Press release

IMCD reports 8% EBITA growth in the first half of 2017

Rotterdam, The Netherlands (25 August 2017) - IMCD N.V. ("IMCD" or "Company"), a leading distributor of speciality chemicals and food ingredients, today announces its first half year 2017 results.

Highlights

- Gross profit growth of 9% to EUR 212.2 million (+8% on a constant currency basis)
- Operating EBITA increase of 8% to EUR 84.6 million (+8% on a constant currency basis)
- Net result before amortisation and non-recurring items increase of 7% to EUR 57.9 million (+6% on a constant currency basis)
- Cash earnings per share increased by 8% to EUR 1.09
- Acquisition of Neuvendis, completed on 23 June 2017, expanding the Italian operations in the speciality chemicals market
- Acquisitions of Bossco Industries (US) and L.V. Lomas (Canada) in July/August 2017 are important steps in the further development of IMCD's North America position

Piet van der Slikke, CEO: *'We are satisfied with the development of our business in the first half of 2017. EBITA grew by 8% and most of the other indicators developed positively. We advanced our strategic goals in Europe with the acquisition of Neuvendis (Italy) and in North America with Bossco (Houston) and L.V. Lomas (Toronto). We remain optimistic about the remainder of the year.'*

Key figures

EUR million	Jan. 1 - June 30, 2017	Jan. 1 - June 30, 2016	Change	Change	Fx adj. change
Revenue	936.2	884.8	51.4	6%	4%
Gross profit	212.2	194.0	18.2	9%	8%
Gross profit in % of revenue	22.7%	21.9%	0.8%		
Operating EBITA[1]	84.6	78.3	6.3	8%	8%
Operating EBITA in % of revenue	9.0%	8.8%	0.2%		
Conversion margin[2]	39.9%	40.3%	(0.4%)		
Net result before amortisation/non-recurring items	57.9	54.0	3.9	7%	6%
Free cash flow[3]	73.8	63.3	10.5	17%	
Cash conversion margin[4]	84.9%	78.9%	6.0%		
Earnings per share (weighted)	0.82	0.75	0.07	9%	9%
Cash earnings per share (weighted)[5]	1.09	1.01	0.08	8%	7%
Number of full time employees end of period	1,912	1,773	139	8%	

1 Result from operating activities before amortisation of intangibles and non-recurring items
2 Operating EBITA in percentage of Gross profit
3 Operating EBITDA excluding non cash share based payment expenses, plus/less changes in working capital less capital expenditures
4 Free cash flow in percentage of Operating EBITDA
5 Result for the year before amortisation (net of tax)

IMCD

Value through expertise

Revenue

Revenue increased from EUR 884.8 million to EUR 936.2 million, an increase of 6% compared to the first half of 2016. On a constant currency basis, the increase in revenue is 4%, consisting of organic growth (+2%) and the first time inclusion of acquired companies (+2%).

Gross profit

Gross profit, defined as revenue less costs of materials and inbound logistics, increased by 9% from EUR 194.0 million in the first half year of 2016 to EUR 212.2 million in the same period 2017. On a constant currency basis, the gross profit growth was 8%, consisting of organic growth of 5% and the first time inclusion of acquired companies of 3%.

Gross profit in % of revenue increased from 21.9% in the first six months of 2016 to 22.7% in 2017. This increase is the result of the first time inclusion of acquired companies, local market circumstances, currency changes and the usual fluctuations in the product mix.

Operating EBITA

Operating EBITA increased by 8% from EUR 78.3 million in the first half of 2016 to EUR 84.6 million in the same period 2017 (+8% on a constant currency basis).

The growth in operating EBITA is a combination of organic growth and the first time inclusion of acquired companies. The operating EBITA in % of revenue increased by 0.2%-point from 8.8% in the first half of 2016 to 9.0% in 2017.

The conversion margin, defined as operating EBITA as a percentage of gross profit, decreased from 40.3% in the first half of 2016 to 39.9% in 2017.

Cash flow and capital expenditure

Free cash flow was EUR 73.8 million compared to EUR 63.3 million in the first half of 2016, an increase of EUR 10.5 million. The cash conversion margin, defined as free cash flow as a percentage of operating EBITDA, was 84.9% compared to 78.9% in the first half of 2016. The higher operating EBITDA combined with lower working capital investments were the main drivers of this improvement.

Working capital investment in the first half of 2017 of EUR 12.6 million (EUR 14.5 million in the first half of 2016) was the result of increased business activities leading to higher working capital positions, partly offset by the impact of the weakening of non-EUR currencies in 2017.

Capital expenditure was EUR 1.5 million in the first half of 2017 compared to EUR 3.1 million in the same period of 2016 and mainly relates to investments in ICT infrastructure, office furniture and equipment.

Net debt

As at 30 June 2017, net debt was EUR 399.1 million compared to EUR 397.6 million as at 31 December 2016. The leverage ratio (net debt/operating EBITDA ratio including the full year impact of acquisitions) at the end of June 2017, was 2.5 (31 December 2016: 2.6). The leverage ratio at the end of June 2017, calculated on the basis of definitions used in the IMCD loan documentation, was 2.4 times EBITDA (31 December 2016: 2.3) which is well below the required maximum of 3.5. After the anticipated closing of the Lomas transaction at the end of August 2017, reported leverage ratio will increase to 3.0 times EBITDA.

Developments by operating segment

The reporting segments are defined as follows:

- EMEA: all operating companies in Europe, Turkey and Africa
- Asia Pacific: all operating companies in Australia, New Zealand, India, China, Malaysia, Indonesia, Philippines, Thailand, Singapore, Vietnam and Japan
- Americas: all operating companies in the United States of America, Brazil and Puerto Rico
- Holding companies: all non-operating companies, including the head office in Rotterdam and the regional offices in Singapore and New Jersey, US

The developments by operating segment in the first half of 2017 are as follows.

EMEA

EUR million	Jan. 1 - June 30, 2017	Jan. 1 - June 30, 2016	Change	Change	Fx adj. change
Revenue	589.8	552.7	37.1	7%	7%
Gross profit	141.6	130.6	11.0	8%	10%
Gross profit in % of revenue	24.0%	23.6%	0.4%		
Operating EBITA	61.1	54.4	6.7	12%	14%
Operating EBITA in % of revenue	10.4%	9.8%	0.6%		
Conversion margin	43.1%	41.6%	1.5%		

Revenue growth of 7% to EUR 589.8 million in the first half of 2017 (+7% on a constant currency basis). Gross profit increased by 8% to EUR 141.6 million (+10% on a constant currency basis). Gross profit margin improved by 0.4%-point to 24.0%.

Operating EBITA growth of 12% from EUR 54.4 million in the first half of 2016 to EUR 61.1 million in 2017. On a constant currency basis Operating EBITA growth was 14%. Operating EBITA in % of revenue increased by 0.6%-point to 10.4% compared to 9.8% in the first half of 2016.

On 28 June 2017 IMCD acquired 100% of Neuvendis Spa (Neuvendis), based in Milan, Italy. Neuvendis is one of the leading market players in the distribution of speciality chemicals in Italy, selling into the construction, coatings & paints, adhesives, plastics, inks and leather sectors. In 2016, Neuvendis generated revenue of EUR 26.3 million with 20 employees.

Asia Pacific

EUR million	Jan. 1 - June 30, 2017	Jan. 1 - June 30, 2016	Change	Change	Fx adj. change
Revenue	158.7	159.7	(1.0)	(1%)	(4%)
Gross profit	33.0	29.6	3.4	12%	8%
Gross profit in % of revenue	20.8%	18.5%	2.3%		
Operating EBITA	14.4	13.9	0.5	3%	0%
Operating EBITA in % of revenue	9.1%	8.7%	0.4%		
Conversion margin	43.6%	47.1%	(3.5%)		

Compared to the same period of 2016, revenue decreased by 1% to EUR 158.7 million (-4% on a constant currency basis) in the first half of 2017. Gross profit increased by 12% to EUR 33.0 million with a gross profit in % of revenue of 20.8% (18.5% in the first half of 2016).

Operating EBITA increased by 3% from EUR 13.9 million in the first half of 2016 to EUR 14.4 million in 2017.

Americas

EUR million	Jan. 1 - June 30, 2017	Jan. 1 - June 30, 2016	Change	Change	Fx adj. change
Revenue	187.8	172.4	15.3	9%	3%
Gross profit	37.6	33.8	3.8	11%	4%
Gross profit in % of revenue	20.0%	19.6%	0.4%		
Operating EBITA	16.5	16.8	(0.3)	(2%)	(6%)
Operating EBITA in % of revenue	8.8%	9.7%	(0.9%)		
Conversion margin	43.9%	49.6%	(5.7%)		

In the first half of 2017 revenue growth was 9% compared to the same period of 2016 (+3% on a constant currency basis). Gross profit increased by 11% to EUR 37.6 million in 2017 compared to EUR 33.8 million in the first half of 2016. Gross profit margin improved by 0.4%-point to 20.0% in 2017.

Operating EBITA decreased by 2% from EUR 16.8 million in the first half of 2016 to EUR 16.5 million in 2017 (-6% on a constant currency basis).

On 3 July 2017, IMCD acquired the business of Bossco Industries Inc (Bossco), a speciality chemicals distributor located in Houston (Texas), US. The acquisition of Bossco will further strengthen IMCD US and expands IMCD's coverage in the US. Bossco generated revenue of USD 11 million in 2016.

On 3 August 2017, IMCD signed an agreement to acquire 100% of the shares of L.V. Lomas (Lomas). Lomas is one of North Americas' leading distributors of speciality chemicals, ingredients and raw materials. The acquisition of Lomas will provide IMCD a geographical presence into Canada in all relevant core markets and will further strenghten IMCD's organisation in the US. With approximately 280 employees, the distribution business of Lomas generated revenue of CAD 383 million in 2016. The acquisition is expected to be closed at the end of August 2017 and will be financed with available cash and exisiting bank facilities.

Holding companies

EUR million	Jan. 1 - June 30, 2017	Jan. 1 - June 30, 2016	Change	Change	Fx adj. change
Operating EBITA	(7.3)	(6.9)	(0.5)	(7%)	(6%)

Operating EBITA of Holding companies relate to all non-operating companies, including the head office in Rotterdam and the regional offices in Singapore and in New Jersey, US. The increase of operating expenses reflects the strengthening of the support functions, facilitating the growth of IMCD.

Outlook

IMCD operates in different, often fragmented market segments in multiple geographic regions, connecting many customers and suppliers across a very diverse product range. In general, results are impacted by macroeconomic conditions and developments in specific industries. Furthermore, results can be influenced from period to period by, amongst other things, the ability to maintain and expand commercial relationships, the ability to introduce new products and start new customer and supplier relationships and the timing, scope and impact of acquisitions.

IMCD's consistent strategy and resilient business model has led to successful expansion over the years and IMCD remains focused on achieving earnings growth by optimising its services and further strengthening its market positions. IMCD sees interesting opportunities to increase its global footprint and expand its product portfolio both organically and by acquisitions.

Based on the performance in the first half of 2017 and the strong fundamentals of the business, IMCD expects operating EBITA growth in 2017.

Financial calendar

8 November 2017	Third quarter 2017 trading update
2 March 2018	Full year 2017 results
9 May 2018	Annual General Meeting
9 May 2018	First quarter 2018 trading update
For further information:	Investor Relations T: +31 (0)102908684 ir@imcdgroup.com

Further information

Today's analysts call will start at 10 am CET. A recording of this call will be made available on the IMCD website (www.imcdgroup.com).

About IMCD

IMCD is a market-leader in the sales, marketing and distribution of speciality chemicals and food ingredients. Its result-driven professionals provide market-focused solutions to suppliers and customers across EMEA, Asia-Pacific and Americas, offering a range of comprehensive product portfolios, including innovative formulations that embrace industry trends.

Listed at Euronext, Amsterdam (IMCD), IMCD realised revenues of EUR 1,715 million in 2016 with more than 1,800 employees in over 40 countries on 6 continents. IMCD's dedicated team technical and commercial experts work in close partnership to tailor best in class solutions and provide value through expertise to about 34,000 customers and a diverse range of world class suppliers.

For further information, please visit www.imcdgroup.com

Disclaimer forward looking statements

This press release may contain forward looking statements. These statements are based on current expectations, estimates and projections of IMCD's management and information currently available to the company. IMCD cautions that such statements contain elements of risks and uncertainties that are difficult to predict and that could cause actual performance and position to differ materially from these statements. IMCD disclaims any obligation to update or revise any statements made in this press release to reflect subsequent events or circumstances, except as required by law.

In the annual report of IMCD N.V, the relevant risk categories and risk factors that could adversely affect the company's business and financial performance have been described. They are deemed to be incorporated in this release.

This press release contains inside information as meant in clause 7 of the Market Abuse Regulation and was issued on 25 August 2017, 7:00 CET.

IMCD N.V.

Condensed consolidated interim financial statements for the first half year 2017

Condensed consolidated statement of financial position

EUR 1,000	30 June 2017	31 December 2016
Assets		
Property, plant and equipment	19,373	20,895
Intangible assets	883,419	907,558
Equity-accounted investees	-	13
Other financial assets	3,554	3,583
Deferred tax assets	23,938	26,182
Non-current assets	**930,284**	**958,231**
Inventories	212,472	204,210
Trade and other receivables	325,359	264,532
Cash and cash equivalents	54,121	56,502
Current assets	**591,952**	**525,244**
Total assets	**1,522,236**	**1,483,475**

Condensed consolidated statement of financial position

EUR 1,000	Note	30 June 2017	31 December 2016
Equity	7		
Share capital		8,415	8,415
Share premium		657,514	657,514
Reserves		(34,439)	(12,030)
Retained earnings		39,320	(4,799)
Unappropriated result		42,757	72,959
Equity attributable to owners of the Company		**713,567**	**722,059**
Total equity		**713,567**	**722,059**
Liabilities			
Loans and borrowings		373,464	382,665
Employee benefits		10,297	10,097
Provisions		1,783	1,164
Deferred tax liabilities		73,754	75,772
Total non-current liabilities		**459,298**	**469,698**
Loans and borrowings		349	383
Other short term financial liabilities		79,417	71,026
Trade payables		214,872	170,619
Other payables		54,733	49,690
Total current liabilities		**349,371**	**291,718**
Total liabilities		**808,669**	**761,416**
Total equity and liabilities		**1,522,236**	**1,483,475**

Condensed consolidated statement of profit or loss and comprehensive income

EUR 1,000	Note	Jan. 1 - June 30, 2017	Jan. 1 - June 30, 2016
Revenue		936,217	884,781
Other income		2,120	3,504
Operating income		**938,337**	**888,285**
Cost of materials and inbound logistics		(724,026)	(690,760)
Cost of warehousing, outbound logistics and other services		(26,569)	(25,401)
Wages and salaries		(57,228)	(52,064)
Social security and other charges		(16,316)	(14,697)
Depreciation of property, plant and equipment		(2,277)	(1,982)
Amortisation of intangible assets		(16,107)	(15,627)
Other operating expenses		(27,899)	(26,027)
Operating expenses		**(870,422)**	**(826,558)**
Result from operating activities		**67,915**	**61,727**
Finance income		272	183
Finance costs		(7,857)	(9,580)
Net finance costs		**(7,585)**	**(9,397)**
Share of profit of equity-accounted investees, net of tax		(31)	31
Result before income tax		**60,299**	**52,361**
Income tax expense		(17,542)	(13,034)
Result for the year		**42,757**	**39,327**
Gross profit[1]		212,191	194,021
Gross profit in % of revenue		22.7%	21.9%
Operating EBITA[2]	4	84,631	78,250
Operating EBITA in % of revenue		9.0%	8.8%

[1] Revenue minus cost of materials and inbound logistics

[2] Result from operating activities before amortisation of intangibles and non-recurring items

Condensed consolidated statement of profit or loss and comprehensive income (continued)

EUR 1,000	Jan. 1 - June 30, 2017	Jan. 1 - June 30, 2016
Result for the year	**42,757**	**39,327**
Foreign currency translation differences re foreign operations	(24,092)	10,067
Effective portion of changes in fair value of cash flow hedges	(77)	(523)
Related tax	751	490
Items that are or may be reclassified to profit or loss	**(23,418)**	**10,034**
Other comprehensive income for the period, net of income tax	**(23,418)**	**10,034**
Total comprehensive income for the period	**19,339**	**49,361**
Result attributable to:		
Owners of the Company	42,757	39,327
Total comprehensive income attributable to:		
Owners of the Company	19,339	49,361
Weighted average number of shares	52,437,254	52,492,254
Basic earnings per share	0.82	0.75
Diluted earnings per share	0.83	0.76

Condensed consolidated statement of changes in equity

EUR 1,000	Note	Share capital	Share premium	Translation reserve	Hedging reserve	Reserve own shares	Other reserves	Retained earnings	Unappro-priated result	Total equity
Balance as at 1 January 2017		**8,415**	**657,514**	**684**	**14**	**(5,189)**	**(7,539)**	**(4,799)**	**72,959**	**722,059**
Appropriation of prior year's result		-	-	-	-	-	-	44,119	(44,119)	**-**
		8,415	**657,514**	**684**	**14**	**(5,189)**	**(7,539)**	**39,320**	**28,840**	**722,059**
Result for the year		-	-	-	-	-	-	-	42,757	**42,757**
Total other comprehensive income		-	-	(23,334)	(84)	-	-	-	-	**(23,418)**
Total comprehensive income for the year		**-**	**-**	**(23,334)**	**(84)**	**-**	**-**	**-**	**42,757**	**19,339**
Cash dividend		-	-	-	-	-	-	-	(28,840)	**(28,840)**
Issue of shares minus related costs		-	-	-	-	-	-	-	-	**-**
Share based payments		-	-	-	-	-	1,009	-	-	**1,009**
Purchase own shares		-	-	-	-	-	-	-	-	**-**
Total contributions by and distributions to owners of the Company		**-**	**-**	**-**	**-**	**-**	**1,009**	**-**	**(28,840)**	**(27,831)**
Balance as at 30 June 2017	7	**8,415**	**657,514**	**(22,650)**	**(70)**	**(5,189)**	**(6,530)**	**39,320**	**42,757**	**713,567**

Condensed consolidated statement of changes in equity

EUR 1,000	Share capital	Share premium	Translation reserve	Hedging reserve	Reserve own shares	Other reserves	Accu-mulated deficit	Unappro-priated result	Total equity
Balance as at 1 January 2016	**8,415**	**657,514**	**(19,891)**	**265**	**(3,118)**	**(7,652)**	**(43,550)**	**61,848**	**653,831**
Appropriation of prior year's result	-	-	-	-	-	-	38,751	(38,751)	**-**
	8,415	**657,514**	**(19,891)**	**265**	**(3,118)**	**(7,652)**	**(4,799)**	**23,097**	**653,831**
Result for the year	-	-	-	-	-	-	-	39,327	**39,327**
Total other comprehensive income	-	-	10,401	(367)	-	-	-	-	**10,034**
Total comprehensive income for the year	**-**	**-**	**10,401**	**(367)**	**-**	**-**	**-**	**39,327**	**49,361**
Cash dividend	-	-	-	-	-	-	-	(23,097)	**(23,097)**
Issue of shares minus related costs	-	-	-	-	-	-	-	-	**-**
Share based payments	-	-	-	-	-	702	-	-	**702**
Purchase own shares	-	-	-	-	-	-	-	-	**-**
Total contributions by and distributions to owners of the Company	**-**	**-**	**-**	**-**	**-**	**702**	**-**	**(23,097)**	**(22,395)**
Balance as at 30 June 2016	**8,415**	**657,514**	**(9,490)**	**(102)**	**(3,118)**	**(6,950)**	**(4,799)**	**39,327**	**680,797**

Condensed consolidated statement of cash flows

EUR 1,000	Note	Jan. 1 - June 30, 2017	Jan. 1 - June 30, 2016
Cash flows from operating activities			
Result for the period		42,757	39,327
Adjustments for:			
• Depreciation of property, plant and equipment		2,277	1,982
• Amortisation of intangible assets		16,107	15,627
• Net finance costs excluding currency exchange results		6,522	9,040
• Currency exchange results		1,063	357
• Cost of share based payments		1,009	702
• Share of profit of equity-accounted investees, net of tax		31	(31)
• Income tax expense		17,542	13,034
		87,308	**80,038**
Change in:			
• Inventories		(4,333)	(7,703)
• Trade and other receivables		(49,311)	(61,953)
• Trade and other payables		41,060	55,171
• Provisions and employee benefits		(158)	293
Cash generated from operating activities		**74,566**	**65,846**
Interest paid		(5,025)	(4,762)
Income tax paid		(14,508)	(15,671)
Net cash from operating activities		**55,033**	**45,413**
Cash flows from investing activities			
Acquisition of subsidiary, net of cash acquired		(21,258)	-
Acquisition of intangible assets		(146)	(701)
Acquisition of property, plant and equipment		(1,498)	(3,111)
Acquisition of other financial assets		7	19
Net cash used in investing activities		**(22,895)**	**(3,793)**
Cash flows from financing activities			
Proceeds from issue of share capital net of related costs		-	-
Dividends paid	7	(28,840)	(23,097)
Movements in bank loans and other short term financial liabilities		61,034	(4,134)
Repayment of loans and borrowings	8	(56,143)	(4,548)
Net cash from financing activities		**(23,949)**	**(31,779)**
Net increase in cash and cash equivalents		**8,189**	**9,841**
Cash and cash equivalents as at 1 January		56,502	56,550
Effect of exchange rate fluctuations		(10,570)	(1,049)
Cash and cash equivalents as at 30 June		**54,121**	**65,342**

Notes to the condensed consolidated interim financial statements

1. Reporting entity

IMCD N.V. (the 'Company') is a company domiciled in The Netherlands and registered in The Netherlands Chamber of Commerce Commercial register under number 21740070. The address of the Company's registered office is Wilhelminaplein 32, Rotterdam. The condensed consolidated interim financial statements of the Company as at and for the first half year ended 30 June 2017 comprise the Company and its subsidiaries (together referred to as the 'Group' and individually as 'Group entities'). The Company is acting as the parent company of the IMCD Group, a group of companies leading in sales, marketing and distribution of speciality chemicals, pharmaceutical and food ingredients. The Group has offices in Europe, Asia Pacific, Africa, North America and Brazil.

2. Basis of preparation

Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting. They do not include all the information required for a complete set of IFRS financial statements and should be read in conjunction with the consolidated financial statements of IMCD as at and for the year ended 31 December 2016. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the last annual consolidated financial statements as at and for the year ended 31 December 2016.

The interim consolidated financial statements were prepared by the Management Board and were authorised for issue by the Supervisory Board on 24 August 2017.

Functional and presentation currency

These condensed consolidated interim financial statements are presented in Euro, which is the Company's functional currency. All financial information presented in Euro has been rounded to the nearest thousand, unless mentioned differently.

Use of estimates and judgements

In preparing these interim financial statements, Management makes judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

The significant judgements made by Management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 December 2016.

3. Significant accounting policies

The accounting policies applied in these interim financial statements are the same as those applied in the Group's consolidated financial statements as at and for the year ended 31 December 2016.

New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2017 and have not been applied in preparing these consolidated interim financial statements. Those which may be relevant to the Group are set out below.

The Group has not adopted these standards early.

IFRS 15 Revenue from contracts with customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes. In May 2015, the IASB proposed to defer the effective date of IFRS 15 by one year to January 1, 2018.

Sales of goods

Revenue is currently recognised when the customer has accepted the goods and the related risks and rewards of ownership have been transferred. Under IFRS 15, revenue will be recognised when the customer obtains control of the goods. Based on analyses carried out no key impacts of the implementation of IFRS 15 were identified compared with current revenue recognition applied by the Group.

*Commission*s

For commissions earned by the Group, the Group has determined that it acts in the capacity of an agent. Under IFRS 15, the assessment will be based on whether the Group controls the specific goods before transferring to the end customer, rather than whether it has exposure to significant risks and rewards associated with the sale of goods. The Group has performed an initial assessment on these transactions and does not expect that there will be a significant impact on its consolidated financial statements.

IFRS 9 Financial Instruments

IFRS 9 Financial instruments, effective date 1 January 2018, supersedes IAS 39 Financial instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39.

The Group continues to determine the impact of this new standard on the consolidated financial statements.

Based on analyses performed, the implementation of the expected credit loss model is expected to have a limited impact, whilst the new requirements for recognition and measurement, derecognition and general hedge accounting are not expected to have an impact on the consolidated financial statements.

IFRS 16 Leases

IFRS 16 introduces a single, on-balance lease sheet accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are optional exemptions for short-term leases and leases of low value items.

IFRS 16 replaces existing leases guidance including IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard is effective for annual periods beginning on or after 1 January 2019. The company will not use early adoption options permitted under the standard.

The Company continues to analyse the potential impact on its consolidated financial statements. So far, the most significant impact identified is that the Company will recognise new assets and liabilities for its operating leases of offices, certain warehouse facilities and company cars. In addition, the nature of expenses related to those leases will now change as IFRS 16 replaces the straight-line operating lease expense with a depreciation charge for right-of-use assets and interest expense on lease liabilities. The Group will use the optional exemptions for leases of low-value assets. The Company has not yet decided whether it will use the optional exemptions for short-term leases.

As a lessee, the group can either apply the standard using a retrospective approach or a modified retrospective approach with optional practical expedients. The lessee applies the election consistently to all of its leases. The group currently plans to apply IFRS 16 initially on 1 January 2019. The Group has not yet determined which transition approach to apply.

The Group has not yet quantified the exact impact of the adoption of IFRS 16 on its reported assets and liabilities. The quantitative effect will depend on, inter alia, the transition method chosen, the extent to which the group uses the practical expedients and recognition exemptions, and any additional leases that the group enters into. Annual lease obligations for contracts currently reported as operation leases or not as leases at all, but which should be reported as leases under the new standard, could give an indication of the impact of the new standard. Nominal lease obligations under the new standard as at 30 June do not differ significantly from the lease obligations as disclosed in the consolidated financial statements for 2016.

If the new standard would have been applicable, the net discounted value of these obligations would have been reported as a financial liability. On the other hand the related right to use the underlying asset would be reported at initial fair value minus depreciation.

The Group expects to disclose its transition approach and more detailed quantitative information before adoption. The group expects that adoption of IFRS 16 will not impact its ability to comply with the revised maximum leverage threshold loan covenant.

4. Operating segments

In presenting information on the basis of operating segments, segment revenue is based on the geographical location of customers. Segment assets are based on the geographical location of the assets with the exception of assets related to holding companies, which are presented in a separate reporting unit.

The reporting segments used are defined as follows:

- EMEA: all operating companies in Europe, Turkey and Africa
- Asia Pacific: all operating companies in Australia, New Zealand, India, China, Malaysia, Indonesia, Philippines, Thailand, Singapore, Vietnam and Japan
- Americas: all operating companies in the United States of America, Brazil and Puerto Rico

- Holding companies: all non-operating companies, including the head office in Rotterdam and the regional offices in Singapore and in New Jersey, US.

EMEA

EUR 1,000	Jan. 1 - June 30, 2017	Jan. 1 - June 30, 2016
Revenue	589,801	552,672
Gross profit	141,646	130,642
Operating EBITA	61,091	54,407
Result from operating activities	52,683	46,600
Total Assets	814,170	761,272
Total Liabilities	318,641	294,945

Asia Pacific

EUR 1,000	Jan. 1 - June 30, 2017	Jan. 1 - June 30, 2016
Revenue	158,659	159,667
Gross profit	32,980	29,572
Operating EBITA	14,389	13,933
Result from operating activities	12,077	11,437
Total Assets	256,383	265,891
Total Liabilities	57,038	64,175

Americas

EUR 1,000	Jan. 1 - June 30, 2017	Jan. 1 - June 30, 2016
Revenue	187,758	172,442
Gross profit	37,565	33,807
Operating EBITA	16,490	16,783
Result from operating activities	11,228	11,807
Total Assets	229,537	236,725
Total Liabilities	47,692	53,798

Holding Companies

EUR 1,000	Jan. 1 - June 30, 2017	Jan. 1 - June 30, 2016
Operating EBITA	(7,339)	(6,873)
Result from operating activities	(8,073)	(8,117)
Total Assets	222,146	242,367
Total Liabilities	385,298	412,540

Results from operating activities

Operating EBITA is defined as the sum of the result from operating activities, amortisation of intangible assets and non-recurring items. Non-recurring items include (i) cost related to refinancing, (ii) costs related to corporate restructurings and reorganisations, (iii) cost related to realised and non-realised acquisitions and (iv) other non-recurring income and expenses.

EUR 1,000	Jan. 1 - June 30, 2017	Jan. 1 - June 30, 2016
Result from operating activities	67,915	61,727
Amortisation of intangible assets	16,107	15,627
Non-recurring items	609	896
Operating EBITA	**84,631**	**78,250**

The non-recurring expenses in 2017 and 2016 mainly relate to realised and non-realised acquisitions.

5. Seasonality of operations

The Group is not strongly subject to seasonal fluctuations throughout the year except a slight decrease of sales during the normal holiday seasons in the different regions.

6. Business combinations

On 28 June 2017, IMCD acquired 100% of Neuvendis Spa (Neuvendis), based in Milan, Italy. Neuvendis is one of the leading market players in the distribution of speciality chemicals in Italy, selling into the construction, coatings & paints, adhesives, plastics, inks and leather sectors. In 2016, Neuvendis generated revenue of EUR 26.3 million with 20 employees.

Taking into account the acquisition date, no revenue nor profit was added to the Group's result in 2017. If the acquisition had occurred on 1 January 2017, management estimates that the consolidated revenue would have been EUR 951.9 million and the consolidated net profit would have been EUR 43.6 million. In determining these amounts, management has assumed that the fair value adjustments, determined provisionally, that arose on the date of acquisition would have been the same if the acquisition had occurred on 1 January 2017.

Identifiable assets acquired and liabilities assumed

The recognized provisional amounts of assets acquired and liabilities assumed at the acquisition date are as follows:

EUR 1,000	Neuvendis
Property, plant and equipment	**74**
Intangible assets	**6,887**
Deferred tax assets	**94**
Other financial assets	**-**
Inventories	**3,930**
Trade and other receivables	**11,516**
Cash and cash equivalents	**9**
Loans and borrowings	**-**
Other short term financial liabilities	**(3,266)**
Employee benefits and other provisions	**(977)**
Deferred tax liabilities	**(1,652)**
Trade and other payables	**(6,248)**
Total net identifiable assets	**10,367**

The intangible assets recognised relates to acquired supplier relationships (EUR 6.6 million) and order books (EUR 0.3 million). The gross contractual value of the trade and other debtors amounts to EUR 11.8 million.

Goodwill

The goodwill recognised as a result of the acquisition is as follows:

EUR 1,000	Neuvendis
Total consideration, including deferred and contingent considerations	**21,267**
Less: Fair value of identifiable net assets	**10,367**
Goodwill	**10,900**

The goodwill is mainly attributable to the skills and technical talent of the work force, the international network and the synergies expected to be achieved from integrating Neuvendis into the Group’s existing distribution business.

Acquisition related costs

In the first half of 2017, the Group incurred transaction costs related to acquisition to the amount of EUR 0.3 million.

7. Equity

Following the decision about the appropriation of the financial result 2016 by the Annual General Meeting in 2017, the Company distributed a dividend in cash of EUR 28.8 million (EUR 0.55 per share).

8. Financial instruments

30 June 2017		Carrying amount								Fair value			
EUR 1,000	Note	Held-for-trading	Designated at fair value	Fair value - hedging instruments	Held-to-maturity	Loans and receivables	Available-for-sale	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value													
Forward exchange contracts used for hedging		-	-	19	-	-	-	-	19	-	19	-	19
		-	**-**	**19**	**-**	**-**	**-**	**-**	**19**	**-**	**19**	**-**	**19**
Financial assets not measured at fair value													
Trade and other receivables		-	-	-	-	325,340	-	-	325,340				
Cash and cash equivalents		-	-	-	-	54,121	-	-	54,121				
		-	**-**	**-**	**-**	**379,461**	**-**	**-**	**379,461**				
Financial liabilities measured at fair value													
Interest rate swaps used for hedging		-	-	865	-	-	-	-	865	-	865	-	865
Forward exchange contracts used for hedging		-	-	785	-	-	-	-	785	-	785	-	785
Contingent consideration	8	-	4,812	-	-	-	-	-	4,812	-	-	4,812	4,812
		-	**4,812**	**1,650**	**-**	**-**	**-**	**-**	**6,462**	**-**	**1,650**	**4,812**	**6,462**
Financial liabilities not measured at fair value													
Other short term financial liabilities		-	-	-	-	77,664	-	-	77,664				
Bank loans		-	-	-	-	368,976	-	-	368,976				
Other loans and borrowings		-	-	-	-	1,778	-	-	1,778				
Trade payables		-	-	-	-	-	-	214,872	214,872				
Other payables		-	-	-	-	-	-	53,083	53,083				
		-	**-**	**-**	**-**	**448,418**	**-**	**267,955**	**716,373**				

31 December 2016		Carrying amount								Fair value			
EUR 1,000	Note	Held-for-trading	Designated at fair value	Fair value - hedging instruments	Held-to-maturity	Loans and receivables	Available-for-sale	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value													
Forward exchange contracts used for hedging		-	-	478	-	-	-	-	478	-	478	-	**478**
		-	**-**	**478**	**-**	**-**	**-**	**-**	**478**	**-**	**478**	**-**	**478**
Financial assets not measured at fair value													
Trade and other receivables		-	-	-	-	264,054	-	-	264,054				
Cash and cash equivalents		-	-	-	-	56,502	-	-	56,502				
		-	**-**	**-**	**-**	**320,556**	**-**	**-**	**320,556**				
Financial liabilities measured at fair value													
Interest rate swaps used for hedging		-	-	1,188	-	-	-	-	1,188	-	1,188	-	**1,188**
Forward exchange contracts used for hedging		-	-	271	-	-	-	-	271	-	271	-	**271**
Contingent consideration	8	-	61,450	-	-	-	-	-	61,450	-	-	61,450	**61,450**
		-	**61,450**	**1,459**	**-**	**-**	**-**	**-**	**62,909**	**-**	**1,459**	**61,450**	**62,909**
Financial liabilities not measured at fair value													
Other short term financial liabilities		-	-	-	-	13,314	-	-	13,314				
Bank loans		-	-	-	-	377,483	-	-	377,483				
Other loans and borrowings		-	-	-	-	1,829	-	-	1,829				
Trade payables		-	-	-	-	-	-	170,619	170,619				
Other payables		-	-	-	-	-	-	48,231	48,231				
		-	**-**	**-**	**-**	**392,626**	**-**	**218,850**	**611,476**				

Measurement of fair values

The following tables show the valuation techniques used in measuring Level 2 and Level 3 fair values, as well as the significant unobservable inputs used.

Financial instruments measured at fair value

Type	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Contingent consideration	*Discounted cash flows:* The valuation model considers the present value of expected payment, discounted using a risk-adjusted discount rate. The expected payment is determined by considering the possible scenarios of forecast EBITDA, the amount to be paid under each scenario and the probability of each scenario.	• Forecast EBITDA margin • Risk-adjusted discount rate	The estimated fair value would increase/(decrease) if: • the EBITDA margins were higher/(lower); or • the risk-adjusted discount rates were lower/(higher).
Forward exchange contracts and interest rate swaps	*Market comparison technique:* The fair values are based on broker quotes. Similar contracts are traded in an active market and the quotes reflect the actual transactions in similar instruments.	Not applicable	Not applicable

Financial instruments not measured at fair value

Type	Valuation technique	Significant unobservable inputs
Financial assets [1]	Discounted cash flows	Not applicable
Financial liabilities [2]	Discounted cash flows	Not applicable

[1] Financial assets include trade and other receivables and cash and cash equivalents.
[2] Financial liabilities include syndicated senior bank loans, other loans and borrowings, other short term financial liabilities, trade payables and other payables.

Level 3 fair values

Contingent consideration

EUR 1,000	Contingent consideration
Balance as at 1 January 2017	**61,450**
Assumed in a business combination	-
Paid contingent consideration	(56,143)
Result included in profit or loss	704
Effect of movement in exchange rates	(1,199)
Balance as at 30 June 2017	**4,812**

The contingent considerations paid in the first half of 2017, mainly relate to the acquisition of the remaining 20% interest in IMCD US (formerly named The M.F. Cachat Company LLC).

9. Related parties

The Group has related party relationships with its shareholders, subsidiaries, associates, Management Board, Supervisory Board and post-employment benefit plans. The financial transactions between the Company and its subsidiaries comprise financing related transactions and operational transactions in the normal course of business and are eliminated in the consolidated financial statements. The related party transactions in the first six-months period ended 30 June 2017 do in substance not deviate from the transactions as reflected in the financial statements as at and for the year ended 31 December 2016.

10. Subsequent events

On 3 July 2017, IMCD acquired the business of Bossco Industries Inc (Bossco), a speciality chemicals distributor located in Houston (Texas), US. The acquisition of Bossco will further strengthen IMCD US and expands IMCD's coverage in the US. Bossco generated revenue of USD 11 million in 2016.

On 3 August 2017, IMCD signed an agreement to acquire 100% of the shares of L.V. Lomas (Lomas). Lomas is one of North Americas' leading distributors of speciality chemicals, ingredients and raw materials. The acquisition of Lomas will provide IMCD a geographical presence into Canada in all relevant core markets and will further strenghten IMCD's organisation in the US. With approximately 280 employees, the distribution business of Lomas generated revenue of CAD 383 million in 2016. The acquisition is expected to be closed at the end of August 2017 and will be financed with available cash and exisiting bank facilities.

11. Auditor's review

The consolidated interim financial statements for the first half year of 2017 have not been audited or reviewed by the external auditor.

12. Responsibility statement

The Management Board of IMCD N.V. hereby declares that, to the best of its knowledge, the Interim Consolidated Financial information for the first half year of 2017 as prepared in accordance with IAS 34 Interim Financial Reporting gives a true and fair view of the assets, liabilities, financial position and the profit or loss of IMCD N.V. and its jointly consolidated companies included in the consolidation as a whole, and that the semi-annual report gives a fair view of the information required in accordance with Section 5:25d subsection 8 and 9 of the Dutch Financial Supervision Act (Wet op het financieel toezicht).

Rotterdam, 25 August 2017

Management Board:

P.C.J. van der Slikke, CEO

H.J.J. Kooijmans, CFO