IMCD reports 17% EBITA growth in the first half of 2019

Rotterdam, The Netherlands (16 August 2019) - IMCD N.V. ("IMCD" or "Company"), a leading distributor of speciality chemicals and food ingredients, today announces its first half year 2019 results.

Highlights

- Gross profit growth of 19% to EUR 312.0 million (+18% on a constant currency basis)
- Operating EBITA increase of 17% to EUR 123.1 million (+17% on a constant currency basis)
- Net result before amortisation and non-recurring items increase of 14% to EUR 84.8 million (+14% on a constant currency basis)
- Cash earnings per share increased by 22% to EUR 1.60 (first half of 2018: EUR 1.31)

Piet van der Slikke, CEO: *'The results of the first six months were satisfactory with good growth of EBITA (+17%) and cash earnings per share (+22%). Free cash flow was 50% higher than the same period last year. Notwithstanding these good results, IMCD also experienced a much more challenging macro-economic environment in the second quarter which impacted growth, in particular in EMEA but the Americas saw slower growth as well. Current market conditions are volatile and uncertain. Despite this we expect operating EBITA growth for 2019.'*

Key figures

EUR million	Jan. 1 - June 30, 2019	Jan. 1 - June 30, 2018	Change	Change	Fx adj. change
Revenue	1,398.1	1,151.8	246.3	21%	20%
Gross profit	312.0	263.1	48.9	19%	18%
Gross profit in % of revenue	22.3%	22.8%	(0.5%)		
Operating EBITA[1]	123.1	105.2	17.9	17%	17%
Operating EBITA in % of revenue	8.8%	9.1%	(0.3%)		
Conversion margin[2]	39.5%	40.0%	(0.5%)		
Net result before amortisation/non-recurring items	84.8	74.2	10.6	14%	14%
Free cash flow[3]	80.9	54.0	26.9	50%	
Cash conversion margin[4]	60.5%	50.2%	10.3%		
Earnings per share (weighted)	1.23	1.02	0.21	21%	20%
Cash earnings per share (weighted)[5]	1.60	1.31	0.29	22%	22%
Number of full time employees end of period	2,822	2,280	542	24%	

[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, less lease payments, 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)

Revenue

Revenue increased from EUR 1,151.8 million to EUR 1,398.1 million, an increase of 21% compared to the first half of 2018. On a constant currency basis, the increase in revenue is 20%, predominantly driven by the impact of the first time inclusion of businesses acquired in 2018.

Gross profit

Gross profit, defined as revenue less costs of materials and inbound logistics, increased by 19% from EUR 263.1 million in the first half of 2018 to EUR 312.0 million in the same period of 2019. On a constant currency basis, the gross profit growth was 18%, consisting of organic growth of 3% and the impact of the first time inclusion of businesses acquired in 2018 of 15%.

Gross profit in % of revenue decreased from 22.8% in the first half of 2018 to 22.3% in 2019. The gross profit margin development is the result of the impact of the first time inclusion of acquired companies with lower than IMCD's average gross profit margins, changes in local market conditions, currency exchange rate movements and the usual fluctuations in the product mix.

Operating EBITA

Operating EBITA increased by 17% from EUR 105.2 million in the first half of 2018 to EUR 123.1 million in the same period of 2019 (+17% on a constant currency basis).

The growth in operating EBITA is a combination of organic growth, the first time inclusion of acquisitions completed in 2018 and the impact of the initial application of the new lease accounting standard (IFRS 16). The application of IFRS 16 had a positive impact on the operating EBITA of EUR 1.7 million in the first half of 2019.

The operating EBITA in % of revenue decreased by 0.3%-point from 9.1% in the first half of 2018 to 8.8% in 2019.

The conversion margin, defined as operating EBITA as a percentage of gross profit, was 39.5% compared to 40.0% in the first half of 2018.

Cash flow and capital expenditure

Free cash flow was EUR 80.9 million compared to EUR 54.0 million in the first half of 2018, an increase of EUR 26.9 million (50%). The cash conversion margin, defined as free cash flow as a percentage of operating EBITDA, was 60.5% compared to 50.2% in the first half of 2018. The increase in free cash flow and cash conversion margin in 2019 was the result of higher operating EBITDA and lower investments in net working capital. The initial application of IFRS 16 had a negative impact on the cash conversion margin of 4.6% in the first half of 2019. Based on the previous lease accounting standard the cash conversion margin is 65.1%.

The investment in net working capital (sum of inventories, trade and other receivables minus trade and other payables) in the first half of 2019 was EUR 42.5 million compared to EUR 52.7 million in the first half of 2018. Working capital investments were primarily driven by increased business activities in the first half of 2019.

Capital expenditure was EUR 2.2 million in the first half of 2019 compared to EUR 1.8 million in the same period of 2018 and mainly relates to investments in ICT infrastructure, office furniture and technical and office equipment.

Net debt

As at 30 June 2019, net debt was EUR 683.6 million compared to EUR 610.7 million as at 31 December 2018. The adoption of IFRS 16, the new lease accounting standard, resulted in an increase of reported debt of EUR 66.2 million in the first half of 2019.

The leverage ratio (net debt/operating EBITDA ratio including full year impact of acquisitions), including new debt as a result of the implementation of IFRS 16, as at the end of June 2019, was 2.9 times EBITDA (31 December 2018: 2.8). The leverage ratio at the end of June 2019, based on definitions used in the IMCD loan documentation, was 2.7 times EBITDA (31 December 2018: 2.8) which is well below the maximum of 3.5 as allowed under the loan documentation.

The leverage development in the second quarter of 2019 was, among other things, influenced by a dividend payment of EUR 42.1 million in May.

Developments by operating segment

The reporting segments are defined as follows:

- EMEA: all operating companies in Europe, Turkey and Africa
- Americas: all operating companies in the United States of America, Canada, Brazil, Puerto Rico, Chile, Argentina and Uruguay
- Asia Pacific: all operating companies in Australia, New Zealand, India, China, Malaysia, Indonesia, Philippines, Thailand, Singapore, Vietnam and Japan
- 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 2019 are as follows.

EMEA

EUR million	Jan. 1 - June 30, 2019	Jan. 1 - June 30, 2018	Change	Change	Fx adj. change
Revenue	695.9	634.5	61.4	10%	11%
Gross profit	173.4	158.1	15.3	10%	11%
Gross profit in % of revenue	24.9%	24.9%	0.0%		
Operating EBITA	71.0	70.3	0.7	1%	3%
Operating EBITA in % of revenue	10.2%	11.1%	(0.9%)		
Conversion margin	41.0%	44.5%	(3.5%)		

Revenue growth was 10% in the first half of 2019 compared to the same period of 2018 (+11% on a constant currency basis). Gross profit increased by 10% to EUR 173.4 million (+11% on a constant currency basis). Gross profit margin remained flat at 24.9% in the first half of 2019.

Operating EBITA increased by 1% from EUR 70.3 million in the first half of 2018 to EUR 71.0 million in 2019. On a constant currency basis operating EBITA growth was 3%. Operating EBITA in % of revenue decreased by 0.9%-point to 10.2% compared to 11.1% in the first half of 2018. The decrease in operating EBITA margin is primarily the result of lower than IMCD's average EBITA margins of Velox GmbH, acquired in September 2018.

Americas

EUR million	Jan. 1 - June 30, 2019	Jan. 1 - June 30, 2018	Change	Change	Fx adj. change
Revenue	509.7	353.1	156.7	44%	39%
Gross profit	99.4	70.5	28.9	41%	36%
Gross profit in % of revenue	19.5%	20.0%	(0.5%)		
Operating EBITA	42.0	28.1	13.9	49%	42%
Operating EBITA in % of revenue	8.2%	8.0%	0.2%		
Conversion margin	42.2%	39.9%	2.3%		

In the first half of 2019 revenue growth was 44% compared to the same period of 2018 (+39% on a constant currency basis). Gross profit increased by 41% to EUR 99.4 million in 2019, compared to EUR 70.5 million in the first half of 2018. Gross profit margin was 19.5%, compared to 20.0% in the first half of 2018.

Operating EBITA increased by 49% from EUR 28.1 million in the first half of 2018 to EUR 42.0 million in 2019 (42% on a constant currency basis).

The first half of 2019 figures include the positive impact of the acquisition of E.T. Horn (US) completed in July 2018.

Asia Pacific

EUR million	Jan. 1 - June 30, 2019	Jan. 1 - June 30, 2018	Change	Change	Fx adj. change
Revenue	192.5	164.2	28.3	17%	17%
Gross profit	39.2	34.5	4.7	14%	13%
Gross profit in % of revenue	20.3%	21.0%	(0.7%)		
Operating EBITA	17.4	15.7	1.7	11%	11%
Operating EBITA in % of revenue	9.0%	9.6%	(0.6%)		
Conversion margin	44.4%	45.6%	(1.2%)		

In the first half of 2019, revenue was EUR 192.5 million, an increase of 17% compared to the same period of 2018 (17% on a constant currency basis). Gross profit increased by 14% to EUR 39.2 million, with a gross profit in % of revenue of 20.3% (21.0% in the first half of 2018).

Operating EBITA increased by 11% from EUR 15.7 million in the first half of 2018 to EUR 17.4 million in 2019. In the first half of 2019, operating EBITA in % of revenue was 9.0% compared to 9.6% in the same period of last year.

The first half year 2019 results include the effect of the acquisition of Aroma Chemical Agencies (India) Pvt. Ltd. and Alchemie Agencies Pvt. Ltd, completed in November 2018. On 29 March 2019, IMCD divested its, non-core, flavour and fragrance manufacturing activities in Australia. In 2018 these activities generated a revenue of EUR 3.6 million.

Holding companies

EUR million	Jan. 1 - June 30, 2019	Jan. 1 - June 30, 2018	Change	Change	Fx adj. change
Operating EBITA	(7.3)	(8.9)	1.6	18%	19%
Operating EBITA in % of total revenue	(0.5%)	(0.8%)	0.3%		

Operating EBITA of Holding companies represents the central head office in Rotterdam as well as the regional offices in Singapore and in New Jersey, US.

Operating expenses decreased by EUR 1.6 million from EUR 8.9 million in the first half of 2018 to EUR 7.3 million in 2019. The decrease in expenses is the balance of increased operational expenses resulting from the further strengthening of the support functions in both Rotterdam and the regional head offices and the impact of the adoption of IFRS 16 in 2019 of EUR 1.9 million.

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 2019 and the strong fundamentals of the business, IMCD expects operating EBITA growth in 2019.

Financial calendar

12 November 2019	Third quarter 2019 trading update
27 February 2020	Full year 2019 results
6 May 2020	Annual General Meeting
6 May 2020	First quarter 2020 trading update
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Further information

Today's analysts call will start at 10:00 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, Americas and Asia-Pacific, offering a range of comprehensive product portfolios, including innovative formulations that embrace industry trends.

Listed at Euronext, Amsterdam (IMCD), IMCD realised revenues of EUR 2,379 million in 2018 with nearly 2,800 employees in over 47 countries on 6 continents. IMCD's dedicated team of technical and commercial experts work in close partnership to tailor best in class solutions and provide value through expertise to about 43,000 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. These 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 16 August 2019, 07:00 am CET.

IMCD N.V.

Condensed consolidated interim financial statements for the first half year 2019

Condensed consolidated statement of financial position

EUR 1,000	Note	30 June 2019	31 December 2018
Assets			
Property, plant and equipment	3	78,697	25,262
Goodwill		666,667	663,628
Other intangible assets	3	375,143	376,001
Equity-accounted investees		38	38
Other financial assets		4,237	3,780
Deferred tax assets		39,644	43,170
Non-current assets		**1,164,426**	**1,111,879**
Inventories		347,905	354,269
Trade and other receivables		466,713	398,019
Cash and cash equivalents		114,435	85,162
Current assets		**929,053**	**837,450**
Total assets		**2,093,479**	**1,949,329**

Condensed consolidated statement of financial position

EUR 1,000	Note	30 June 2019	31 December 2018
Equity	7		
Share capital		8,415	8,415
Share premium		657,514	657,514
Reserves		(55,765)	(61,564)
Retained earnings		139,120	81,926
Unappropriated result		64,313	100,057
Equity attributable to owners of the Company		**813,597**	**786,348**
Total equity		**813,597**	**786,348**
Liabilities			
Loans and borrowings	3, 8	525,833	481,237
Employee benefits		23,503	22,286
Provisions		6,973	8,385
Deferred tax liabilities		82,480	83,894
Total non-current liabilities		**638,789**	**595,802**
Loans and borrowings	8	426	465
Other short term financial liabilities	3, 8	271,733	214,176
Trade payables		288,360	263,679
Other payables		80,574	88,859
Total current liabilities		**641,093**	**567,179**
Total liabilities		**1,279,882**	**1,162,981**
Total equity and liabilities		**2,093,479**	**1,949,329**

Condensed consolidated statement of profit or loss and comprehensive income

EUR 1,000	Note	Jan. 1 - June 30, 2019	Jan. 1 - June 30, 2018
Revenue		1,398,125	1,151,822
Other income		6,968	5,539
Operating income		**1,405,093**	**1,157,361**
Cost of materials and inbound logistics		(1,086,154)	(888,708)
Cost of warehousing, outbound logistics and other services	3	(36,356)	(30,320)
Wages and salaries		(90,202)	(74,592)
Social security and other charges		(24,960)	(20,930)
Depreciation of property, plant and equipment	3	(10,669)	(2,323)
Amortisation of intangible assets	3	(21,318)	(17,272)
Other operating expenses	3	(34,257)	(35,936)
Operating expenses		**(1,303,916)**	**(1,070,081)**
Result from operating activities		**101,177**	**87,280**
Finance income		277	237
Finance costs	3, 8	(12,971)	(14,127)
Net finance costs		**(12,694)**	**(13,890)**
Share of profit of equity-accounted investees, net of tax		(4)	(20)
Result before income tax		**88,479**	**73,370**
Income tax expense	3	(24,166)	(19,626)
Result for the year		**64,313**	**53,744**
Gross profit[1]		311,971	263,114
Gross profit in % of revenue		22.3%	22.8%
Operating EBITA[2]	4	123,144	105,172
Operating EBITA in % of revenue		8.8%	9.1%

[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, 2019	Jan. 1 - June 30, 2018
Result for the year	**64,313**	**53,744**
Defined benefit plan actuarial gains/(losses)	(1,195)	281
Related tax	317	(74)
Items that will never be reclassified to profit or loss	**(878)**	**207**
Foreign currency translation differences re foreign operations	6,625	(9,702)
Effective portion of changes in fair value of cash flow hedges	7	(8)
Related tax	(536)	(195)
Items that are or may be reclassified to profit or loss	**6,096**	**(9,905)**
Other comprehensive income for the period, net of income tax	**5,218**	**(9,698)**
Total comprehensive income for the period	**69,531**	**44,046**
Result attributable to:		
Owners of the Company	64,313	53,744
Total comprehensive income attributable to:		
Owners of the Company	69,531	44,046
Weighted average number of shares	52,471,225	52,439,991
Basic earnings per share	1.23	1.02
Diluted earnings per share	1.25	1.04

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 2019		**8,415**	**657,514**	**(50,229)**	**(129)**	**(5,683)**	**(5,523)**	**81,926**	**100,057**	**786,348**
Appropriation of prior year's result		-	-	-	-	-	-	57,983	(57,983)	**-**
		8,415	**657,514**	**(50,229)**	**(129)**	**(5,683)**	**(5,523)**	**139,909**	**42,074**	**786,348**
Result for the year		-	-	-	-	-	-	-	64,313	**64,313**
Total other comprehensive income		-	-	6,089	7	-	(878)	-	-	**5,218**
Total comprehensive income for the year		**-**	**-**	**6,089**	**7**	**-**	**(878)**	**-**	**64,313**	**69,531**
Cash dividend		-	-	-	-	-	-	-	(42,074)	**(42,074)**
Share based payments		-	-	-	-	-	(416)	(1,703)	-	**(2,119)**
Purchase and transfer own shares		-	-	-	-	997	-	914	-	**1,911**
Total contributions by and distributions to owners of the Company		**-**	**-**	**-**	**-**	**997**	**(416)**	**(789)**	**(42,074)**	**(42,282)**
Balance as at 30 June 2019	7	**8,415**	**657,514**	**(44,140)**	**(122)**	**(4,686)**	**(6,817)**	**139,120**	**64,313**	**813,597**

Condensed consolidated statement of changes in equity

EUR 1,000	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 2018	**8,415**	**657,514**	**(40,875)**	**(176)**	**(7,193)**	**(5,086)**	**39,320**	**77,262**	**729,181**
Impact of adoption of IFRS 9							(116)		**(116)**
Balance as at 1 January 2018 restated	**8,415**	**657,514**	**(40,875)**	**(176)**	**(7,193)**	**(5,086)**	**39,204**	**77,262**	**729,065**
Appropriation of prior year's result	-	-	-	-	-	-	44,655	(44,655)	**-**
	8,415	**657,514**	**(40,875)**	**(176)**	**(7,193)**	**(5,086)**	**83,859**	**32,607**	**729,065**
Result for the year	-	-	-	-	-	-	-	53,744	**53,744**
Total other comprehensive income	-	-	(9,893)	(12)	-	207	-	-	**(9,698)**
Total comprehensive income for the year	**-**	**-**	**(9,893)**	**(12)**	**-**	**207**	**-**	**53,744**	**44,046**
Cash dividend	-	-	-	-	-	-	-	(32,607)	**(32,607)**
Share based payments	-	-	-	-	-	(1,632)	(2,108)	-	**(3,740)**
Purchase own shares	-	-	-	-	1,510	-	1,016	-	**2,526**
Total contributions by and distributions to owners of the Company	**-**	**-**	**-**	**-**	**1,510**	**(1,632)**	**(1,092)**	**(32,607)**	**(33,821)**
Balance as at 30 June 2018	**8,415**	**657,514**	**(50,768)**	**(188)**	**(5,683)**	**(6,511)**	**82,767**	**53,744**	**739,290**

Condensed consolidated statement of cash flows

EUR 1,000	Note	Jan. 1 - June 30, 2019	Jan. 1 - June 30, 2018
Cash flows from operating activities			
Result for the period		64,313	53,744
Adjustments for:			
• Depreciation of property, plant and equipment		10,669	2,323
• Amortisation of intangible assets		21,318	17,272
• Net finance costs excluding currency exchange results		12,494	12,318
• Currency exchange results		200	1,572
• Cost of share based payments		1,233	1,085
• Share of profit of equity-accounted investees, net of tax		4	20
• Income tax expense		24,166	19,626
		134,397	**107,960**
Change in:			
• Inventories		8,593	(20,077)
• Trade and other receivables		(66,345)	(79,436)
• Trade and other payables		15,283	46,800
• Provisions and employee benefits		(668)	(1,254)
Cash generated from operating activities		**91,260**	**53,993**
Interest paid		(15,460)	(5,056)
Income tax paid		(19,687)	(17,640)
Net cash from operating activities		**56,113**	**31,297**
Cash flows from investing activities			
Acquisition of subsidiary, net of cash acquired		3,098	(230)
Acquisition of intangible assets		(4,208)	(3,768)
Acquisition of property, plant and equipment		(2,180)	(1,830)
Acquisition of other financial assets		(436)	(178)
Net cash used in investing activities		**(3,726)**	**(6,006)**
Cash flows from financing activities			
Dividends paid	7	(42,074)	(32,607)
Payment of transaction costs related to loans and borrowings		-	(2,892)
Movements in bank loans and other short term financial liabilities	8, 9	36,627	(86,491)
Proceeds from issue of current and non-current loans and borrowings		-	300,000
Repayment of loans and borrowings	8, 9	(2,807)	(192,926)
Redemption of lease liabilties		(11,294)	-
Net cash from financing activities		**(19,548)**	**(14,916)**
Net increase in cash and cash equivalents		**32,839**	**10,375**
Cash and cash equivalents as at 1 January		85,162	61,383
Effect of exchange rate fluctuations		(3,566)	(3,543)
Cash and cash equivalents as at 30 June		**114,435**	**68,215**

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 2019 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, Africa, North and Latin America and Asia Pacific.

2. Basis of preparation

Statement of compliance

The 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 2018. 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 2018.

The condensed consolidated interim financial statements were prepared by the Management Board and were authorised for issue by the Supervisory Board on 15 August 2019.

Functional and presentation currency

The 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 the condensed consolidated 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 are the same as those applied to the consolidated financial statements as at and for the year ended 31 December 2018.

3. Changes in significant accounting policies

With the exception of the newly adopted accounting policies as explained below, 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 2018.

The Group has initially adopted IFRS 16 Leases as from 1 January 2019. A number of other new standards and improvements to IFRS are effective from 1 January 2019, but do not have a material impact on the Group's financial statements.

IFRS 16 Leases

IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. The standard is applicable as of 1 January 2019. As a result, the Group has recognised right-of-use assets representing its rights to use the underlying assets and lease liabilities representing its obligation to make lease payments. The Group has applied IFRS 16 using the modified retrospective approach with the optional practical expedient to measure the right-of-use assets initially at an amount equal to the value of the lease obligations.

IFRS 16 requires an entity to make several policy choices. The Group has made the following policy choices:

- The Group applies the standard to leased intangibles. The Group’s leased intangibles currently only relate to certain software usage contracts.
- A lessee may elect not to separate non-lease components from lease components by class of assets. A class of underlying asset is a grouping of underlying assets of a similar nature and used in an entity’s operations. The Group elected not to separate non-lease components for all intangible fixed assets, (office) equipment and computer hardware.
- The Group does not apply the optional portfolio application.

The Group applies the following optional exemptions:

- Leases of low-value assets: an entity may elect not to apply IFRS 16 recognition and measurement requirements for low value assets. For low-value assets, lease payments are expensed straight-line over the lease term
- Short-term leases: an entity may elect not to apply IFRS 16 recognition and measurement requirements for short-term leases. For short-term leases, lease payments are expensed straight-line over the lease term.

The Group used the following practical transition expedients for applying IFRS 16 to leases previously classified as operating lease under IAS 17:

- The exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of remaining lease term.
- Use hindsight when determining the lease term if the contract contains options to extend or terminate the lease.
- Rely on the IAS 37 (Provisions) assessment immediately before the date of initial application as to whether leases are onerous as an alternative to performing an impairment review.
- Exclude initial direct costs from the measurement of the right-of-use asset at the date of initial application.

Following the modified retrospective approach, the comparative information presented for 2018 has not been restated, i.e. presented as previously reported under IAS 17. The initial application of IFRS 16 did not have an impact on the equity of the Group.

The following table illustrates the reconciliation of the off-balance operating lease commitments as at 31 December 2018 and the lease liability as recognised as at 1 January 2019.

Reconciliation operating lease commitment

EUR 1,000	
Operating leases commitments at 31 December 2018	65,618
Short-term leases exemption	(1,842)
Low-value assets exemption	(277)
Non-lease components	(3,411)
Extension and termination options reasonably certain to be excercised	4,185
Variable lease payments based on index or a rate	(485)
Contracts not classifying as lease contract under IFRIC 4/IAS 17	13,159
Contracts commencing after 1 January 2019	(8,021)
Undiscounted lease liability additionally recognised at 1 January 2019	**68,926**
Effect of discounting using the incremental borrowing rate	(4,630)
Financial lease liability recognised as at 31 December 2018	299
Recognised lease liabilities at 1 January 2019	**64,595**

The following table reflects the impact of the initial application of IFRS 16 on the balance sheet as at 1 January 2019.

Impact of IFRS 16 on the balance sheet

EUR 1,000	31 December 2018	Impact IFRS 16	1 January 2019 restated
Property, plant and equipment	25,262	51,600	76,862
Goodwill	663,628	-	663,628
Other intangible assets	376,001	12,695	388,696
Equity-accounted investees	38	-	38
Other financial non-current assets	3,780	-	3,780
Deferred tax assets	43,170	-	43,170
Current assets	837,450	-	837,450
Total assets	1,949,329	64,295	2,013,624
Total equity	786,348	-	786,348
Non-current liabilities	595,802	47,935	643,737
Current liabilities	567,179	16,360	583,539
Total equity and liabilities	1,949,329	64,295	2,013,624

The adoption of IFRS 16 as at 1 January 2019 has resulted in the recognition of right-of-use assets of EUR 64.3 million of which EUR 51.6 million relates to operating leases of offices, warehouse facilities and company cars and EUR 12.7 million relates to software usage contracts.

The effect of the initial application of IFRS 16 on the consolidated statement of profit or loss and on the key performance indicators for the first half of 2019, is illustrated in the following table.

Impact of IFRS 16 on the result for the period January 1 - June 30, 2019

EUR 1,000	Before IFRS 16	Impact IFRS 16	Including IFRS 16 impact
Operating income	**1,405,093**	**-**	**1,405,093**
Cost of materials and inbound logistics	(1,086,154)		(1,086,154)
Cost of warehousing, outbound logistics and other services	(37,630)	1,274	(36,356)
Wages and salaries	(90,202)	-	(90,202)
Social security and other charges	(24,960)	-	(24,960)
Depreciation of property, plant and equipment	(2,921)	(7,748)	(10,669)
Amortisation of intangible assets	(19,410)	(1,908)	(21,318)
Other operating expenses	(42,462)	8,205	(34,257)
Operating expenses	**(1,303,739)**	**(177)**	**(1,303,916)**
Result from operating activities	**101,354**	**(177)**	**101,177**
Net finance costs	(11,486)	(1,208)	(12,694)
Share of profit of equity-accounted investees, net of tax	(4)	-	(4)
Result before income tax	**89,864**	**(1,385)**	**88,479**
Income tax expense	(24,544)	378	(24,166)
Result for the year	**65,320**	**(1,007)**	**64,313**
Operating EBITA[1]	121,413	1,731	123,144
Earnings per share	1.24	(0.01)	1.23

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

In relation to the leases that were previously classified as operating leases, the Group has recognised depreciation and amortisation costs (EUR 9.7 million) and interest costs (EUR 1.2 million), instead of operating lease expenses (EUR 9.5 million).

Impact of IFRS 16 on the free cash flow for the period January 1 - June 30, 2019

EUR 1,000	Before IFRS 16	Impact IFRS 16	Including IFRS 16 impact
Operating EBITA	**121,413**	**1,731**	**123,144**
Depreciation tangible assets	2,921	-	2,921
Depreciation right-of-use assets	-	7,748	7,748
Operating EBITDA	**124,334**	**9,479**	**133,813**
Non-cash share based payments	1,233	-	1,233
IAS 17 lease payments	-	(9,479)	(9,479)
Change working capital	(42,469)	-	(42,469)
Capital expenditure	(2,180)	-	(2,180)
Free Cash flow	**80,918**	**-**	**80,918**
Cash conversion margin	**65.1%**	(4.6%)	**60.5%**

In the consolidated statement of cash flows, payments for operating leases (EUR 9.5 million), previously included in cash generated from operating activities, are now included in the cash flows from financing activities.

Since the first time application of IFRS 16, in the calculation of the free cash flow, lease payments related to operating leases recognised as leases under IFRS 16, are deducted. As lease payments are no longer included in the calculation of operating EBITDA, the impact of the first time application of IFRS 16 on the reported operating EBITDA is EUR 9.5 million, leading to a decrease in the cash conversion ratio of 4.6%.

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
- Americas: all operating companies in the United States of America, Canada, Brazil, Puerto Rico, Chile, Argentina and Uruguay
- Asia Pacific: all operating companies in Australia, New Zealand, India, China, Malaysia, Indonesia, Philippines, Thailand, Singapore, Vietnam and Japan
- 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, 2019	Jan. 1 - June 30, 2018
Revenue	695,891	634,522
Gross profit	173,369	158,099
Operating EBITA	71,044	70,268
Result from operating activities	63,153	61,728
Total Assets	921,995	817,868
Total Liabilities	316,436	249,056

Americas

EUR 1,000	Jan. 1 - June 30, 2019	Jan. 1 - June 30, 2018
Revenue	509,726	353,070
Gross profit	99,438	70,515
Operating EBITA	42,007	28,105
Result from operating activities	34,973	21,078
Total Assets	550,568	413,543
Total Liabilities	154,664	107,239

Asia Pacific

EUR 1,000	Jan. 1 - June 30, 2019	Jan. 1 - June 30, 2018
Revenue	192,508	164,230
Gross profit	39,165	34,500
Operating EBITA	17,392	15,719
Result from operating activities	15,539	13,138
Total Assets	298,644	264,500
Total Liabilities	76,417	56,828

Holding Companies

EUR 1,000	Jan. 1 - June 30, 2019	Jan. 1 - June 30, 2018
Operating EBITA	(7,299)	(8,920)
Result from operating activities	(12,488)	(8,664)
Total Assets	322,272	235,901
Total Liabilities	732,365	579,399

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, 2019	Jan. 1 - June 30, 2018
Result from operating activities	101,177	87,280
Amortisation of intangible assets	21,318	17,272
Non-recurring items in result from operating activities	649	620
Operating EBITA	**123,144**	**105,172**

The non-recurring expenses in 2019 and 2018 relate to acquisition of businesses and one-off adjustments to the organisation.

The effect on the operating EBITA of the application of IFRS 16 in the first half of 2019 is EUR 1.7 million. The following table shows the impact of the application of IFRS 16 on operating EBITA by segment.

EUR 1,000	EMEA	Americas	Asia Pacific	Holding companies	Consolidated
Operating EBITA before IFRS 16	71,399	41,881	17,338	(9,205)	121,413
Impact IFRS 16	(355)	126	54	1,906	1,731
Operating EBITA after IFRS 16	**71,044**	**42,007**	**17,392**	**(7,299)**	**123,144**

5. Discontinued operations

On 29 March 2019, IMCD divested its, non-core, flavour and fragrance manufacturing activities in Australia to one of its principals. These operations were not considered as a major line of business, based on its limited contribution to the Group. In 2018 these activities generated a revenue of EUR 3.6 million.

6. Seasonality of operations

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

7. Equity

Following the decision about the appropriation of the financial result 2018 by the Annual General Meeting of May 8, 2019, the Company distributed a dividend in cash of EUR 42.1 million (EUR 0.80 per share). In 2018 the Company distributed a dividend in cash of EUR 32.6 million (EUR 0.62 per share).

8. Loans and borrowings

As at 30 June 2019, net debt was EUR 683.6 million (31 December 2018: EUR 610.7 million). The initial application of IFRS 16 resulted in an increase of reported debt of EUR 66.2 million in the first half of 2019.

As at the end of June 2019, the leverage ratio (net debt/operating EBITDA ratio including full year impact of acquisitions), including new debt as a consequence of the implementation of IFRS 16, was 2.9 times EBITDA (31 December 2018: 2.8). The actual leverage as at 30 June 2019, calculated on the basis of the definitions used in the IMCD loan documentation, was 2.7 times EBITDA (31 December 2018: 2.8).

Two leverage covenants are applicable to the Group:

- For the 'Schuldschein Darlehen' of EUR 100 million and USD 90 million, a maximum leverage of 3.5 times EBITDA is applicable (with a spike period maximum of 4.0), tested annually.
- For the revolving credit facilities of EUR 400 million, a maximum leverage of 3.75 times EBITDA is applicable (with a spike period maximum of 4.25), tested semi-annually.

As at 30 June 2019, the actual leverage of 2.7 times EBITDA is well below the applicable maximum leverages.

9. Financial instruments

30 June 2019		Carrying amount					Fair value			
EUR 1,000	Note	Financial assets at fair value through profit or loss	Amortised cost	Financial liabilities at fair value through profit or loss	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
Forward exchange contracts used for hedging		145	-	-	-	145	-	145	-	145
Trade and other receivables		-	466,568	-	-	466,568				
Cash and cash equivalents		-	114,435	-	-	114,435				
Interest rate swaps used for hedging		-	-	-	-	-				
Forward exchange contracts used for hedging		-	-	347	-	347	-	347	-	347
Contingent consideration	9	-	-	4,373	-	4,373	-	-	4,373	4,373
Other short term financial liabilities	8	-	-	-	271,733	271,733				
Bank loans	8	-	-	-	474,996	474,996				
Other loans and borrowings	8	-	-	-	982	982				
Trade payables		-	-	-	288,360	288,360				
Other payables		-	-	-	80,227	80,227				

31 December 2018		Carrying amount					Fair value			
EUR 1,000	Note	Financial assets at fair value through profit or loss	Amortised cost	Financial liabilities at fair value through profit or loss	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
Forward exchange contracts used for hedging		485	-	-	-	485	-	485	-	485
Trade and other receivables		-	397,534	-	-	397,534				
Cash and cash equivalents		-	85,162	-	-	85,162				
Interest rate swaps used for hedging		-	-	-	-	-				
Forward exchange contracts used for hedging		-	-	195	-	195	-	195	-	195
Contingent consideration	9	-	-	4,176	-	4,176	-	-	4,176	4,176
Other short term financial liabilities		-	-	-	213,831	213,831				
Bank loans		-	-	-	474,072	474,072				
Other loans and borrowings		-	-	-	3,799	3,799				
Trade payables		-	-	-	263,679	263,679				
Other payables		-	-	-	88,664	88,664				

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 2019	**4,176**
Assumed in a business combination	-
Paid contingent consideration	-
Result included in profit or loss	105
Effect of movement in exchange rates	92
Balance as at 30 June 2019	**4,373**

10. 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 half of 2019 do not substantially deviate from the transactions as reflected in the financial statements as at and for the year ended 31 December 2018.

11. Auditor's review

The consolidated interim financial statements for the first half year of 2019 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 2019 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, 16 August 2019

Management Board:

P.C.J. van der Slikke, CEO

H.J.J. Kooijmans, CFO