,784)
• Tax Incentive Programs, including Innovation Box	211	35
• Other Taxes, including Applied Withholding Tax	(15)	(112)
Deferred Tax:		
• In relation to the existence and reversal of temporary differences	(333)	(137)
Income tax recognized in the consolidated income statement	(1,699)	(1,998)

	April 1, 2016/ March 31, 2017	April 1, 2015/ March 31, 2016
Consolidated Statement of Other Comprehensive Income		
Deferred tax liability recognized directly in equity during the financial year:		
• Net loss from revaluation of cash flow-hedges	(19)	(19)
• Net value decrease on net investment hedge	(–)	(51)
Income tax charged directly to other comprehensive income	(19)	(70)

The Corporate Income Tax Payable is computed on the result before tax, excluding those items exempted from corporate Income Tax. The difference between this tax calculation and the tax payable is reflected in the receivables or provision for Deferred Income Tax.

The other taxes item of € 15 (2015/2016: € 112) relates to local applied withholding tax on the dividends and royalty payments distributed by the operating companies in Indonesia, Canada, and Mexico to the Company.

Adjustment to applicable rate of income tax:

	April 1, 2016/ March 31, 2017		April 1, 2015/ March 31, 2016	
Result Before Income Tax		(7,091)		(5,615)
At the rate legally applicable in the Netherlands of 25%	(25.0%)	(1,773)	(25.0%)	(1,404)
Effect of different tax rates in countries in which the Group operates	(3.6%)	(256)	(5.8%)	(325)
Adjustment of tax recorded in previous years	(0.1%)	(9)	(0.3%)	(19)
Expenses not tax-deductible	0.2%	16	(1.0%)	(58)
Movement not recorded – temporary differences	1.9%	132	(2.1%)	(118)
Tax Incentive Programs	3.0%	211	0.6%	35
Other Differences	(0.3%)	(20)	(1.9%)	(109)
Effective Tax Rate	(24.0%)	(1,699)	(35.6%)	(1,998)

10. DISCONTINUED OPERATIONS

It was decided to close down the China production entity and supply China from Indonesia. As from December 31, 2016, the incidental net results from discontinued operations amount to € (212). Main components of the result of discontinued operations are:

	April 1, 2016/ March 31, 2017	April 1, 2015/ March 31, 2016
Revenue	–	–
Direct Selling Cost and Raw Materials	(265)	–
Changes in Finished Product	–	–
Personnel Expenses	(102)	–
Amortization and Impairments	–	–
Depreciation and Impairments	(15)	–
Other Operating Expenses	(138)	–
Operating Result	(520)	–
Result from sale of operations	–	–
Result before Income Tax from discontinued operations	(520)	–
Income Tax	308	–
Net Result from discontinued operations	(212)	–

11. INTANGIBLE ASSETS

	Development costs	Other	Total
As at March 31, 2015			
Purchase Price	1,441	1,683	3,124
Accumulated Amortization	(1,101)	(1,660)	(2,761)
Carrying Amount	340	23	363
Change in Asset Value			
Capital Expenditures	113	15	128
Carrying Amount of Disposals	–	–	–
Impairments	–	–	–
Amortization	(102)	(14)	(116)
Exchange-rate Differences	–	1	1
Balance	11	2	13
As at March 31, 2016			
Purchase Price	1,554	1,696	3,251
Accumulated Amortization	(1,203)	(1,671)	(2,875)
Carrying Amount	351	25	376
Change in Asset Value			
Capital Expenditures	149	35	184
Carrying Amount of Disposals	–	–	–
Impairments	–	–	–
Amortization	(111)	(14)	(125)
Exchange-rate Differences	–	2	2
Balance	38	23	61
As at March 31, 2017			
Purchase Price	1,704	1,732	3,436
Accumulated Amortization	(1,315)	(1,684)	(2,999)
Carrying Amount	389	48	437

The Company's total expenses for research and development were € 1,597 in the financial year (2015/2016: € 1,299). Of this amount, € 149 is capitalized (2015/2016: € 113), while the rest is included under Personnel Expenses, Depreciation, Amortization and Other Operating Expenses.

The Amortization and Impairments amounting to € 125 (2015/2016: € 116) are recognized under Amortization and Impairments in the consolidated Income Statement .

There were no impairments in the 2016/2017 financial year in relation to the capitalized development costs (2015/2016: € –).

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 Capital Assets	Assets under Construction	Total
As at March 31, 2015					
Purchase price	22,489	24,787	6,183	138	53,597
Accumulated depreciation	(12,206)	(20,715)	(5,537)	–	(38,458)
Carrying amount	10,283	4,072	646	138	15,139
Change in asset value					
Capital expenditures	847	688	258	176	1,969
Reclassification	–	–	–	–	–
Carrying amount of disposals	(10)	(6)	(1)	–	(17)
Depreciation	(755)	(983)	(173)	–	(1,911)
Exchange-rate differences	(162)	(48)	(30)	–	(240)
Balance	(80)	(349)	54	176	(199)
As at March 31, 2016					
Purchase price	23,015	25,267	6,307	314	54,903
Accumulated depreciation	(12,812)	(21,544)	(5,607)	–	(39,963)
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					
Purchase price	23,518	27,473	6,489	584	57,998
Accumulated depreciation	(13,415)	(22,290)	(5,654)	–	(41,293)
Carrying amount	10,103	5,183	835	584	16,705

The capital expenditures include € 29 (2015/2016: € 42) of capitalized Personnel Expenses. No impairments occurred in the 2016/2017 financial year (2015/2016: € –). The Group has provided collateral with a maximum of € 793 (2015/2016: € 5,743) in the form of mortgage rights on buildings in Indonesia (last year also for building in the Netherlands and in Hungary). The Depreciation for the year include € 15 (2015/2016: € –) of Depreciation of discontinued operations.

13. DEFERRED INCOME TAX ASSETS AND LIABILITIES

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

	March 31, 2017		March 31, 2016	
	Assets	Liabilities	Assets	Liabilities
Intangible Assets	–	3	–	3
Property, Plant and Equipment	466	–	551	8
Financial Non-current Assets	308	–	–	–
Inventories	165	–	112	–
Other Receivables	658	–	706	–
Employee Benefits	489	–	343	–
Other Liabilities	90	–	147	27
Tax Loss Carry-Forward	–	–	–	–
Borrowings and Long-term Liabilities	–	–	–	–
Balance of Receivables and Liabilities	2,176	3	1,859	38
Settlement	(3)	(3)	–	–
Balance of Receivables and Liabilities	2,173	–	1,859	38

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.

Change in net deferred Tax	April 1, 2016/ March 31, 2017	April 1, 2015/ March 31, 2016
Opening Balance	1,821	2,215
Recognized in Income Statement	333	(464)
Recognized in Other Comprehensive Income	19	70
Deferred Tax Assets/Liabilities	2,173	1,821

As at March 31, 2017, tax loss carry-forwards in the amount of € 109 (March 31, 2016: € 108) were not included as long term tax assets.

On March 31, 2017, the tax potentially due on the undistributed profits of the subsidiaries in Canada and Indonesia amounted to € 353 (March 31, 2016: € 390).

14. INVENTORY

	April 1, 2016/ March 31, 2017	April 1, 2015/ March 31, 2016
Raw Materials	4,103	3,827
Finished Goods	4,592	4,131
Inventory	8,695	7,958

The Income Statement includes an amount of € 36,729 (2015/2016: € 35,504) under the direct selling cost and raw materials for usage of inventory goods.

At March 31, 2017, the Provision for obsolete Inventory amounts to € 1,137 (March 31, 2016: € 1,010). Movements in the provision for obsolete Inventory are shown below.

	April 1, 2016/ March 31, 2017	April 1, 2015/ March 31, 2016
Opening Balance	(1,010)	(991)
Plus: Additions to the Provision	(112)	(20)
Less: Impairments Charged to the Provision	–	29
Exchange-rate Differences	(15)	(28)
Closing Balance	(1,137)	(1,010)

15. TRADE AND OTHER RECEIVABLES

	April 1, 2016/ March 31, 2017	April 1, 2015/ March 31, 2016
Trade Debtors	12,604	11,838
Tax-related Receivables	101	63
Other Receivables and Prepaid Items	919	1,296
Trade and Other Receivables	13,624	13,197

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

	March 31, 2017	March 31, 2016
Not yet due	10,701	9,766
Overdue 0–30 days	1,646	1,812
Overdue 31–60 days	184	214
Overdue 61 days or more	96	65
Exchange-rate differences	(23)	(19)
Total	12,604	11,838

Trade Debtors by Currency	March 31, 2017	March 31, 2016
Euro	6,311	6,282
US dollar	3,159	3,795
British pound	592	929
Other currencies	2,542	832
Total	12,604	11,838

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, 2016/ March 31, 2017	April 1, 2015/ March 31, 2016
Opening Balance	(78)	(78)
Less: Releases from or additions to the provision	18	(10)
Less: Write-off of trade debtors	–	4
Exchange-rate differences	1	6
Closing Balance	(59)	(78)

16. CASH AND CASH EQUIVALENTS

	March 31, 2017	March 31, 2016
Bank Balances	7,508	6,784
Cash Balances	7	7
Cash and Cash Equivalents	7,515	6,791
–/– Credit Institutions	–	–
Cash in Cash Flow Statement	7,515	6,791

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 2016/2017 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	Net Investments Hedge	Cash Flow Hedge	Reserve for Intangible Assets	Total
As at March 31, 2015	1,001	(407)	(119)	343	818
Cash Flow Hedge, net of tax	–	–	56	–	56
Movements in Net Investment Reserve	–	54	–	–	54
Currency Translation Differences	(656)	–	–	–	(656)
Added to (withdrawn from) free reserves	–	–	–	8	8
As at March 31, 2016	345	(353)	(63)	351	280
Cash Flow Hedge, net of tax	–	–	63	–	63
Movements in Net Investment Reserve	–	–	–	–	–
Currency Translation Differences	467	–	–	–	467
Added to (withdrawn from) free reserves	–	–	–	44	44
As at March 31, 2017	812	(353)	–	395	854

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.

CASH FLOW HEDGE

The Group applied hedge accounting to interest rate contracts. The Cash Flow Hedge comprises the effective part of the changes in value of the financial instruments for which Cash Flow Hedge accounting is applied. It is recognized in Comprehensive Income and reduced by Deferred Taxes. As at the end of March 2017, the hedge relation was ended, resulting in a loss of € 48 through the Income Statement, under the Finance Expense.

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.

19. EARNINGS PER SHARE

Earnings per share allocated to shareholders (ordinary and diluted) in the 2016/2017 financial year amounted to € 6.03 (2015/2016: € 4.23). The calculation of the earnings per share at March 31, 2017 is based on the net result attributable to shareholders of € 5,190 (2015/2016: € 3,643), and the average number of shares issued in the 2016/2017 financial year of 860,351. The total number of issued shares did not change relative to March 31, 2016.

20. NON-CONTROLLING INTEREST

This concerns a non-controlling interest of 15% in the net asset value at March 31, 2017 of PT Holco Indo Jaya.

21. LONG-TERM DEBT

The table below shows an analysis of the Long-term Debt.

	March 31, 2017	March 31, 2016
Non-current		
Bank Loans	–	875
Current		
Bank Balances	–	–
Repayment Obligations on Bank Loans	–	250
Total Current	–	250
Total Borrowings and Long-term Liabilities	–	1,125

In addition to the interest-bearing loans issued, the Group has access to current-account credit facilities as at balance-sheet date of € 8,391 (March 31, 2016: € 8,351). The credit facilities are reduced in May 2017 with € 5,000. These facilities are provided by various international and local banks and have no expiration date. At balance sheet date, € – (March 31, 2016: € –) of the credit facilities was drawn down.

Total repayments of the Group in 2016/2017 amount to € 1.125 (2015/2016: € 2,484).

The bank agreements and collateral provided in relation to the Group's financing agreement have changed since March 31, 2016. As at the end of March 2017 there were no bank covenants in place and/or collaterals provided except for the mortgage rights on real estate in Indonesia, with a maximum of € 793 (March 31, 2016: € 5,743, this includes last year also the Netherlands and Hungary).

The table below shows the remaining term to maturity of the long-term loans.

	March 31, 2017	March 31, 2016
1 year or less	–	250
Between 1 and 2 years	–	250
Between 1 and 5 years	–	625
Longer than 5 years	–	–
Total	–	1,125

The table below shows the long-term loans subject to interest changes and contractual interest revisions.

	March 31, 2017	March 31, 2016
6 months or less	–	1,125
Between 6 and 12 months	–	–
Between 1 and 5 years	–	–
Longer than 5 years	–	–
Total	–	1,125

The majority of the long-term loans were at a variable interest rate. The risk associated with this variability was hedged by means of an interest rate swap; see also Note 23 Derivative Financial Instruments. The weighted average interest rate on the interest-bearing loans and borrowings was 3.6%, compared to 3.6% in the 2015/2016 financial year.

The effective interest rates at balance sheet date are shown below.

Interest rate in %	March 31, 2017		March 31, 2016	
	EUR	USD	EUR	USD
Loans from credit institutions	–%	–%	4.65%	3.01%

The carrying amounts and fair values of the Non-current Liabilities are shown below.

	March 31, 2017		March 31, 2016	
	Carrying amount	Fair value	Carrying amount	Fair value
Bank Loans	–	–	1,125	1,162
Total	–	–	1,125	1,162

The fair values are based on future cash flows, discounted at a loan interest rate of –% (March 31, 2016: 2.6%). The carrying amounts of the short-term loans are essentially the same as the fair values.

The carrying amounts of the long-term debt are in the following currencies:

	March 31, 2017	March 31, 2016
Euro	–	1,125
US dollar	–	–
Total	–	1,125

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, 2017 the resulting liability amounts to € 601. On March 31, 2016 the liability was € 609.

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, 2017	March 31, 2016
Discount Rate	7.8%	8.5%
Expected Return Fund Capital Expenditures	7.8%	8.5%
Future Salary Increases	7.0%	7.5%
Average Remaining Period of Employment	12.9	13.7

Assumptions relating to future mortality rates are based on published statistical data and mortality tables. The mortality table used is the TMI 2011 (2015/2016: TMI 2011) table with a correction factor varying for age and gender. The total expected long-term Return on Investment amounts to 7.8% (March 31, 2016: 8.5%).

OTHER EMPLOYEE BENEFITS

The Other Employee Benefits item also includes a provision for future jubilee payments of € 243 (March 31, 2016: € 233) and other future payments of € 116 (March 31, 2016: € 170).

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, 2015	789	439	329	1,557
Additions	–	9	107	116
Withdrawals/Releases	(180)	–	(27)	(207)
Exchange-rate Differences	–	(14)	(6)	(20)
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

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, 2017	75	–	125	200
As at March 31, 2016	76	–	180	256

* The change in the provision for the Indonesian plan has been processed in the overview of Comprehensive Income for the amount of € –35 (2015/2016: € 6).

23. DERIVATIVE FINANCIAL INSTRUMENTS

At March 31, 2017, there are no outstanding loans or derivatives.

The Group did not hold any financial instrument at March 31, 2017 versus € 79 per the end of March 2016.

March 31, 2017	Liabilities	Level 1	Level 2	Level 3
Liabilities included at fair value				
Interest rate swaps – Cash Flow hedged	–	–	–	–

March 31, 2016	Liabilities	Level 1	Level 2	Level 3
Liabilities included at fair value				
Interest rate swaps – Cash Flow hedged	79	–	79	–

24. TRADE AND OTHER PAYABLES

	March 31, 2017	March 31, 2016
Trade Creditors	7,002	6,429
Payables Regarding Other Taxes	618	628
Other Liabilities and Accruals	4,254	3,394
Trade and Other Payables	11,874	10,451

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. In the current phase of development of PT Holco Indo Jaya as of March 31, 2016, it is not possible to make an accurate estimate as to whether the conditions will be met. The Board of Management does not consider it the right moment to include the PSI subsidy in the Income Statement. An advanced subsidy payment of € 377 (March 31, 2016: € 377) as received in 2013/2014 is therefore included under Other Liabilities and Accruals.

The Trade and Other Payables item also includes profit share to be paid to employees of € 1,488 (March 31, 2016: € 1,275).

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 € 195 (March 31, 2016: € 213).

PURCHASE CONTRACTS

The total commitment resulting from raw material purchase contracts was € 1,895 (March 31, 2016: € 3,563).

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, 2017	March 31, 2016
Less than 1 year	497	492
Between 1 and 5 years	685	558
Longer than 5 years	9	28
Total	1,191	1,078

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 € 455 (2015/2016: € 404).

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 holding 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 2016/2017 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 2016/2017 financial year the Board of Management will receive such a payment. A bonus was also paid to the Board of Management for the 2015/2016 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*		A.J. Veldhuis-Hagedoorn**		Other members of the Executive Management Team***	
	2016/2017	2015/2016	2016/2017	2015/2016	2016/2017	2015/2016	2016/2017	2015/2016
Fixed Salary	354	299	215	146	–	222	660	497
Pension Expenses	21	75	15	20	–	36	95	121
Variable Element	67	64	42	25	–	33	46	63
Non-recurring Payment	–	–	–	–	–	256	123	24
Total	442	438	272	191	–	547	924	705

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.

	2016/2017	2015/2016
R. Zoomers	38	32
A. R. Doornbos	26	26
J.W. de Heer	26	38
M.G.R. Kemper	26	26
J.D. Kleyn	26	26
Total	142	148

Holland Pigments BV
At balance sheet date the holding Company Holland Pigments held 432,397 (March 31, 2016: 430,286) 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, please refer to page 7 for a further description of the activities of Holland Pigments. An amount of € 103 was accordingly paid to Holland Pigments BV in the 2016/2017 financial year (2015/2016: € 88).
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.

* From July 9, 2015.
** Ms. A.J. Veldhuis-Hagedoorn stepped down as Managing Director on January 1, 2016.
*** The other members of the Executive Management Team are: R.P. Karrenbeld, S. Kho-Pangkey (until September 30, 2016), M.G. Kleinsman (until July 9, 2015), J. Leugs (until November 30, 2016), J.A. Gómez (from January 1, 2016 until February 24, 2017) and G. Provó Kluit-Gonesh (from May 1, 2016).

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 2016/2017 financial year.

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

	2016/2017	2015/2016
Number of shares in Holland Colours NV held by Holland Pigments BV		
Situation at April 1	430,286	430,274
Purchased by Holland Pigments BV	2,111	12
Situation at March 31	432,397	430,286
In EUR		
Share price of Holland Colours NV at balance sheet date	€ 69.14	€ 46.00
Value	€ 29,895,929	€ 19,793,156

SUBSEQUENT EVENTS

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

EMPLOYEE NUMBERS

During the 2016/2017 financial year, the Company employed an average of 411 FTEs (2015/2016: 409 FTEs). Of these, 138 FTEs (2015/2016: 138 FTEs) are employed in the Netherlands.

COMPANY

INCOME STATEMENT

FOR THE FINANCIAL YEAR ENDED MARCH 31, 2017

In thousands of euros	Note	April 1, 2016/March 31, 2017	April 1, 2015/March 31, 2016
Management Fees		5,793	4,040
Personnel Expenses	30	(2,344)	(2,290)
Amortisation	33	(111)	(105)
Depreciation	34	(133)	(254)
Other Costs		(1,581)	(1,819)
Operating Result		1,623	(429)
Net Interest Income/Expenses		(70)	(34)
Result before Tax		1,553	(463)
Income Tax	31	258	(163)
Result Subsidiaries	35	3,379	4,269
Net Result		5,190	3,643

BALANCE SHEET

FOR THE FINANCIAL YEAR ENDED MARCH 31, 2017
BEFORE PROPOSED PROFIT APPROPRIATION

In thousands of euros	Note	March 31, 2017	March 31, 2016
Non-current Assets			
Intangible Assets	33	424	351
Property, Plant and Equipment	34	1,558	1,552
Financial Non-current Assets	35	28,730	26,414
		30,712	**28,317**
Current Assets			
Receivables from Group Companies		4,773	4,380
Other Receivables and Prepayments		92	264
Income Tax Receivables		–	–
Cash and Cash Equivalents		1,637	1,994
		6,502	**6,638**
Total Assets		**37,214**	**34,955**

In thousands of euros	Note	March 31, 2017	March 31, 2016
Equity			
Share Capital	36	1,953	1,953
Share Premium Reserve	36	1,219	1,219
Statutory Reserves	36	854	280
Retained Earnings	36	26,659	24,946
Result for the Year	36	5,190	3,643
		35,875	**32,041**
Provisions			
Employee Benefit Obligations	39	130	153
Long-term Debt			
Long-term Debt	38	–	875
Deferred Tax Liabilities		–	–
Derivative Financial Instruments	40	–	79
		–	**954**
Current Liabilities			
Credit Institutions		–	–
Repayment Obligations for Long-term Debt	38	–	250
Payables to Group Companies		33	356
Income Tax Liabilities		85	–
Other Liabilities and Accrued Income		1,091	1,201
		1,209	**1,807**
Total Equity and Liabilities		**37,214**	**34,955**

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 2016/2017 Company financial statements have been presented to the Supervisory Board to be approved for publication on May 30, 2017. The financial statements will be presented to the General Meeting of Shareholders for adoption on July 11, 2017.

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, 2016/ March 31, 2017	April 1, 2015/ March 31, 2016
Wages and Salaries	1,916	1,899
Social Security	172	179
Pension Costs	256	212
Total Personnel Expenses	2,344	2,290

The average number of employees in the Company in the 2016/2017 financial year was 21 FTEs (2015/2016: 20 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, 2016/ March 31, 2017	April 1, 2015/ March 31, 2016
Current Tax		
Current Year	60	(328)
Prior Years	25	(5)
Deferred Tax	173	169
Total Income Tax	258	(163)

33. INTANGIBLE ASSETS

	Development costs	Other	Total
Situation at March 31, 2015			
Purchase Price	1,441	1,291	2,732
Accumulative Amortization	(1,101)	(1,288)	(2,389)
Carrying Amount	340	3	343
Change in Asset Value			
Capital Expenditures	113	–	113
Carrying Amount of Disposals	–	–	–
Impairments	–	–	–
Amortization	(102)	(3)	(105)
Balance	11	(3)	8
As at March 31, 2016			
Purchase Price	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
Carrying Amount of Disposals	–	–	–
Impairments	–	–	–
Amortization	(111)	–	(111)
Balance	38	35	73
As at March 31, 2017			
Purchase Price	1,704	1,326	3,029
Accumulative Amortization	(1,315)	(1,291)	(2,605)
Carrying Amount	389	35	424

The Company's total expenses for research and development were € 1,033 in the financial year (2015/2016: € 998). Of this amount € 149 (2015/2016: € 113) 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 € 111 (2015/2016: € 105) are included in the Amortization item in the Company financial statements.

There were no Impairments in the 2016/2017 financial year in relation to the capitalized development costs (2015/2016: € –).

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, 2015					
Purchase Price	3,802	1,551	374	11	5,738
Accumulative Depreciation	(2,548)	(1,165)	(328)	(1)	(4,042)
Carrying Amount	1,254	386	46	10	1,696
Change in Asset Value					
Capital Expenditures	–	–	–	110	110
Reclassification	(60)	61	9	(10)	–
Carrying Amount of Disposals	–	–	–	–	–
Impairments	–	–	–	–	–
Depreciation	(139)	(103)	(12)	–	(254)
Balance	(199)	(42)	(3)	100	(144)
As at March 31, 2016					
Purchase Price	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	–	–
Carrying Amount of Disposals	–	–	–	–	–
Impairments	–	–	–	–	–
Depreciation	10	(25)	(119)	–	(133)
Balance	(14)	(71)	105	(15)	6
As at March 31, 2017					
Purchase Price	3,778	1,505	598	106	5,987
Accumulative Depreciation	(2,737)	(1,232)	(450)	(11)	(4,429)
Carrying Amount	1,041	273	148	95	1,558

No impairments occurred in the 2016/2017 financial year (2015/2016: –).

35. FINANCIAL NON-CURRENT ASSETS

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

	March 31, 2017	March 31, 2016
Investments in Subsidiaries	27,431	25,298
Other Financial Assets and Deferred Tax Assets	1,299	1,116
Financial Non-current Assets	28,730	26,414

The table below shows movements in the investments in subsidiaries.

	April 1, 2017/ March 31, 2017	April 1, 2015/ March 31, 2016
Opening Balance	25,298	24,915
Movements		
• Capital Payments to Subsidiaries	–	–
• Result from Subsidiaries	3,379	4,269
• Change in Equity	(36)	6
• Dividends Declared	(1,678)	(3,236)
• Repayment of Capital	–	–
• Currency Translations	467	656
Closing Balance	27,431	25,298

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

	Deferred tax assets	Other financial assets	Total
As at March 31, 2015	1,556	231	1,787
Additions	–	–	–
Withdrawals	(440)	(231)	(671)
Exchange-Rate Differences	–	–	–
As at March 31, 2016	1,116	–	1,116
Additions	420	–	420
Withdrawals	(237)	–	(237)
Exchange-Rate Differences	–	–	–
As at March 31, 2017	1,299	–	1,299

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 16 under Investor Relations, it is proposed to distribute the profit as follows:

- A cash dividend of € 3.01 per share of € 2.27, which amounts to € 2,590 in total.
- Transfer to the other reserves: € 2,590.

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

38. LONG-TERM DEBT

The total of the Company's long-term debt from credit institutions can be divided as follows:

	March 31, 2017	March 31, 2016
Non-current		
Bank Loans	–	875
Current		
Bank Balances	–	–
Repayment Obligations	–	250
Total Current	–	250
Total Bank Loans	–	1,125

The Company has a credit facility in the Netherlands of € 7,000 (March 31, 2016: € 7,000). Per end of March 2017, no collaterals have been provided. The credit facilities are reduced in May 2017 with € 5,000.

	March 31, 2017	March 31, 2016
Less than 1 year	–	250
Between 1 and 2 years	–	250
Between 2 and 5 years	–	625
Longer than 5 years	–	–
Total	–	1,125

The carrying amounts and fair values of the Non-current Liabilities are shown in the table below.

	March 31, 2017		March 31, 2016	
	Carrying amount	Fair value	Carrying amount	Fair value
Bank Loans	–	–	1,125	1,162
Total	–	–	1,125	1,162

The carrying amounts of the Non-current Liabilities are in the following currencies:

	March 31, 2017	March 31, 2016
Euro	–	1,125
US dollar	–	–
Total	–	1,125

The fair values are based on future cash flows, discounted at an interest rate of – (March 31, 2016: 2.6%).

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 € 7 (March 31, 2016: € 6) and other future payments of € – (March 31, 2016: € –).

Movements in the Employee Benefit Obligations were as follows:

	Pre-pension plan the Netherlands	Other Employee Benefits	Total
As at March 31, 2015	385	28	413
Additions	–	–	–
Withdrawals	(215)	(22)	(237)
As at March 31, 2016	170	6	176
Additions		1	1
Withdrawals	(26)		(26)
As at March 31, 2017	144	7	151

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, 2017	21	–	21
As at March 31, 2016	23	–	23

40. DERIVATIVE FINANCIAL INSTRUMENTS

	March 31, 2017		March 31, 2016	
	Assets	Liabilities	Assets	Liabilities
Interest rate swaps – Cash Flow Hedges	–	–	–	79

The total fair value of Derivative Financial Instruments used for hedging is included under Non-current Liabilities.

The notional principal amount of the outstanding interest rate swap contracts at March 31, 2017 are € – (March 31, 2016: € 1,125). At March 31, 2017, the fixed interest rate was – (March 31, 2016: 4.6%); the main variable rate is Euribor.

41. AUDIT FEES

In the 2016/2017 financial year, the following audit fees were charged to the Income Statement in accordance with Section 382a Title 9 Book 2 of the Dutch Civil Code.

	2016/2017 PwC	2015/2016 PwC
Audit of the Financial Statements	183	206
Other Non-audit Services	–	–
Audit Fees	183	206

The total costs of PricewaterhouseCoopers Accountants NV amount to € 59 (previous year: € 121).

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, 2017	March 31, 2016
Less than 1 year	99	80
Between 1 and 5 years	178	81
Longer than 5 years	–	–
Lease and Rental Obligations	277	161

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 € 105 (2015/2016: € 88).

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 30, 2017

Board of Management
R. Harmsen
M.G. Kleinsman

Supervisory Board
R. Zoomers
J.W. de Heer
A.R. Doornbos
M.G.R. Kemper
J.D. Kleyn

OTHER INFORMATION

INDEPENDENT AUDITOR'S REPORT

To: the general meeting and Supervisory Board of Holland Colours NV

REPORT ON THE FINANCIAL STATEMENTS 2016/2017

Our opinion

In our opinion:

- the accompanying consolidated financial statements give a true and fair view of the financial position of Holland Colours NV as at March 31, 2017 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;
- the accompanying Company financial statements give a true and fair view of the financial position of Holland Colours NV as at March 31, 2017 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 2016/2017 of Holland Colours NV, Apeldoorn ('the Company'). The financial statements include the consolidated financial statements of Holland Colours NV and its subsidiaries (together: 'the Group') and the Company financial statements.

The consolidated financial statements comprise:

- the consolidated balance sheet as at March 31, 2017;
- the following statements for 2016/2017: the consolidated income statement and the consolidated statements of comprehensive income, changes in equity and cash flows; 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 March 31, 2017;
- 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.

Independence

We are independent of Holland Colours NV in accordance with the 'Verordening inzake de onafhankelijkheid van accountants bij assuranceopdrachten' (ViO) and other relevant independence requirements in the Netherlands. Furthermore, we have complied with the 'Verordening gedrags- en beroepsregels accountants' (VGBA).

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

Our audit approach

Overview and context

Holland Colours NV 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 Company, as set out below.

The results of the Group have increased compared to previous years. The current level of profit before tax is such that, contrary to previous years, it provided a suitable basis for determining materiality. For further details we refer to the section 'Materiality' of this report.

We designed our audit by assessing the risks of material misstatement in the financial statements using the determined materiality. In particular, we looked at where the Board of Management made subjective 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 significant estimation uncertainty in the 'valuation of inventories' we considered this to be a key audit matter as set out in the key audit matter section of this report. Furthermore we have identified 'revenue recognition' as a key audit matter.
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'.

The outlines of our audit approach were as follows:

Materiality

- Overall materiality: € 355,000 which represents 5% of result before income tax from continuing operations.

Audit scope

- Audit work was conducted in in the Netherlands, Indonesia, the United States of America and Hungary. Besides the Netherlands the group audit team conducted a site visit to the location in the United States of America.
- Audit coverage: 88% of consolidated revenues, 76% of total assets and 88% of consolidated profit before tax.

Key audit matters

- Revenue recognition
- Valuation of inventory

We set certain quantitative thresholds for materiality. 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 on our opinion.

This year, we have reconsidered the benchmark used given the fact that we considered profit before tax to be best suited. With the current results of the Company we can come to a materiality level that is fair given the size of the Company, whereas in previous years this would have led to a materiality level that was not.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Overall group materiality	€ 355,000 (2015/2016: € 450,000)
How we determined it	5% of result before income tax from continuing operations (prior year we used the average of 1% of revenue and 5% of profit before tax).
Rationale for benchmark applied	We have applied this 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 € 120,000 and € 325,000.

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 (2015/2016: € 25,000) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

The scope of our group audit

Holland Colours NV 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 NV

The group audit specifically focussed on the significant components Holland Colours NV (stand-alone), Holland Colours Europe BV, 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	88%
Total assets	76%
Profit before tax	88%

None of the remaining components represented more than 3% of total group revenue. 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 NV and Holland Colours Europe BV 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 BV 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, the group audit team visited the Holland Colours plant in the US and met with local management as well as with the component auditor.

The group consolidation, financial statement disclosures and a number of complex items have been audited by the group audit team at the head office. These include the (deferred) tax positions.

By performing the procedures on the components, combined with additional procedures at group level, we have obtained sufficient and appropriate audit evidence regarding the financial information of the group as a whole to provide a basis for our opinion on the consolidated 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, but they are not a comprehensive reflection of all matters that were identified by our audit and that we discussed. 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 a separate opinion on these matters or on specific elements of the financial statements. Any comments 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 which we reported 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
Revenue recognition Holland Colours 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. Therefore we considered this to be a key audit matter. Amongst others, the focus on accurate and complete registration of contractual terms as well as periodic internal review on revenue cut-off are important internal control procedures performed by management to ensure adequate revenue recognition. We also refer to the accounting principles for revenue recognition (net revenues) as included in the notes to the financial statements for further details regarding revenue recognition.	We tested the design and operating effectiveness of internal controls, including controls on the IT environment, put in place by management of the Company to enter into and record customer contracts and related net revenues and issued credit notes during the year. We determined that we could rely on these internal controls for the purpose of our audit. Furthermore, our audit procedures included, amongst others, evaluating the goods movement analysis, in which audit procedures on purchasing and production as well as the attendance of stock counts were important elements. These procedures provided us with evidence for the completeness of quantities of products sold as recorded by the entity. We noted no material issues. We tested the accuracy and cut-off of revenues by performing substantive audit procedures on the recorded net revenue invoices, including reconciling revenues to sales contracts, contracts on discounts and other supporting documentation. Furthermore we have performed substantive audit procedures on the credit notes issued after year end. No material issues were noted.

Key audit matter	How our audit addressed the matter
Valuation of inventory With a value of € 8.7 million, inventory is one of the significant assets in value of Holland Colours NV 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 raw material prices. On the other hand, this is due to inventory 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 judgmental. Wrong pricing and wrong judgments may, given the significant balance of inventories, result in the inventory being materially misstated. Therefore we considered this to be a key audit matter. For more information on inventory and the inventory provision we refer to note 14 of the financial statements.	We tested the design and operating effectiveness of internal controls, including controls on the IT environment, 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. Furthermore, we performed substantive audit procedures on the calculation of the standard cost prices against which the inventory is valued, which included, through sampling, testing against historical cost by reconciliation to purchase invoices and an analysis of price- and efficiency variances. Furthermore, we tested the potential lower valuation of inventory against net realizable value by assessing the internal analysis of revenues and obsolete inventory as well as ageing, inventory turnover, developments in the product portfolio and pricing developments. Our procedures didn't result in material findings. In addition we assessed the condition of the inventory, to the extent possible, by attending stock counts.

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: Coloring Your Success, Contents, Profile, Employee Participation, Introduction by the Chief Executive Officer, Our DNA, Strategy 2020, Progress on our Objectives, Core Values, Investor Relations, Report of the Board of Management, Corporate Governance, Report of the Supervisory Board, the other information pursuant to Part 9 of Book 2 of the Dutch Civil Code, 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 directors' report 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 NV by the Supervisory Board following the passing of a resolution by the shareholders at the annual meeting held on July 10, 2014 and the appointment has been renewed annually by shareholders representing a total period of uninterrupted engagement appointment of 3 years.

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 30, 2017

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 2016/2017 OF HOLLAND COLOURS NV

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.

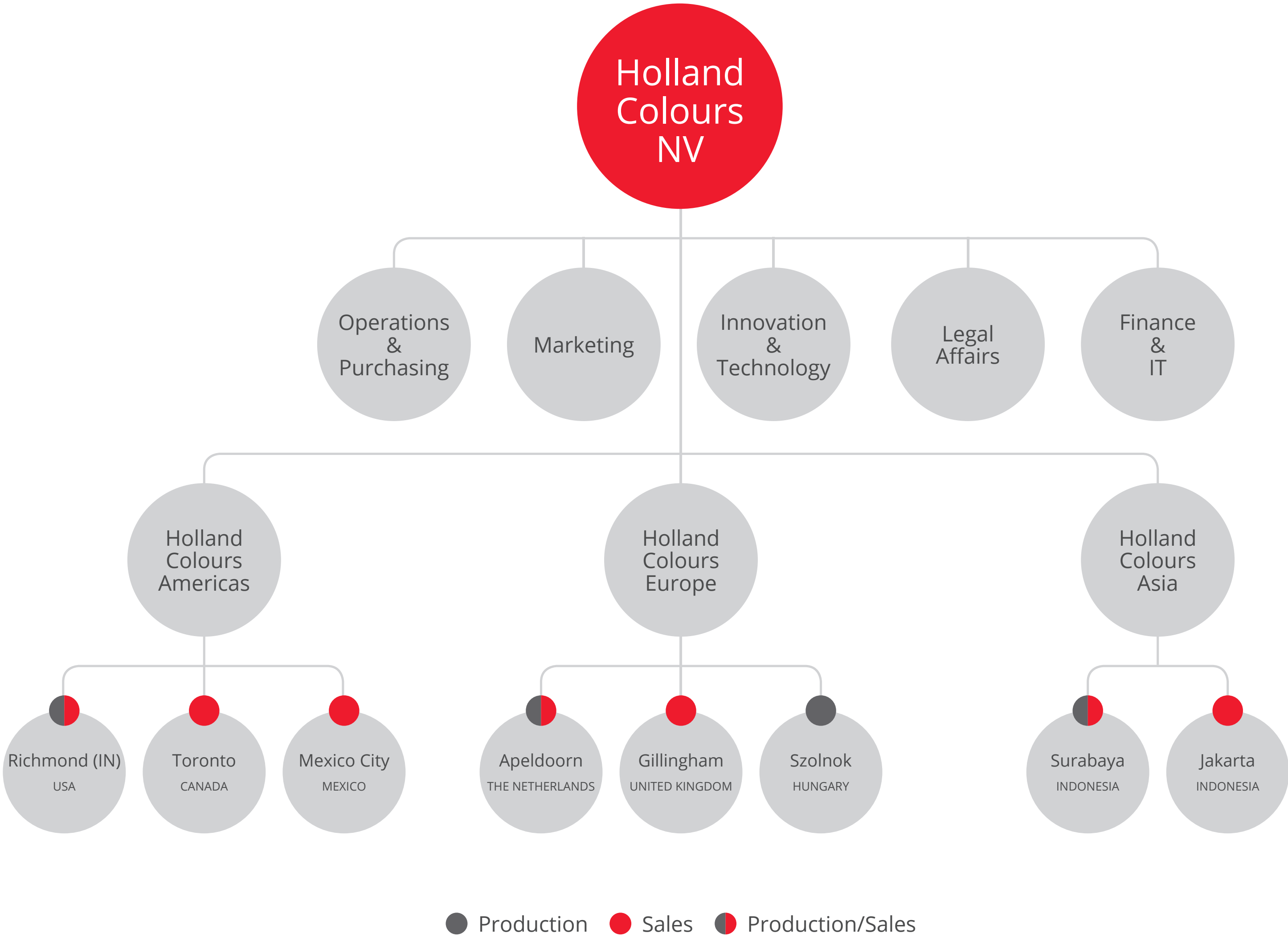
Considering our ultimate responsibility for the opinion on the Company's consolidated financial statements we are responsible for the direction, supervision and performance of the group audit. In this context, we have determined the nature and extent of the audit procedures for components of the Group 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.

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.

GLOBAL PRESENCE
OUR ORGANIZATION



CONTACT

HOLLAND COLOURS NV
Halvemaanweg 1
7323 RW Apeldoorn
P.O. Box 720
7300 AS Apeldoorn
The Netherlands
T (31) 55-368 0700
F (31) 55-366 2981
E info@hollandcolours.com

HOLLAND COLOURS EUROPE BV
Halvemaanweg 1
7323 RW Apeldoorn
P.O. Box 720
7300 AS Apeldoorn
The Netherlands
T (31) 55-368 0700
F (31) 55-366 2981
E info@hollandcolours.com

HOLLAND COLOURS UK LTD
Unit 16/17/18, Sabre Court
Valentine Close, Gillingham Business Park
Gillingham, Kent ME8 0RW
United Kingdom
T (44) 1634-388 727
E uk@hollandcolours.com

HOLLAND COLOURS HUNGARIA KFT
Tószegi út 51
P.O. Box 8
5007 Szolnok
Hungary
T (36) 56-420 644
E szolnok@hollandcolours.com

HOLLAND COLOURS AMERICAS INC
1501 Progress Drive
Richmond, Indiana, 47374
USA
T (1) 765-935 0329
Toll-free (1) 800-723-0329
E richmond@hollandcolours.com

HOLLAND COLOURS CANADA INC
200 Consumers Rd, Suite 303
Toronto, Ontario M2J 4R4
Canada
T (1) 416-449 4344
Toll-free (1) 800-361 3967
E canada@hollandcolours.com

HOLLAND COLOURS MEXICANA SA DE CV
Tezosomoc #4
(Bodega 3)
Col. Recursos Hidráulicos
Tultitlán, Edo de México
México
CP 54913
T 52 (55) 58-94-36-41
E mexico@hollandcolours.com

PT HOLLAND COLOURS ASIA
Jl. Berbek Industri II/2
(Surabaya Industrial Estate Rungkut)
Sidoarjo 61256-East Java
Indonesia
T (62) 31-849 3939
E surabaya@hollandcolours.com

Export department Surabaya:
T (62) 31-841 1 801
E exportasia@hollandcolours.com

Jl. Industri III/88 Blok A1-3
Kompl. Industri Facto, Jatake
Tangerang 15136-West Java
Indonesia
T (62) 21-590 5135

PT HOLCO INDO JAYA
Jl. Berbek Industri IV No 1
(Surabaya Industrial Estate Rungkut)
Sidoarjo 61256-East Java
Indonesia
T (62) 31-849 3939
E indojaya@hollandcolours.com

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